



**SONAE**  
**REPORT AND ACCOUNTS 2008**

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- (i) This document was prepared to comply with article 508, nr.6, paragraph c) of the Portuguese Companies Act and applies to both consolidated and individual accounts of Sonae;
- (ii) In order to facilitate comparisons of 2008 results against the previous year, the 2007 comparative figures have been restated ( 2007<sup>(R)</sup>) to: (i) exclude Sonae Capital's contribution to the Sonae consolidated accounts during 2007, given the conclusion of the Sonae Capital demerger and consequent exclusion from the Sonae consolidation perimeter, from October 2007; (ii) Consolidate in 2H08 the Portuguese shopping centres comprising the Sierra Portugal Fund by the equity method; and (iii) perform the fair value allocation of the retail acquisition in the 2H07;
- (iii) Sonae sub-holdings financial figures, as reported in section 8 - Sonae performance in 2008 - , are presented on the basis of their contribution to the consolidated accounts; references to stand alone means figures presented at the individual financial statements of each business;
- (iv) All the references in this document to "stand alone basis" should be understood as figures presented at the financial statements of each business;

- (v) The consolidated income statement included in section 8 is presented dividing Direct Income and Indirect Income as common practice in Real Estate Industry, in which Shopping Centres Segment is included. Indirect Income includes the Shopping Centres segment contributions net of taxes to consolidated income statement, arising from: i) investment properties valuations; ii) capital gains (losses) with the sale of financial investments, joint ventures or associates; iii) impairment losses (including goodwill) and; iv) provision for "Development Funds at Risk". The comparative figures for 2007 were restated in order to facilitate comparisons with 2008. Consequently figures presented as Direct Income, including EBITDA and EBIT exclude such contributions.

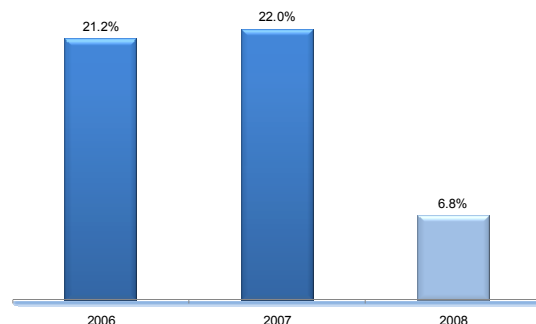
# MANAGEMENT REPORT

## 1. Leading business indicators

Million euros	2006 <sup>(R)</sup>	2007 <sup>(R)</sup>	2008	y.o.y
<b>DIRECT INCOME <sup>(13)</sup></b>				
<b>Turnover</b>	<b>4,036.9</b>	<b>4,417.3</b>	<b>5,353.1</b>	<b>21.2%</b>
Retail	3,086.5	3,376.0	4,210.7	24.7%
Shopping Centres <sup>(1)</sup>	132.5	145.1	168.8	16.3%
Telecoms	804.4	877.0	953.7	8.7%
Holding & others	13.4	19.2	20.0	3.8%
<b>EBITDA <sup>(2)</sup></b>	<b>470.0</b>	<b>536.4</b>	<b>616.8</b>	<b>15.0%</b>
EBITDA margin (%) <sup>(3)</sup>	11.6%	12.1%	11.5%	-0.6pp
Retail	254.0	299.9	353.7	17.9%
Shopping Centres <sup>(1)</sup>	72.9	69.2	89.5	29.4%
Telecoms	144.8	172.7	178.9	3.6%
Holding & others	-1.6	-5.4	-5.4	0.4%
EBIT <sup>(13)</sup>	297.8	297.8	328.1	10.2%
Net Financial Results	-114.1	-114.1	-173.7	-52.2%
Direct Net Income Group Share <sup>(4) (13)</sup>	198.9	198.9	159.1	-20.0%
<b>INDIRECT INCOME <sup>(13)</sup></b>				
Value created on investment properties <sup>(5)</sup>	128.4	158.2	-121.4	-
<b>CAPEX AND CASH FLOW</b>				
CAPEX	700.3	1,453.6	901.8	-38.0%
CAPEX as a % of turnover	17.3%	32.9%	16.8%	-16.1pp
EBITDA minus CAPEX	-230.3	-917.2	-285.1	68.9%
<b>CONSOLIDATED BALANCE SHEET</b>				
Total Assets	5,657.6	6,862.4	7,306.2	6.5%
Liquidity <sup>(6)</sup>	678.0	344.5	247.9	-28.0%
Total Shareholders' Funds	1,383.1	1,568.5	1,562.5	-0.4%
Gross Debt <sup>(7)</sup>	2,571.2	2,870.8	3,386.5	18.0%
Retail net debt/EBITDA (last 12 months)	1.5 x	3.6 x	3.5 x	-0.2x
Shopping centres Loan to Value <sup>(8)</sup>	31.2%	41.0%	46.7%	5.7pp
Telecoms net debt/EBITDA (last 12 months)	1.8 x	1.9 x	2.5 x	0.6x
Holding & Others Loan to Gross Asset Value <sup>(9)</sup>	-	11.8%	23.2%	11.4pp
<b>OPERATING DATA</b>				
Retail sales growth	13.0%	9.5%	24.7%	15.2pp
Retail sales area ('000 m <sup>2</sup> )	545	709	809	14.1%
NAV per share (euros)	45.8	52.7	43.6	-17.3%
Assets under management (million euros) <sup>(10)</sup>	4,728.0	6,153.5	6,173.0	0.3%
GLA under development (million m <sup>2</sup> ) <sup>(11)</sup>	338.6	473.8	700.5	47.9%
Mobile customers (EOP) ('000)	2,601.9	2,893.5	3,191.6	10.3%
Mobile ARPU (euros) <sup>(12)</sup>	19.7	18.2	16.8	-7.6%
Direct fixed services (EOP)	281,541	470,673	455,027	-3.3%
Sonae employees	28,107	34,896	37,437	7.3%

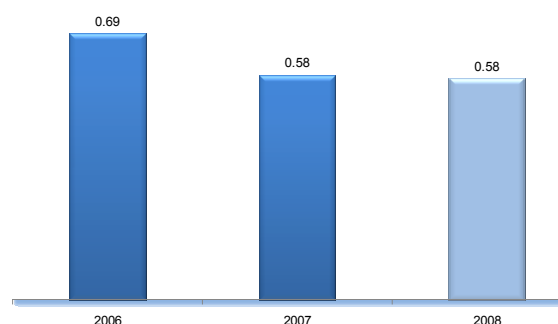
(1) Shopping centres are proportionally consolidated; (2) EBITDA = Turnover + other revenues - impairment reversion - badwill - operating costs; (3) EBITDA margin = EBITDA / turnover; (4) Direct Net income attributable to Sonae shareholders; (5) Increase (decrease) in the valuation of the shopping centres proportionally consolidated; (6) Liquidity includes cash & equivalents and current investments; (7) Gross debt = non current borrowings + current borrowings; (8) Net debt / (Investment properties + Properties under Development); (9) Holding & Others Net debt/Holding Investment Portfolio Gross Asset Value; gross asset value based on Market multiples, real estate NAV and market capitalization for listed companies; unaudited; (10) Open market value = fair value of real estate in operation (100%), provided by an independent entity; (11) Gross lettable area in operating centres; excludes the Brazilian operation; (12) Average revenues per user; (13) refer to note (V) in the table of contents; (R) Restated to exclude Sonae Capital contribution in 2007, to consolidate the Portuguese shopping centres comprising the Sierra Portugal Fund under the equity method in 2H08 and to include the fair value allocation of the Carrefour acquisition by end 2007.

Return on equity (%)

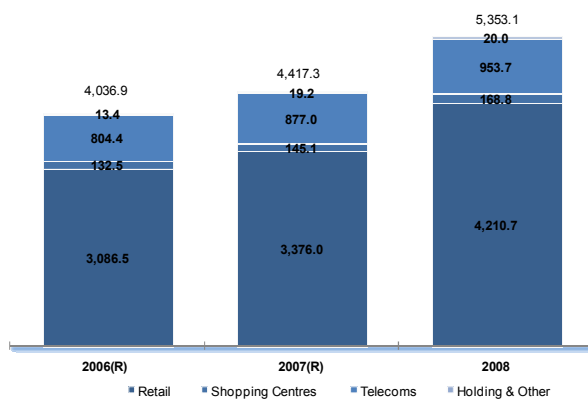
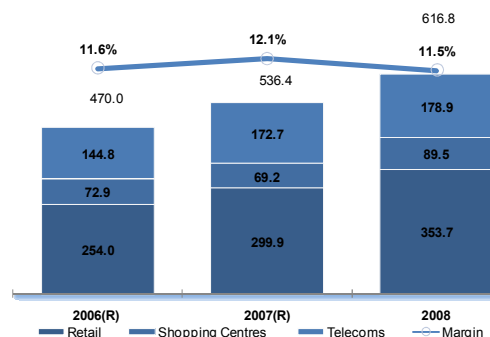
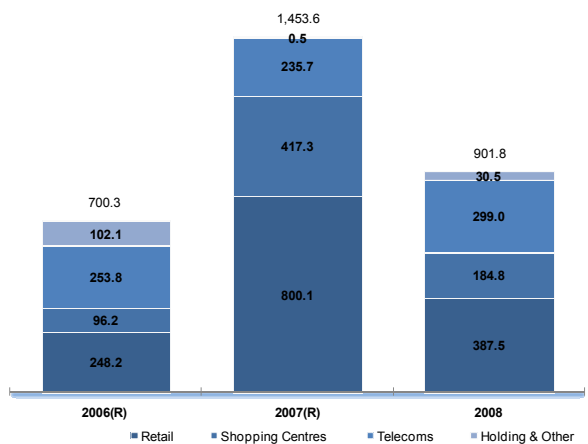
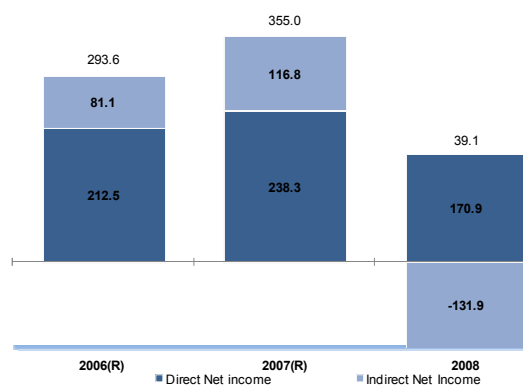
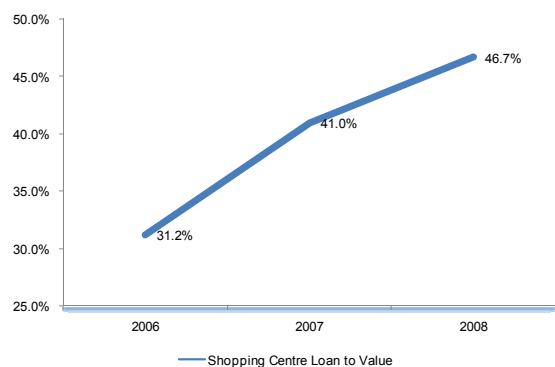
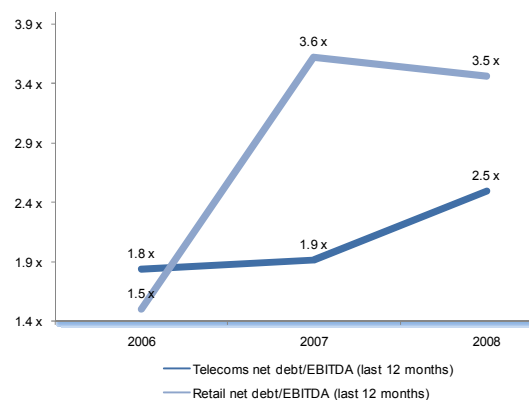


Return on Equity = Net income Group share n / Shareholders' funds Group share n-1

Shareholders' equity per share (euros)



Shareholders' equity per share = Shareholders' funds Group share n / total outstanding shares

**Turnover (million euros)**

**EBITDA (million euros) and margin (%)**

**CAPEX (million euros)**

**Total Net Income breakdown (million euros)**

**Shopping Centres Loan to Value (%)**

**Retail and Telecom Gearing Ratio (%)**


## 2. Message from the CEO

During 2008, the macroeconomic and financial environment continued to deteriorate across the world, far beyond most initial expectations. Nonetheless, Sonae continued to deliver growth and increased operational profitability, posting an increase of 21% in turnover and 15% in EBITDA, thanks to our execution capability and a balanced portfolio that proved its robustness in the face of challenging macroeconomic conditions. The last quarter was particularly important for this performance, posting a turnover and an EBITDA growth of 18% and 21%, compared with the homologous period, and contributing to 28% and 33% of the annual figures, respectively.

I am very pleased to report that our Retail business fully delivered its disclosed guidance for the year of turnover growth above 20% and a sustained recurrent EBITDA margin of 8.5% (both on an ex-fuel basis). These goals had been considered difficult to achieve, given the acquisition of less profitable hypermarkets at end 2007, as well as the deterioration of demand for non-food retail products. Contributing to this performance, was the successful integration of the assets acquired, and the entrepreneurial and innovative spirit of the Retail team, examples of which were the strong investment made in the development of private and exclusive label programmes and the upgrade and segmentation of the perishable category. Particularly noteworthy was the solid growth posted by our specialized retail formats, strengthening our market share in several categories and showing resilience to the negative trend of consumer confidence.

Our Shopping Centre business managed to optimize the operating performance of its units, posting, on a stand alone basis, turnover growth of 12% and an EBITDA increase of 15%, mainly driven by an underlying 5% like for like growth of rents and the centres opened in 2007 (+3) and 2008 (+3). These results were only possible due to the experience and recognized the management skills of the team, which were also apparent in the ability to launch, in the middle of the real estate and financial crisis, a 300 million euros equity fund and to place a 58% shareholding of this Fund to international institutional investors without any discount to fair value.

The Telecommunication business achieved significant growth in turnover (+9%) while maintaining its EBITDA level, a clear sign of the success of its ambitious investment programme, namely in network extension and capacity, brand promotion and distribution. The business is today strongly placed to successfully develop its activity as the leading global operator in Portugal, and even better positioned to achieve the long term objectives of sustainable growth and superior economic value.

Indirect income registered a significant negative value in 2008 due to variations in the value of our shopping centres. It is important to stress that these variations are only negative because of increases in market capitalization yields, which are used to discount cash-flow projections. These projections have in fact increased substantially and, together with the new openings, amounted to 84 million euros, were responsible for a significant improvement in this negative value.

Our consolidated financial structure should not be analysed by a single consolidated ratio as our businesses have very different cash flow profiles and can only be correctly analysed with the relevant ratios for each sector. We feel comfortable with the debt levels in all our businesses, each with low refinancing and liquidity risk. Also, our average maturity of debt stood at approximately 5.7 years by end 2008, with only 100 million euros to be refinanced in 2009, with the sum of cash and unused short term credit lines totalling 1,112 million euros.

Looking forward our Group has several important decisions to take, including setting long term strategic objectives. The last 18 months have been extremely important in our internal 'strategizing' process. Our Senior Executives have spent a lot of time building a shared vision of our future and in selecting those strategic guidelines which we feel will be the most important growth drivers for the future. Much thought is still necessary in crafting out the portfolio strategy and the shaping of company strategies, steps that are still to be completed at all levels in the organization and which will be essential to set a clear action plan to guide us in the pursuit our strategic objectives.

As importantly, Álvaro Portela and Nuno Jordão have each taken decisions for personal reasons not to accept new terms as CEOs from March 2010 onwards. Although the reasons

behind their individual decisions are quite different, they were in both cases totally resolute and unmovable in their resolutions, reflecting the unparalleled work ethic and loyalty they have always shown. They were simply not willing to consider any other way to perform their CEO roles other than the '120% share of mind and time' that they have always displayed. I have learnt an enormous amount from them over the last 20 years and I am sure I will continue to do so in the future.

Our new corporate strategic guidelines and these important changes to be made to our top management team have already triggered a number of important decisions:

### **Succession planning**

The challenge of preparing successors for Álvaro Portela and Nuno Jordão as the respective CEOs of Sonae Sierra and Sonae Distribuição, as from March 2010, is no small task.

Álvaro Portela is the best shopping centre developer I know and has been the CEO of Sonae Sierra from its beginning. There can be no doubt in anyone's mind that his individual contribution to the creation of the economic and social value, which Sonae Sierra represents today, was absolutely fundamental and instrumental in all that was achieved. After stepping down as CEO, Álvaro Portela will assume a number of advisory non-executive positions in our Group.

Nuno Jordão has had an equally significant role and determining impact in the creation of Sonae Distribuição, where he has been CEO since 1991. He worked in our first hypermarket, managed the second one and then progressively instigated a series of successful moves to create what is now the largest retailer in Portugal. He was also responsible for a constant stream of format and process innovations, which have greatly increased the competitive position and potential of the organization. Nuno Jordão will remain a Director of Sonae in roles that are compatible with the time he is still willing to dedicate to work.

Were it not for the depth of our management, the large pool of leaders available to us, our clear strategic intent and the fact that both of them have carefully prepared their retirement from full time executive roles, we would be facing a daunting task.

As it is, I feel confident that our organisation will rise to the task. We will in fact learn from the process and find unexpected value whilst overcoming the difficulties before us. For the coming year, the Executive Committee, especially Álvaro Portela and Nuno Jordão, will dedicate a fair amount of time to preparing the teams for the future; in addition, they are both committed to advising and coaching these teams beyond their terms as CEOs. The new structure of our retail businesses and the management changes at retail and Sonae Sierra, which will be implemented on 1 April 2009, bring new opportunities and represent important steps in the development programs of some of our key executives.

### **Strategy**

At Sonae Distribuição and at the Sonae corporate centre, the organizational challenge we face goes beyond succession planning, as we need to prepare our organizational structure to allow us to deliver our corporate strategic objectives.

We have defined a limited number of strategic objectives that we strongly believe in as a Group. We feel that they will guide our moves and allow us to craft individual strategic plans. They are not business strategies, nor a detailed series of action plans, but rather central ideas that will guide us through the necessary adaptations to continually changing circumstances. They clearly reflect how we see ourselves developing in the future and our resolution could not have suffered a greater test than the radical changes that have occurred in the 18 months during which we worked on defining these goals:

#### **Internationalisation**

Internationalisation, focused on our core businesses including adjacent arenas, will be our key growth driver for many years to come. This is our top strategic priority and we will deploy our resources accordingly, as we have the opportunity to enlarge our international footprint and transform Sonae into a large multinational corporation.



Our strategy will target opportunities in 'growth geographies' and in mature markets. In 'growth geographies' we will look for economic growth, developing retail markets and relatively good governance practices. In the mature markets, where we are already present, we will look for opportunities, where our distinctive concepts, competences and strategic assets can give us a clear edge over installed competitors.

Considering our economic exposure to the businesses in our portfolio, we aim to reach 25% of turnover and 35% of assets in international operations by 2012.

#### Diversification of investment style

We will leverage our resources and the effectiveness of our strategy implementation plans, by adopting the most appropriate investment style or mix of styles for each business, including wholly owned businesses and majority stakes, but also minority stakes with or without special rights.

Non-controlling stakes will be considered where we do not have all the required resources or would benefit from the contribution of partners to achieve superior value creation. We will, in these circumstances, facilitate consolidation and other industry restructuring movements, enter new geographies as technical partners and develop an appropriate high level business relationship network.

We aim to dedicate more than 10% of our capital employed to non-controlling stakes.

#### Leveraging our exceptional asset base in Portugal

We will continue to explore new business opportunities that leverage on our exceptional asset base in Portugal, as a way to expand our portfolio of future growth options. These new ventures should have most of the following characteristics: (i) a clear path to internationalisation; (ii) potentially attractive profitability levels; (iii) alignment with global trends; (iv) opportunity to reinforce our competitive position, and; (v) potential to become a large business in the medium term.

We will dedicate a suitable part of our capital to these new ventures, according to the potential of each venture to deliver growth and create value. We also will look for early signs of success or failure, guaranteeing that scaling-up, merger or divestment decisions are taken as early as possible.

The current economic environment has forced us to concentrate most of our focus and actions on the generation of cash and the preservation of capital, which has significantly altered our plans and tactics, but not our beliefs or our vision of our future.

We have an additional important task on our hands which is of a somewhat 'softer' nature but equally relevant. Sonae is a company with very strong values which are really shared and lived by everyone. One of these values, with which we feel particularly committed, is independence. This, together with our strong ethical standards, commitment to excellence and transparency, means, among other things, that we always take decisions using our best judgment and in strict compliance with the law and our code of conduct. We also clearly explain our decisions and the reasoning behind them. In the Portuguese political context, this has been frequently confused with being in opposition to ruling powers, despite our constant willingness to collaborate with central and local authorities in all areas where our technical skills and assets are useful.

We believe that companies with strong work ethics, independence and commitment to excellence are essential to the development of competitive and competent economies. Sonae also has an particularly high commitment to promote Education and Social Responsibility. We clearly have not been able to communicate this in Portugal, which has been negative for Sonae and, in our opinion, for the country. We will strive to better communicate and clearly demonstrate the beneficial nature of our intents and to achieve political recognition for our contributions to economic and social welfare.

#### Organization

We will implement a number of important organizational changes designed to provide the necessary focus as well as to further develop our competences and management abilities:

**Organize most of the current retail business into 3 separate units: Food Based Retail (Modelo Continente), Non-Food Based Retail (Sonae Retalho Especializado) and Retail Real Estate (IGI)** – This new structure takes into consideration the different internationalization opportunities, which are significantly different for food and non-food businesses, and will be instrumental to the development of Senior Executives in this area. Additionally, the new Retail Real Estate business unit is expected to be an important source of capital.

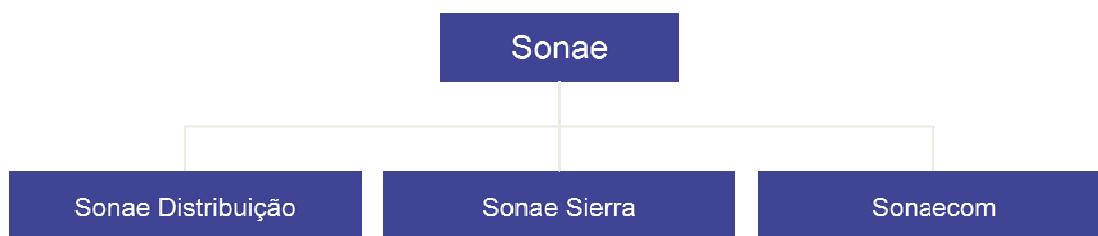
**Merge Sonae Distribuição corporate centre with Sonae Holding** – We will, in this way, release resources that are necessary for the new developments without increasing headcount. We will also focus more on retail and retail related businesses and on those competencies and assets which we believe will provide significant leveraging opportunities for new business development.

**Merged corporate centre will be organized to manage ‘active investments’** – active investments are defined as the units where M&A activity is as important as organic growth to achieve our value creation objectives. In the first phase, this unit will be responsible for our investments in the insurance area (MDS, Cooper Gay and LazamMDS), travel agencies (the joint ventures with RAR group – Star and Geotur) and DIY (joint venture with CRH – Maxmat).

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Current portfolio organisation:

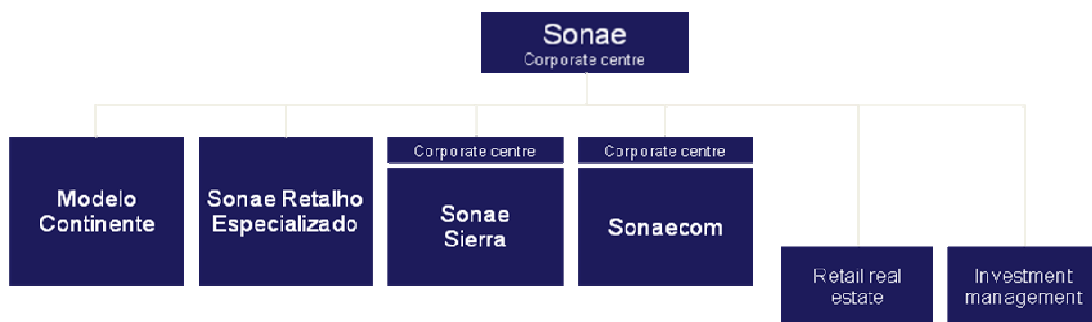
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Future portfolio organisation:

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Last year we showed our ability to manage in tough times, achieving objectives that were set under much more favourable economic and regulatory assumptions than those that were actually seen during the year. However, we were not able to translate this performance into a positive evolution of our share price, relative to the market index. I wish to thank all the shareholders that have chosen to stay invested with the Company. We are committed to communicating the value of our strategic assets and management team, as well as the current and the potential value of the company.

I am grateful for and proud of the extraordinary commitment our team has shown and I am equally conscious that this would not have been possible without the huge effort of our like-minded business partners. I would like to extend my gratitude to our suppliers, advisors, joint-venture partners and members of our governing bodies.

Last, but most certainly not the least, I would like to thank all our customers for their confidence in our products and services and, in particular, those customers that take the time to give us their suggestions and requests. Our will to fully satisfy those needs, faster and better than anyone else, is a critical motivator and a key source of the energy, attributes that we bring to our work every day.

### 3. Management bodies

Sonae's Board of Directors is composed of 8 members and includes four Non-Executive Directors. Sonae complies with the Corporate Governance principles of separation of responsibilities, namely the separation of the roles of Chairman of the Board of Directors and the CEO, and of the power given to independent Non-Executive Directors to influence the decision making process and the development of the Group's strategy.

Sonae Board of Directors and appointed committees

	Executive <sup>(1)</sup>	Non-Executive <sup>(2)</sup>		Audit and Finance Committee	Nomination and Remuneration Committee
		Independent <sup>(3)</sup>	Non-Independent		
CHAIRMAN					
Belmiro Mendes Azevedo					
DIRECTORS					
Álvaro Cuervo					
Michel Bon					
José Neves Adelino					
Paulo Azevedo (CEO)					
Álvaro Portela					
Ângelo Paupério					
Nuno Jordão					

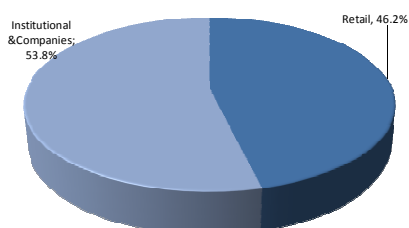
(1) Executive Directors = members of the Board of Directors and Executive Committee, with executive management responsibilities; (2) Non-Executive Directors = members of the Board of Directors, without executive management responsibilities; (3) Independent Non-Executive Directors = Directors not associated with any specific interest groups in the Company or Groups which are, under any circumstance, capable of affecting their objectiveness.

The Board of Directors is responsible for ensuring the management of the Company's business, monitoring risks, managing conflicts of interests and developing the organization's goals and strategy. Sonae's Articles of Association permit the Board to delegate day to day company business, duties and responsibilities, as considered appropriate, to an Executive Committee. The Board of Directors has also 2 specialized working committees, namely the Board Audit and Finance Committee (BAFC) and the Board Nomination and Remuneration Committee (BNRC), with the former being responsible, among others, for monitoring and supervising the Group's financial reporting, accounting and audit and risk management activities, and the latter responsible, among others, for supervising Senior Management remuneration. It is worth noting that the BAFC is solely made up of Independent Non-Executive members whom, during 2008, have periodically met and exercised an important influence over decision-making processes and the development of strategy and policy, and did not encounter any restraints in the execution of their functions.

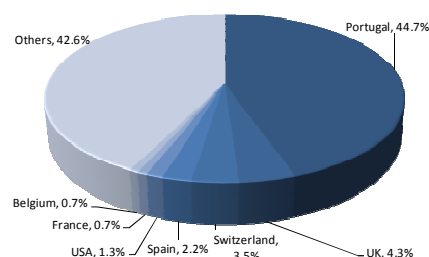
### 4. Shareholder structure

At 31 December 2008, Efanor Investimentos, a family holding company of which Belmiro de Azevedo is chairman, held a majority stake in Sonae, with approximately 53.1% of the shares and voting rights. Regarding the remaining 46.9% of free float capital (excluding Efanor, the major shareholder), it was held by 41,919 shareholders, of whom 40,965 were individuals owning 21.7% of the capital, while 954 institutional investors and companies owned 25.2% of the capital. A substantial 44.7% of free float capital was held by Portuguese investors, with most of the remaining stock being dispersed across several European countries.

Free float - Shareholding profile (%)



Free float – country breakdown (%)



At this date, there were no shares directly owned by Sonae holding, as the total of 132.9 million Sonae treasury shares were sold in a market operation in November 2007. Nevertheless, Sonae did not recognize the cost of the own shares sold in its balance sheet, since,

simultaneously, it entered into a derivative financial instrument – Cash Settled Equity Swap –, hence maintaining full economic exposure to them

In accordance with article 16 of the Portuguese Securities Code, shareholdings directly or indirectly amounting to or exceeding the thresholds of 2%, 5%, 10%, 20%, 33.33%, 50%, 66.66% and 90% of the voting rights must be reported to the Portuguese Securities Market Commission and disclosed to the capital market. Reporting is also required if the shareholdings fall below the same percentages.

At end 2008, and based on notifications made, shares held by companies owning more than 2% of Sonae's share capital were the following:

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**Sonae Qualified Shareholders**


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Shareholder	Number of shares	% Share capital
Efanor Investimentos	1,061,514,990	53.08%
Banco BPI <sup>(1)</sup>	178,039,855	8.90%
Fundação Berardo <sup>(2)</sup>	49,849,514	2.49%

(1) Shareholding owned according to the announcement made to the market on 16 November 2007; (2) Shareholding owned according to the announcement made to the market on 14 February 2006.

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## 5. Investment portfolio

Sonae was incorporated in Portugal in 1959 in the wood products business, more specifically as a producer of high-pressure decorative laminates. The business grew steadily during the 70's and into the 80's, when it began a process of diversification through the acquisition of a supermarket chain followed by the opening of Portugal's first hypermarket. Later, came further diversification into shopping centres and telecommunications.

As it stands today, Sonae is a company that actively manages a portfolio of businesses with a focus on the consumer, divided into three main areas: retail, shopping centres and telecommunications. The various Group companies are run in an independent manner, by a fully dedicated and experienced management team that develops strategies focused on their own key value-adding drivers.

Sonae's business portfolio at 31 December 2008

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100%		<b>FOOD &amp; NON FOOD RETAIL</b>	Market leader in food retail and various non food retail formats
50%		<b>SHOPPING CENTRES</b>	Market leader in shopping centre development, ownership and management
53%		<b>TELECOMMUNICATIONS</b>	Leading integrated alternative telecom provider (mobile & fixed)

Sonae has also shareholdings in the following companies: mds, insurance broker (100%); Lazam, insurance broker (45%); Cooper Gay, reinsurance broker (32%); and Sonae Re, reinsurance broker (100%).

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### Retail

Sonae's retail activities are carried out by Sonae Distribuição, which became a benchmark reference in the retail market, after revolutionising the consumer habits and commercial landscape in Portugal with the opening of the first hypermarket in the country in 1985. Its market position has been achieved based on a profound knowledge of the market, and the ability to provide a reliable and high quality service to all its customers; a continuous investment in innovation, as a means of going beyond the demands of its customers and differentiating itself from the competition; a focus on operational efficiency, by improving information systems, modernising the logistics structure and training internal staff; a consistently well executed

growth strategy, ending 2008 with 793 stores, and a total of 809 thousand m<sup>2</sup> of sales area covering more than 70% of the Portuguese population; and a well known brand name, with one of the highest awareness and confidence levels among Portuguese consumers. Continente, Sonae Distribuição's hypermarket brand, has been considered the "Brand of Trust" by Portuguese Consumers for 7 consecutive years.

The company operates three different food retail chains: (i) Continente: hypermarkets with an average sales area of approximately 7,500 m<sup>2</sup> and located, as anchor stores, within big shopping centres in the main cities in Portugal; (ii) Modelo: supermarkets with sales area of approximately 2,000 m<sup>2</sup> and located in medium sized urban centres; and (iii) Modelo Bonjour: with sales area of approximately 1,000 m<sup>2</sup> and a strong presence in residential urban areas in the metropolitan zones of Lisbon and Porto. Sonae Distribuição also operates thirteen different non food retail formats, the most significant being Worten, a consumer electronics format, SportsZone, a sports clothing and equipment format, and Modalfa, an apparel format. The company has broadened its business portfolio, taking advantage of existing synergies with the Sonae Group and developed new innovative non food concepts, examples of which are Área Saúde (para-chemist), Zippy (children and baby apparel) and Worten Mobile (specialist in mobile telecommunications equipment). During 2008, three innovative concepts were launched on the market, namely Loop – footwear chain, Book.it – books, stationery and tobacco, and Bom Bocado – an innovative coffee shop concept.

During 2008 Sonae Distribuição expanded its operations internationally entering into the Spanish market with 2 of its non-food formats, namely SportZone and Worten. SportZone's expansion into Spain resulted from organic growth through the opening of 6 stores in the cities of Madrid, Corunha, Ferrol, La Gavia, Murcia and Zaragoza. Worten's expansion has been achieved through the acquisition of Boulanger's Spanish stores, specialized in consumer electronics, and comprising nine stores in operation, in Spain's main cities with a total of 22 thousand m<sup>2</sup> of sales area and a turnover in excess of 100 million euros. Viability of further international expansion of additional formats to new countries is also being studied.

### **Shopping centres**

Sonae's shopping centre activity is carried out by Sonae Sierra, a company launched in 1989 to help manage the hypermarkets' shopping galleries and explore opportunities for the expansion of Sonae's retail activities. Sonae Sierra is an international shopping centre specialist, with the goal of being a leading operator of innovative shopping and leisure destinations in the markets in which it operates, and with an integrated approach to the business that includes development, ownership, and management activities – both asset and property management. This approach of being present across the value chain of the business, embedded in a long-term view of investment, ensures that shopping centres increase in value over time.

Sonae Sierra has earned an international reputation for the development of innovative products as well as for its management skills, having been awarded several international prizes over the years from recognized institutions in the shopping centre sector.

Sonae Sierra's strong partnership policy, both with international investors and local partners, allows the company to be financially strong and capable of both rapidly gaining an in-depth knowledge of a market and creating new business opportunities. At the end of 2008, Sonae Sierra was present in Portugal, Spain, Italy, Germany, Greece, Romania and Brazil, and owned 50 shopping centres, with a total GLA of more than 1,900 thousand m<sup>2</sup>; had more than 2,200 thousand m<sup>2</sup> of GLA under management with over 8,450 tenants; and had 14 projects under development with a total GLA in excess of 700 thousand m<sup>2</sup>.

### **Telecommunications**

Sonae's telecommunications activity is carried out by Sonaecom, an integrated telecom group with a complete range of mobile, fixed communications and multimedia services targeting residential and business customers in Portugal. The company is currently one of the main communications' traffic generators in Portugal, and has reached a market share of 13.1% in the Portuguese telecommunications market at end 2008, based on revenues. The mobile business, better known through its brand Optimus, has strengthened its market position in Portugal with 3.2 million subscribers and a market share of 20%, at the end of 2008. The fixed residential business, better known through its brand Clix, has consolidated its position as a leading altnet operator in Portugal, providing triple play services of voice, internet and IPTV to its residential,



SME and corporate customers, as well as providing voice and data capacity, and connectivity services to telecommunications operators worldwide. By the end of 2008, Sonaecom Fixed attained a 12.5% market share of the broadband market and 9.1% market share of the fixed voice telephony market.

The business network is a distinctive competitive advantage for the organization and represents a fundamental strategic asset for both its mobile and wireline divisions. By end 2008, Optimus' 3G network covered approximately 90% of the Portuguese population and over 80% with HSDPA technology, offering bandwidths of up to 7.2 Mbps. The substantial investment made in its network during 2008 allowed the business to continue to lead in mobile broadband and attain additional growth. In relation to the fixed network, the company ended 2008 with a high capacity fiber optical network, with a Gigabit Ethernet transport technology, covering more than 6,000 km across most of the country. This ultra broadband network was carefully prepared to increase transmission capacity and thus cope with the growing capacity needs for circuits and broadband services, mainly IP based services (voice, internet, TV and Video), while maintaining a light operational cost base. To complement its network footprint, the business has deployed metropolitan transmission rings (MANs), over the main city centers, and unbundled 174 PT central offices for SHDSL circuit interconnection, and is capable of operating direct connections for most of its mobile access network, thus reducing the dependency on the incumbents' leased lines. Total central offices, unbundled in order to provide residential ULL services amounted to 166, covering approximately 55% of total fixed lines in Portugal, of which 72% are prepared with full triple play capacity.

Sonaecom also has a presence in the Media sector through the ownership of Público, a reference national daily newspaper in Portugal ranking third in terms of paid circulation. It is also present in the Software and System Information sector, the most significant company being WeDo, a provider of systems integration products and consultancy, specialized in the telecom sector and world leader in Revenue Assurance competencies.

#### **Other investments**

MDS is the Sonae sub-holding for the Insurance brokerage and Risk Management businesses. MDS operates in all insurance and reinsurance areas, following a strategy marked by growth and international expansion. Insurance brokerage retail operations in Portugal are developed through mds insurance brokerage and Seguros Continente, and in Brazil through Lazam|mds. In reinsurance, MDS holds a 32.12% interest in Cooper Gay, the fifth largest worldwide reinsurance broker. MDS has also the responsibility for the management and placement of risk and insurance for the entire Sonae Group, through its reinsurance captive company Sonae Re. mds insurance brokerage is currently the leader in the Portuguese insurance brokerage market managing over 20,000 clients in a wide range of business sectors and accounting with written premiums of approximately 90 million euros in 2008. In 2004, mds insurance brokerage founded an international network of brokers, the Brokers Link, thus assuring its global presence. In 2008, and in a stand alone basis, MDS consolidated turnover totalled 18.3 million euros.

## 6. Historical milestones

	1959	60's	70's	80's	90's	2000	2001	2002	2003
<b>Sonae</b>				1983 - Sonae IPO on Lisbon Stock Exchange with a market capitalization of [2.5 million	Banco Universal is created to be the first savings bank in Portugal. Sonae sold the project to Banco ...	Share capital increase to [2,0 billion.	Sonae Imobiliária is delisted from the Stock Market. Sonae retained a 67% interest and Grosvenor 33%.	Acquisition of an additional 3.79% interest in Sonae Distribuição increasing ownership to 72.2%, after launching a public tender offer over Sonae Distribuição's free float.	Disposal of its 4.31% shareholding in Banco BPI.
					1990 - diversification of Portfolio and launch of Público	Sonae IPO on Lisbon Stock Exchange.			Reduction of its shareholding in Portugal by 4.89% to 25%.
					1993 - Sonae Distribuição IPO on Lisbon Stock Exchange.		Disposal of shareholding in Soporcel.		
					1997 - Sonae Imobiliária IPO on Lisbon Stock Exchange.	Sonae sold Público Newspaper to Sonaeacom			
<b>Sonae Distribuição</b>				1985 - Sonae diversifies its business into modern retail with the opening of the first hypermarket in Portugal, in partnership with French Promodès (later acquired by Carrefour).	1990 - Entry in the Brazilian Retail market			Establishment of a 50/50 partnership with Sonae Turismo for Star travel agencies.	Marketing innovation through the launch of 2 main campaigns: 50% price reductions on a selected range of products and petrol discounts for customers.
					1993 - Sonae Distribuição is listed on Lisbon Stock Exchange	Commercial and financial consolidation of non-food retail formats in Portugal.	Commercial and financial consolidation of non-food retail formats in Portugal.		Received the European Trusted Brands Award for being the Portuguese retailer with the highest level of consumer confidence.
					1997 - Expansion within the Brazilian market through the acquisition of 7 companies, resulting in a leadership position in the Southern regions.				
					Development of several non-food formats in the retail business, throughout the '90s, namely Modafra, Worten, Sport Zone, Max Mat and Vobis.			Continente is considered Portuguese Consumer's "Brand of Trust".	Continente is considered Portuguese Consumer's "Brand of Trust" for the second consecutive year.
<b>Sonae Sierra</b>				1989 - Sonae starts its activity on the retail real estate business as Sonae Imobiliária.	1991 - Opening of first modern shopping centre in Portugal, CascasShopping		The company is delisted from Lisbon Stock Exchange.	Entrance into the Spanish market with the acquisition of Filo, on a 50/50 joint venture with ING Real Estate. The portfolio acquired included 6 operating assets:	Launch of Sierra Fund, the Company's first real estate fund with an equity of [1.0 billion and to which contributes with some of its assets.
					1997 - IPO on Lisbon Stock Exchange.		Algarve Shopping is inaugurated.	- Grancasa; - La Farga; - Max Center; - Parque Principado; - Valle Real; and - Plaza Mayor Leisure Center	Increase of Sierra's Portuguese Portfolio with the inauguration of 2 new shopping centers: - Estação Viana Shopping, in Viana do Castelo; - Parque Atlântico located in Ponta Delgada, Azores Island.
					1997 - Colombo Shopping, the first regional shopping centre and the largest in Iberia Peninsula, is inaugurated in Lisbon.	Vasco da Gama won the ICSC Awards for Best Large Centre and the Design and Development Award. It also won the Award for Best Shopping Centre from MIPIIM.	Opening of MadeiraShopping in Funchal, Madeira Island		
					1998 - Colombo received ICSC award for Best Large Shopping Centre and Mipim Award for best shopping centre.		AlgarveShopping receives a mention from ICSC on the Large Shopping Centre category.		Considered the best Shopping Center developer in Europe by PROCOS
					1998 - NorteShopping, the largest shopping centre in the North of Portugal is inaugurated near Oporto.		Madeira Shopping is distinguished with ICSC Award for Best Small Shopping centre	Opening of Parque D. Pedro in Brazil, considered the best shopping center in Brazil by "Master do Imobiliário".	Plaza Mayor Leisure Center receives the ICSC Award for Best Specialized Center
					1999 - NorteShopping won the ICSC Award for Best Shopping Centre Expansion & Renovation.				
					1999 - Vasco Da Gama Shopping, another Flagship asset is inaugurated in Lisbon.				
<b>Sonaeacom</b>					1998 - Launch of Optimus (third mobile telecom operator in Portugal);	Company is listed on Lisbon Stock Exchange.		Clx innovates by launching a VOIP solution including a handset for the computer	Novis launched ADSL offer for corporate customers.
						Optimus wins 1 of the 4 available UMTS licenses;	WeDo commercial offer is launched on the market.		
						Sonaeacom acquires Público Newspaper from Sonae			Clx received 3 awards at the Publicity International Festival
					1999 - Novis (fixed telecom operator) and Clx (Internet provider) are launched, creating the first integrated alternative operator in Portugal	BizDirect is incorporated as a new business arm of S&SI focused on B2B hardware retail.		WeDo opened offices in Brazil and Spain.	
						Acquisition of CelData (ENABLER), a software development company	Optimus is distinguished with the GSM World Association Award for the third consecutive year;		Mainroad is incorporated within the Software and System Information division
					1999 - Optimus is distinguished with the GSM World Association Award;	Optimus distinguished with GSM World Association Award for the second year			
<b>Others</b>	Sonae started its business as a wood based panels producer in Maia, Portugal.	Sonae Indústria focused its growth on expanding its wood based panels business, both organically and via acquisitions. Sonae Indústria Integrated vertically into the production cycle and started its international exposure by exporting its products.	Sonae Indústria became leading particleboard manufacturer in Portugal with acquisition of AGLOMA, SIAF and Pavopan.	Sonae Indústria acquired Tafisa (Spain) and became the market leader on the Iberian Peninsula in the wood based panels business.	Sonae Indústria extended its commercial and production activities to Canada, Brazil and South Africa.	Sonae Indústria acquired Sappi Novoboard in South Africa, becoming the largest supplier of particleboard in the country.	Sonae Indústria new MDF and particleboard production plants started operating in France and Germany.	mds established a partnership with Brazilian Lazam, the fourth largest Brazilian broker, in which mds holds a 45% interest.	
			1984 - mds is created to manage Sonae's insurance and risk policy.			Sonae Capital acquired a 52% stake in Soltroia through Sonae Turismo.	mds started providing insurance brokerage and risk management services outside Sonae; Sonae RE incorporated to place and manage Sonae Group risks		
			Sonae entered the Tourism sector, namely in the Health Club (Solinda) and Hotel sectors.	In the late '90s, Sonae Indústria acquired 85% of Glunz (Germany) and became the world leader in the wood based panels industry.				Sonae Turismo established a 50/50 partnership with Sonae Distribuição for Star travel agencies.	

2004	2005	2006	2007	2008	
Sonae disposed its 25% shareholding in Portucel after failing to acquire the Portuguese government's stake.	Sale of additional 17% stake in Sonae Sierra to Grosvenor (UK). As such, Sierra becomes a 50/50 jointly controlled company by Sonae and Grosvenor.	Sonae acquired the remaining free float of Sonae Distribuição, delisted it from the stock market and became its sole shareholder.	Long serving leader Belmiro de Azevedo is appointed Chairman.  Paulo Azevedo became Sonae CEO.		Sonae
Sonae acquired the 22% stake owned by Carrefour in Sonae Distribuição and increased its shareholding to 98%.	Spin-off of Sonae Indústria from its portfolio.		Spin-off of Sonae Capital from Sonae portfolio.		
Sonae sold its shareholding in ba Vidro through a MBO.					
Zippy, a new retail format targeting children apparel is launched.	Disposal of São Paulo (Brazil) metropolitan region stores to Carrefour and of the remaining Brazilian retail operations to Wal-Mart	Sonae Distribuição is delisted from Lisbon Stock Exchange  Launch of 2 new non-food retail formats: - Área Saúde, focused on para-pharmaceutical and health products; - Worten Mobile, exclusively dedicated to mobile communications;  Acquisition of the remaining share capital of Star - Travel Agency.	Acquisition of Carrefour operation in Portugal and consolidation of leadership position in the Portuguese retail market.  Launch of Continente and Modelo loyalty card  Launch of Book.it, a new retail format focused on books, stationery and tobacco.	Internationalization of SportZone into the Spanish retail market.  Internationalization of Worten into the Spanish consumer electronics retail market, after the acquisition of Boulanger' Spanish operation.  Launch of Loop, a footwear chain.  Star-Travel Agency is merged with Geotur into a 50/50 joint venture.	Sonae Distribuição
Continente is considered Portuguese Consumer's "Brand of Trust" for the third consecutive year.	Continente is considered Portuguese Consumer's "Brand of Trust" for 4 consecutive years.	Continente is considered one of Portugal's Superbrands  Continente is considered the Best on-line store in Portugal by "PC Guia" magazine  Continente is considered Portuguese Consumer's "Brand of Trust" for the 5th year.	Seguros Continente, an insurance broker focused on car insurance, is launched.  Continente is considered the Best on-line store in Portugal by "PC Guia" magazine  Continente and Modelo consider red Portugal's Superbrands  Continente is considered Portuguese Consumer's "Brand of Trust" for 6 consecutive years.	Modelo was considered 2008 Magnetic Brand by Marklab and Brandia Central.  Continente and Modelo are considered Portugal's Superbrands  Continente considered the Best on-line store in Portugal by "PC Guia"  Continente is considered Portuguese Consumer's "Brand of Trust" for 7 consecutive years.	
Change of brand name from Sonae Imobiliária into Sonae Sierra	International expansion: - Opening of first asset in Greece, Mediterranean Cosmos, a partnership with Charagionis Group and Lambda Development; - Acquisition of first 2 shopping centres in Italy: Valecenter and Airone	Sale of 50% of Sonae Sierra Brasil to DDR - Developers Diversified Realty, one of the largest US listed REITs (real estate investment trust).  Sonae Sierra opened Rio Sul Shopping Center (Lisbon)	Reinforced its international footprint and entered the Romanian Market with the acquisition of River Plaza.  Acquisition of the first asset in Germany (Munster Arkaden).	Launch of Sierra Portugal Fund in order to reduce exposure to the Portuguese market. The new fund equity amounts to €300 million.	Sonae Sierra
Strengthening of international exposure with the opening of 4 shopping centers in Spain, namely: - M40; - Dos Mares; - Luz del Tajo; and - Zubiarte.	Strengthening of leadership position in Portugal with the opening of: - LoureShopping, near Lisbon; - SerraShopping in Covilhã.	Shopping CampoLimpó is inaugurated by Sonae Sierra Brasil  Awarded the Best Portuguese Company in Spain by the Spanish-Portuguese Chamber for Industry and Commerce	Inauguration of 3 new developments in Europe: - 1 in Portugal (St Avenida); - 1 in Germany (Alexa); - 1 in Spain (El Rosal);  Considered the Best European Retail/Leisure Developer in the European Property Awards.	Reached the landmark of 50 shopping centres with the inauguration of 3 new schemes in Europe: - 2 in Italy (Freccia Rossa, Gli Orsi); - 1 in Greece (Pantheon Plaza)  Inauguration of Plaza Mayor expansion.	
and Boavista Shopping in Brazil.	Considered the Best European Retail Developer in the European Property Awards.	Considered the Best Developer and the Best Property Manager in Portugal by EuroMoney Real Estate.  PerSonae project is considered the Best Social Responsibility Project by AMCHAM  Luz Del Tajo is distinguished by AECC with the Best Large Center Award.	Received the ICSC ReSource Award for its long term commitment to sustainable development.  Received the Milano Finanza Real Estate Elite Award for the Best Retail Strategy in Italy.  Rio Sul Shopping is considered the Best Retail Project by "Imobiliária" magazine.	Liquidity Real Estate considers Sonae Sierra as: - the Best Developer in Western Europe; - the Best Retail/Shopping Center Company in Italy  Distinguished with the Green Thinker Award for the Best Sustainability Strategy	
Novis acquired and merged KPNQuest Portugal;	Optimus launched "Kanguru" the first mobile broadband internet service provider.  Optimus also Launched Rede4 a mobile virtual network operator.	Launch of Public Tender Offer for Portugal Telecom and PT Multimédia.  Sale of Enabler, Sonaeac's in-house grown software developer, to WiPro.	Tender offer for PT and PTM fails.  Acquisition of Tele2 Portugal and Oni SOHO fixed telecom businesses.  Optimus offers high definition mobile TV service	Wedo received the "Business Expansion Award" from UK Trade & Investment  Optimus launches "TAG", an innovative offer aimed at the youth market, introducing unlimited communications among user groups at an attractive flat fee.	Sonaeacom
Initial launch of Optimus Home, an innovative and first coverage fixed-mobile service in Portugal;	Clix is repositioned as residential voice and internet service provider.  Fixed telecom businesses, Novis and Clix, become centrally managed under Sonaeacom Fixed.	Roll up of EDP and Parpublica stakes in Optimus into Sonaeacom with the consequent increase of Sonaeacom stake in Optimus to 100%.  Optimus launched push e-mail solution	Merger of the mobile and fixed divisions  Clix launched an integrated product offering 5 services under 1 brand and 1 invoice (fixed telephone&internet, IPTV, Home video and mobile internet).	Announcement of a 3-year plan for the deployment of fibre, aimed at building the most advanced telecommunications network in Portugal	
Optimus commercial UMTS offer is launched	Clix initiates pilot tests for a IPTV offer (Clix SmarTV).  Sonaeacom Fixed reached 50% coverage of the Portuguese direct access market	Mass market launch of Clix SmarTV, the first IPTV service in Portugal.  WeDo opened its offices in Germany and UK	WeDo acquired Cape Tech, Praesidium and Tecnológica becoming world leader in fraud and risk assurance software.  WeDo opened its offices in Egypt and Malaysia (Kuala Lumpur)	Kanguru was considered the best wireless internet service provider by "Exame Informatica" magazine  Mainroad achieved the second position as "Best Disaster Recovery Provider" in the Data Centres Europe Awards 2008	
Novis and Clix strongly invest in fixed direct access and abolish monthly minimum fees.	WeDo opened offices in France.	Mainroad develops its security operation center and fast recovery service offer.	Optimus brand started being used for all corporate and SME activities, including both the mobile and wireline services, replacing Novis Brand.	Kanguru received the international award for product innovation from "Global Telecoms Business" Magazine.	Others
mds established a partnership with Cooper Gay (UK) which became the Sonae Group reinsurance broker.	Spin-off of Sonae Indústria from Sonae portfolio.		Spin-off of Sonae Capital from Sonae portfolio and subsequent listing on the Lisbon Stock Exchange  mds acquired a 14% interest in Cooper Gay (UK), a reinsurance brokerage company.	mds Shareholding in Cooper Gay is increased to 32%.	
mds led the creation of Brokers Link, an international network of brokers through which several worldwide partnerships were established.			Seguros Continente, a mass market insurance broker focused on car insurance and supported by Sonae Distribuição's retail chain, is created, held 25% by mds and the remaining 75% by Sonae Distribuição.		



## 7. Success factors

### 7.1. Innovation as value creation

Innovation is seen as one of the key pillars of Sonae's sustainability and long-term differentiation and, accordingly, Sonae continuously explores and examines opportunities that can generate value. Innovation is embedded in Sonae's "DNA" and forms an integral part of its culture and attitude of all its employees.

For Sonae, innovation is much more than simply creating new products and services. It entails screening the market and consumers, analyzing and anticipating their needs and, based on the results achieved, do one or all of the following: offer an attractive, unique and value enhancing proposition; expand the targeted markets; implement new or altered business processes within the organization; adopt new management concepts; or build new skills and knowledge of employees. During 2008, Sonae took great strides forward in innovation, among which we highlight:

#### Process innovation

- (i) Implementation, of the Kaizen method in the Retail business unit, aimed at identifying, reducing and eliminating suboptimal processes through the use of "Continuous Improvement Processes", thus reducing costs by increasing productivity, and increasing customer satisfaction. A "Continuous Improvement Process" is a management process whereby delivery processes (output to customer effectiveness) are constantly evaluated and improved in the light of their efficiency, effectiveness and flexibility (needed to meet changing needs). These processes are implemented at the operational level, examples of which are: better organization and cleaning of the warehouses, aiming at reducing partial out-of-stock situations resulting from the difficulty of finding stored products; a faster, cleaner and more efficient replenishment before store opening, aiming at improving productivity and allocating resources to other tasks; visual management, by using simple graphic tools to convey rules and required behaviours.

Since its inception, the policy has had remarkable success in the operation and organization of the stores, due mainly to the open and participative nature of the programme in which all employees are called upon to contribute with ideas and suggestions and find specific solutions to problems. The programme has been implemented in 152 stores, involving approximately 19,400 employees and a total investment of 490,500 hours, accounted for as training time.

- (ii) Implementation of the Bonsai Project in the telecommunications business unit, a methodology tested and customized to the units' requirements and by its innovation team, based on the methodology described in the book "ideas are free" by Robinson & Schroeder, according to which an "Ideas Management System" is set up which allows employees to act on all problems and opportunities that they encounter. Its features are simple and efficient and involve one hour meeting every two weeks producing actionable results. 11 teams had implemented the methodology by the end of 2008, involving 40 employees in the mass business area and 157 employees in the fixed residential area. The rate of implementation of the ideas is very encouraging with a total of 58 ideas implemented or under implementation, equal to 57% of all ideas analysed.
- (iii) Work was completed on the implementation of personAE project in the Shopping Centre business, carried out in partnership with a leading international consulting firm to develop integrated actions and attitudes towards people safety with special emphasis on changing individual behaviour. The programme combines the implementation of best management practices in hygiene, Safety and Social Responsibility with the development of internal capabilities through training and knowledge sharing. An essential part of the methodology is to integrate responsible attitudes and behaviour into the culture of the business. The programme involved all operations world wide and all business activities of the unit, from project development through to the management of the shopping centre, including investment and construction. The project lasted for 4 years and represented, in consulting and training alone, an investment of 5 million euros.

- (i) Implementation of the project “Mercado de Ideias” in the telecommunications business unit, which consists of a platform for “Ideas Management”. Its goal is to collect spontaneous ideas from all employees and allow them to get involved in the organizational improvement of processes and products. This platform supports the entire process of submitting, evaluating, discussing and improving ideas, as well as attributing incentives. By the end of 2008, there were over 1200 registered users, 593 ideas submitted and 68 ideas approved by the market.
- (iv) Development of a policy concerning the better usage of items close to their expiry date, whereby they are identified in advance and used for price promotion campaigns. It is a win-win solution for the company and its clients, the latter gaining the benefit of acquiring perfectly good products at a discount to the normal price. Backing up this process is an internally adapted information system, whereby dates are monitored and from which electronic labels can be easily issued and tagged to allow for clear and easy price communication to clients.

### **New products and services**

- (i) Creation of the “Shop spot” offer by the Shopping Centre unit. This involves setting up small sales stalls which are suitable for selling any kind of product and service, and which are located in areas with high footfall. This concept, in addition to involving only a small capital outlay, and effectively increasing the offer of our centres, is particularly appropriate for testing new concepts for the roll out of new products as well as for the sale of seasonal items.
- (ii) Announcement by the telecommunication business of a 3-year investment plan totalling 240 million euros for the deployment of fibre optic cable, which will allow coverage of over 1 million homes and approximately 25% of the Portuguese population. As part of this plan, access to the fibre network to all interested national operators was proposed, which is in line with regulatory recommendations and best practice in Europe. As a result of this project, the business will hold the most advanced telecommunications network in Portugal and one of the best in the world, offering high-speed convergent telecommunication services including internet with downstream speed of 100 Mbs, and contributing towards further independence from the incumbent operator’s infrastructure. By end 2008, the business already had between 80 and 100 thousand homes with fibre.
- (iii) Launch of a innovative initiative by the Retail business unit called “Follow the colours”, which involves labelling own brand products with nutritional information based on colours, with each colour representing high (red), medium (orange) or low (green) concentrations of fat, sugar or salt.
- (iv) Launch by the telecommunication business of an innovative offer aimed at the youth market (“TAG”), which introduces, for the first time, unlimited traffic for voice, SMS, MMS, Video Call and Messenger among user groups at an attractive flat fee. It is a multi-platform product, since it can be used through mobile phones as well as computers, allowing contents (photos and films) to be shared on a Web platform. This idea arose from the need to increase market share among teenagers and associate the business unit with an image of innovation and youth.
- (v) Launch of the “Pick up point” in parking lots at shopping centres, which is a dedicated parking space for the delivery of high volume purchases to clients. This parking environment eases product delivery logistics and after sale care for customers, thus enhancing customer experience.

### **Product segmentation**

- (i) Implementation in the Retail business unit of a project to increase its leadership in the perishable products category “*Missão frescos*”. The project improved the quality of fresh products on offer, as well as segmenting them at 3 levels: Economic, for the most affordable fresh products available; Quality & Freshness, for the medium range priced product; and Selection, for the gourmet assortment, thus better meeting customer needs and revolutionizing the market. The Retail business constantly stresses the importance of

making the customer a pivotal element in all decisions taken and thus carried out the project by constantly questioning customers, listening to their opinions, explanations, and taking on board their suggestions.

- (ii) Strong investment made in the Retail business unit in the development and launch of own and exclusive brands, adapted to the macroeconomic environment and market demands, reflecting lower disposable income and the prevalence of a “trading-down” phenomenon. This customer focused attitude led to the own brand offer to be extended to 8 new segments targeting: cosmetics, biological products, toddlers, babies, pets, hygiene, and dietary & health products.

#### **New targeted markets**

- (i) Offer of a Software and System information service to Hospitals by the SSI area of the telecommunication business, consisting of a Revenue Assurance system to control revenues, costs, invoices and processes, manage information from a range of areas and assist reporting, aiming to improve operational efficiency. The system imports data from different platforms (customers, subscriptions, accounts and invoices) into a central data bank, applies business rules to identify errors and inconsistencies, produces alarms and provides different types of analysis and reports. It is an exclusive solution for the segment and one that promotes the SSI area internationally, through higher visibility and reputation.
- (ii) Launch by the Retail business unit of 2 new retail concepts, reflecting the business' continued push for innovation, namely: (a) Loop, a footwear chain with a range of brands for men, women and children, offering the biggest selection in the market in the urban casual and sports casual segments, together with high quality and rapid customer service; (b) book.it, the first non food retail brand in Portugal to make three business concepts available in just one location: books, stationery and tobacco. It represents a cultural benchmark due to the variety of books and magazines on offer; the stores have an average sales area of 200 m<sup>2</sup>, are preferentially located in shopping centres and have an informal and youthful atmosphere.

## 7.2. Human resources

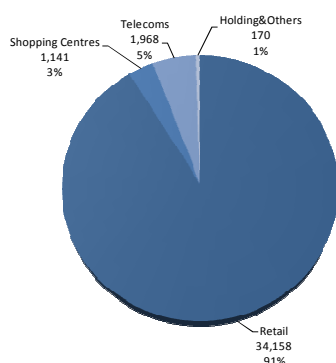
Working at Sonae means contributing to the performance of a fast moving, innovative, proactive and exciting Group, where current and future employees may expect: (i) career development opportunities, where meritocracy is promoted and discrimination is not tolerated; (ii) lifelong training; and (iii) both a demanding and friendly work environment.

Sonae considers its employees as one of the Group's most valuable assets: it is the talent, expertise, professionalism and dedication of each and every one of them that contribute to Sonae's continued success, distinctive business knowledge and competences.

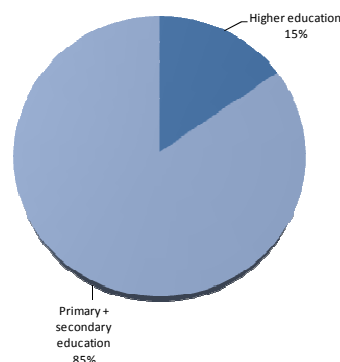
### Sonae employees

Sonae has changed significantly over the years, with a far larger product offering, a wider geographic reach and a workforce that has increased not only in numbers but also its diversity in terms of skills, backgrounds and nationalities. At 31 December 2008, Sonae's workforce numbered 37,437 employees, of which 31,900 were full-time-equivalent employees (FTE's), 7.3% or 2,541 more than in the previous year. All employees generated a total cost of 612.4 million euros, equal to 11.4% of consolidated turnover.

Employees by business



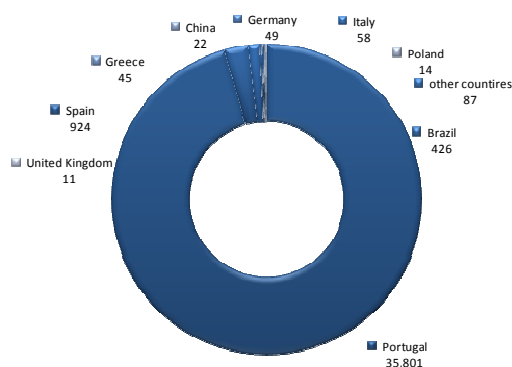
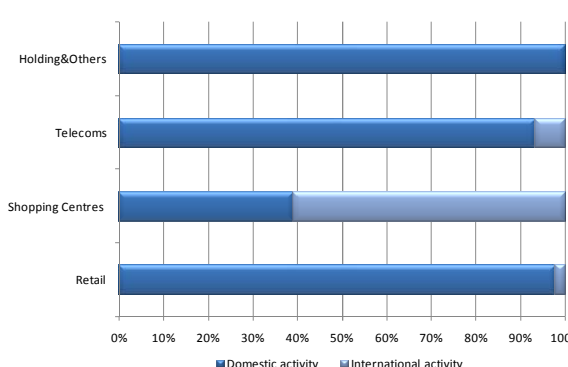
Employees by educational background



The Retail business increased its employees by 7.7% compared to 2007, essentially as a result of the acquisition of a major retail company at the end of 2007 and the continued organic expansion of its store network, both nationally and internationally, although offset by the continuous productivity improvement schemes implemented in stores. The Shopping Centre business increased its employees<sup>1</sup> by almost 7.9%, mainly reflecting the higher number of projects under development in the year and the larger base of assets under management compared to 2007. In the Telecoms business, total employees slightly increased by 0.4% compared to 2007, mainly due to the growth and international expansion of its Software and System Information division.

Educational backgrounds vary widely across Sonae's businesses. 99% of employees are estimated to have upper secondary-level education (beyond compulsory level), in the telecoms business, and more than 74% in the Shopping centre business, while only reaching 40% at the Retail business, due to the particular nature of its operations. In line with the Group's general approach of continuously investing in employee career development through access to training and educational programmes, the Retail business joined, in 2008, the "new opportunities programme", a government initiative aimed at increasing the Portuguese population's educational qualifications with the opening of training centers for providing teaching up to the compulsory level of education, and other professional and training courses.

<sup>1</sup> The shopping centre business changed its criterion for measuring Headcount in Brazil, by including those employees working for the shopping centres' condominium, regardless of whether they had a work contract with Sonae Sierra or not.

**Employees' distribution per country**

**International presence per business**


Internationally, Sonae strengthened its presence in Europe, North America, Brazil and Australia, operating in 12 countries. Outside Sonae's home country, Portugal, the Retail business is present in Spain and China, in the former through the international expansion of both its sportswear and consumer electronics chains, and in the latter through representative offices for procurement; the Shopping centre business is present in Spain, Italy, Germany, Greece, Italy, Romania and Brazil; and the Telecoms business is present in Spain, Ireland, Poland, the United Kingdom and Brazil, with representative offices of its Software and System Information business, WeDo, which specializes in the telecom sector and with competencies in areas such as Revenue Assurance. Spain is by far the most representative international country for Sonae, employing 924 people, of which 782 work in the Retail business and 132 in the Shopping centre business. Brazil also accounts for a significant percentage of Sonae's workforce, totaling 436 employees, of which 371 work for the Shopping centre business and 53 for the Telecommunications business.

### Internal mobility

Sonae needs the right mix of talented and experienced commercial and marketing managers, technology experts (R&D, Engineering, IT/IS), functional managers (Finance, HR, Legal) together with general managers who have acquired experience in different areas. In this respect, the Group believes that new challenges, learning opportunities, increasing job responsibilities, project work, network participation, and job rotation within one functional area or between businesses, are the best way of guaranteeing progress throughout a career.

Internal mobility within Sonae is nurtured and promoted based on the following principles: (i) talent has to be managed at the service of the entire Group, not to one specific unit or function; (ii) every individual has a responsibility to take his/her career development into his/her own hands; (iii) the company offers guidance, opportunities and resources to maintain employability throughout a manager's career; and (iv) Sonae looks for a balance between developing competencies internally and attracting competencies from outside.

### Knowledge and expertise sharing

For Sonae, although each of its businesses is independently managed with its own strengths and unique skills, they belong to one single organization, working together with a commonly shared culture and values mindset. By encouraging the sharing of knowledge and experiences between its businesses, bringing different ideas together, sharing know-how and insights, and challenging people with a unique combination of talents and characteristics to work together, Sonae enables innovation to take place, reduces the risk of mistakes, and promotes the adoption and sharing of best practices. To support this expertise sharing attitude, Sonae fosters the following forums:

- (i) *FINOV*, a forum dedicated to innovation, with the purpose of stimulating and supporting an innovation driven culture at Sonae and able to sustain higher levels of value creation;
- (ii) *Sustainability Forum*, with the purpose of sharing knowledge and best practices, increasing awareness of sustainability across Sonae and identifying relevant common issues to encourage synergies and cohesion in dealing with the various challenges in this area;

- (iii) *Planning & Control Methodologies Forum*, with the purpose of promoting and discussing the implementation of best control methodologies across the group;
- (iv) *Legal Forum*, with the purpose of sharing experience and knowledge among internal legal teams, promoting a wide discussion of essential legal topics and a common approach to legal interpretations and procedures;
- (v) *Marketing and Communication forum*, with the purpose of coordinating negotiations with the Media among the various sub-holdings, as well as promoting the sharing of best practices in Marketing at specific seminars;
- (vi) *Engineering, Construction and Safety forum*, with the purpose of promoting and discussing the implementation of best practices in engineering and construction activities across the Group, with a special focus on matters and issues related to safety and health;
- (vii) *Negotiation forum*, with the purpose of presenting, analyzing and discussing negotiation strategies, identifying opportunities of joint negotiations with suppliers among sub-holdings and to share experiences and knowledge.

In addition to the above described forums, there are 2 internal commissions created as platforms for sharing knowledge and experience, namely:

- (i) *Audit committee*, created to assist the Executive committee in defining policies, reviewing and coordinating the activities of Risk Management, Internal and External Audit, and to review internal control processes and systems. Supporting this committee, is a Risk Management Consultation Group, reviewing internal risk management activities across all subsidiaries on a regular basis, in order to ensure consistency between established objectives and their implementation;
- (ii) *Finance committee*, created to review and coordinate financial risk management policies, banking relationships and other matters related to corporate finance across all subsidiaries, on a regular basis.

Each of these informal bodies commonly referred to as sharing and coordination bodies meet several times during the year and often organize specific seminars, workshops and internal training courses.

### **Learning and Development**

As a general principle, Sonae wants training and investments in competence building to be regarded as a key factor to understand, anticipate and respond to today's market and competition challenges, as well as to meet the strategic needs of the Group.

In this sense, Sonae employees are constantly challenged to learn and update skills and competences, with the following training plans being worthy of mention:

- (i) The Sonae Learning Centre, set up in 2004 and mainly targeted at specific training for top managers and technical employees, organized conferences, training sessions, seminars, short and medium term courses, exhibitions and social events of various kinds. In 2008, Sonae completed approximately 1,400 thousand training hours.
- (ii) The financing of postgraduate studies, particularly MBA degrees, either in Portuguese or foreign universities, allowing the most talented employees to continue their studies and further develop their key competencies.
- (iii) Continuous training sessions were carried out, led by internal managers or by external trainers, and to which employees are asked to attend. In 2008, as in previous years, a scheduled programme was circulated within the Group and each department was encouraged to allocate a percentage of its budget to its attendance.

### **Compensation and benefits**

To energize initiative and sharpen commitment of its employees, Sonae offers an attractive and competitive remuneration, and a comprehensive and flexible benefits package. Above and beyond the fixed remuneration, a performance bonus is paid, aimed at rewarding the achievement of previously defined annual objectives, linked to "key performance indicators of Sonae's businesses activities", "department key performance indicators" and "personal key performance indicators". Contributing to this performance assessment, Sonae's culture strongly



encourages employees to take an active role in the planning of their own “key performance indicators” for the year, in accordance with the company’s goals and strategy.

As usual, in 2008 Sonae carried out its annual performance appraisal process, through which each individual’s performance and contribution to the organization’s success was measured and assessed, and the variable remuneration to be awarded was calculated.

Further detailed information about the performance reward system can be found under section 2.16 of the Corporate Governance Report.

### 7.3. Values and principles

Sonae’s corporate values and beliefs, shared by all of its investment portfolio units’ culture and employees, is considered a fundamental and structural cornerstone of many of the Group’s distinctive competencies. Given Sonae’s size and organizational structure, with a business portfolio made up of independently managed companies with their own strengths and unique skills, operating in different countries and cultures often with different market positioning and approaches, the Groups’ corporate values and principles are viewed as the glue that keeps all the businesses together and guarantees their collective strength and common future.

These key features of Sonae’s corporate culture are broken down into the following 5 major behavioural principles:

#### **Ambition**

Sonae’s ambition, which transformed a small laminate business into one of the best Portuguese based companies, with a growing international footprint and as a leading player in almost all sectors in which it is present, continues to be the driving force of the Group’s success.

Sonae always aims to achieve leadership positions in its business areas. It continuously sets ambitious goals, above and beyond benchmarks and best practices, constantly stretching its competences and demanding a bold and entrepreneurial attitude from its managers. The Group is highly resilient in pursuing its ambitious goals and implementing “best in class” risk management practices to balance its bold attitudes and guarantee that adverse situations are detected and managed swiftly.

#### **Excellence and innovation**

Sonae strives to excel in all its activities and to generate sustainable growth and superior economic value to its shareholders. This quest is pursued through the relentless exploitation of innovative solutions and new business opportunities to find new ways of creating value, by continuously questioning both its business models and industry orthodoxies. It is with this mission in mind, targeted to better satisfy the Group’s customer needs and revolutionize the market, that Sonae builds its future and earns the trust of its shareholders.

#### **Frugality and efficiency**

Sonae eliminates superfluous expenditures and is cost conscious, always looking to improve its operational efficiency and organisational structure. Sonae looks to optimise the use of its resources, carefully choosing where and when to use them and maximising their return. The Group invests wisely in all areas and in initiatives that improve its ability to create value.

#### **Cooperation**

Sonae establishes long-term partnerships with third parties based on principles of honesty, integrity and transparency. Sonae is fully committed to the success of each established partnership adopting an active role by sharing objectives and risks, making valuable contributions, and committing the necessary resources.

Sonae looks to cooperate with central or regional governments, whenever the Group is in a position to contribute with expertise, aiming to improve the regulatory, legislative and social environment. Nonetheless, Sonae’s commitment and willingness to help society never leads to loss of independence or to any involvement with political parties activity.

## Governance

Sonae believes that investors in listed companies should take into account the extent to which companies have adopted Corporate Governance best practices and the timely disclosure of material information to the capital markets. To this end, and acknowledging the benefits of such practices in day to day management, Sonae is committed to complying with best practices in Corporate Governance both in terms of leading international benchmarks and Portuguese Corporate Governance regulations and practices. These practices are responsible for the development of a clear set of rules and responsibilities for its different governing bodies, influencing their respective decision making processes and the development of the Group's strategy. Sonae's Directors accept and look for a regular evaluation by its stakeholders, being not only shareholders (or their representatives) but also customers, employees, market analysts and other outside observers.

### 7.4. Sustainable management

Sustainability principles have been an integral part of Sonae since its creation. Over the years, Sonae has performed positively, not only in terms of profitability, but also in progress made socially through support to the community, environmentally and on the basis of a concern for proper governance by adopting a policy of transparency and internal rules designed to guarantee the ethical and responsible behaviour of the organization.

#### 7.4.1. Sustainability policy

In view of the economic, social and environmental impacts of the Group, a sustainability policy has been progressively integrated into Sonae's management model and implemented by each of its business units. Economic growth has always been accompanied by an active involvement in international discussion of issues relating to sustainable development, through membership of important international organizations and signing up to their principles.

#### Sonae's main sustainability related initiatives

<b>1995</b>	<ul style="list-style-type: none"> <li>• Launch of Project Horizon aimed at strengthening environmental management as a factor of differentiation and competitive advantage;</li> <li>• Membership of the World Business Council for Sustainable Development.</li> </ul>
<b>1996</b>	<ul style="list-style-type: none"> <li>• Creation of the Environment Forum to discuss best practices, share experiences and exchange information on the environment.</li> </ul>
<b>1999</b>	<ul style="list-style-type: none"> <li>• Launching of the Eco2 XXI programme to achieve effective implementation of actions aimed at increasing eco-efficiency.</li> </ul>
<b>2000</b>	<ul style="list-style-type: none"> <li>• Board approval of Sonae's Environmental policy and Environmental Management System.</li> </ul>
<b>2001</b>	<ul style="list-style-type: none"> <li>• Creation of Business Council for Sustainable Development Portugal, with Sonae as a founding member; Publication of Sonae's first Environmental Report.</li> </ul>
<b>2004</b>	<ul style="list-style-type: none"> <li>• Sonae signs up to the Nations Global Compact.</li> </ul>
<b>2005</b>	<ul style="list-style-type: none"> <li>• Sonae signs up to the World Safety Declaration; Creation of the Sustainability Forum, which evolved out of the Environmental forum.</li> </ul>
<b>2007</b>	<ul style="list-style-type: none"> <li>• Publication of Sonae's first Sustainability Report</li> </ul>

This commitment to the principles of sustainability development is visible in the fact that Sonae, in 1995, was one of the first Portuguese companies to join the *World Business Council for*



*Sustainable Development* and was also one of the founders of the *Business Council for Sustainable Development – Portugal* in 2001. In 2004, Sonae adhered to the ten principles of the United Nations Global Compact, which require the adoption of a set of values regarding Human rights, Labour standards, Environment and Anti-corruption.

Sonae has therefore implemented a series of environmental processes and policies in such a way as to minimize the Group's impact on the environment, as well as adopting several social initiatives towards minimizing the impact of social problems present in the countries in which it operates. To this end, risk management of social and environmental issues are considered a cornerstone of Sonae's sustainability strategy, being applied to all management processes and considered as a responsibility of all employees. Through the risk management process, Sonae controls uncertainties and threats that can impact its businesses, with the aim of creating value. The methodology used in this process is based on international standards, namely the Enterprise Risk Management – *Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission*.

#### 7.4.2. Responsibility over the business chain

Sonae has carried out actions over its business chain, promoting not only the quality and safety of its products and services, but also improving the Group's performance in the environmental and social areas. The Group's business chain embraces a range of stakeholders – suppliers, employees, visitors, store tenants, clients, business partners and society in general, which are crucial to the development of the business and, as such, are the target of specific actions aimed to promote regional and national socio-economic growth.

Among these actions should be highlighted the following:

- (i) Implementation of best practices in the choice of materials, production, labelling and transport, in order to develop safer, more sustainable and higher quality products;
- (ii) Implementation of policies for "Responsible Procurement", with the establishment of clauses in contracts with service providers regarding environmental and social requirements, namely respect for Human Rights, ethical behaviour (e.g.: no corruption) and working conditions offered (e.g.: child labour);
- (iii) Development of partnerships with suppliers to set up reciprocal training programmes;
- (iv) Audit processes to Portuguese and international suppliers in order to verify compliance with Sonae's internal sustainability requirements;
- (v) Extension of training in Environment, Hygiene and Safety at work to shop tenants and service providers;
- (vi) Introduction of clauses in contracts with shop tenants and service providers, aimed at the adoption of sustainable practices.

#### 7.4.3. Social responsibility

Sonae believes that its businesses can contribute towards the promotion of the social and cultural well-being of the communities in which they operate. Over the years, it has thus encouraged the development of education and culture through support to activities, projects and events carried out in partnership with other organizations.

During 2008, Sonae has been very active in the field of social cooperation, increasing its focus on education and community cooperation and giving support to a variety of social initiatives:

- (i) Sponsor of "*Missão Sorriso*", a nationwide initiative, with the main objective of supporting paediatric units and hospitals, offering medical, scientific and educational equipment;
- (ii) Sponsored "*Causa Maior*", a project aimed to improve the life quality of senior citizens, which helps to fight social exclusion and isolation and promotes a more active social life for elderly people, in partnership with the Portuguese Red Cross;
- (iii) Invested in community education with various initiatives: "*Tudo a Ler*", as part of support to the Portuguese National Reading Plan, and with the aim of encouraging reading with the donation of books to various schools; "*Escolas Modelo*", by donating sports equipment or technological equipment; "e-initiatives programme", which aims at promoting info-inclusion among students and teachers, facilitating access to information technologies and the internet;
- (iv) Involvement in voluntary social schemes, in which employees are encouraged to participate and are granted work time to do so; Sponsoring of "*projecto Sorriso*", a programme involving volunteer work created to support Portuguese welfare institutions; Sponsoring of "*Idade Maior*", a initiative aimed to help the integration of elderly people with proper technological training; Sponsoring of "*Porto de Futuro*", aimed at supporting schools in the Porto area, through consulting support for their general management, support for training courses, offering of teaching materials and other donations for educational purposes.
- (v) Launch of community panels at shopping centres, aimed at encouraging debate and the exchange of ideas regarding environment, health, safety and work, among others, between the community and the shopping centre's management;

- (vi) Founder member of “*Casa da Música*” and “*Fundação de Serralves*”, two Portuguese cultural benchmarks;
- (vii) Patron of IPATIMUP - Institute of Molecular Pathology and Immunology of the University of Porto, a benchmark in oncological research.

#### 7.4.4. Environmental management

As an environmentally conscious Group, Sonae has implemented environmental policies and adapted its products, services, infrastructure and facilities in such a way as to minimize their impact on the environment, namely:

- (i) Implementation of various measures to quantify and monitor environmental performance;
- (ii) Development of processes to identify and take all necessary steps to comply with new environmental legislation;
- (iii) Publication of sustainability reports, including key environmental indicators and Eco newsletters, available both in print and on the internet to all Group employees, in order to increase environmental awareness and encourage best practices;
- (iv) Organization of workshops, conferences and internal eco-efficiency programmes, aimed at: identifying and recognizing environmental issues across all facilities, activities and products; encouraging eco-efficiency across the Group; sharing information, experiences and best practices across the Group; and challenging the sub-holdings to take action on environmental issues;

Of the environment related activities carried out during 2008, the following should be highlighted:

- (i) Sponsor of “HiperNatura”, an environmental project geared to recover, improve and modernize public gardens in various cities, thus increasing people’s awareness regarding ecological and environmental issues;
- (ii) Sponsored the “Green project awards”, an initiative that rewards innovation in environmentally related projects;
- (iii) Publication of the first sustainability report by the holding company, available to all stakeholders including employees;
- (iv) Sponsor of the initiative “*Parque Família*”, aiming to encourage healthy inter-generational relationships between grandparents and grandchildren and, at the same time, contribute towards the improvement of urban areas with the offer of family parks to local councils, equipped with a children’s playgrounds and special sporting equipment for senior citizens;
- (v) Environmental audits and visits to suppliers;
- (vi) Organization of a Group sustainability forum to generate environmental awareness and to strengthen the businesses’ sustainability strategies;
- (vii) Won the first Green Thinker Award; achieved accredited ISO 14001 certification and became a Sustainable Energy campaign partner.

#### 7.4.5. Governance

For Sonae, transparency, ethical and responsible behaviour are fundamental principles guiding its business operations and contributing towards its performance.

##### **Code of Conduct**

Sonae promotes, through its Code of Conduct, the adoption of certain behavioural principles and rules ranging from integrity, transparency, respect, social responsibility, environmental commitment, health and safety, confidentiality and use of privileged information, to managing conflicts of interest and communicating irregularities.

Sonae Holding’s Directors, senior managers and employees, including external consultants, are required to comply with the Code of Conduct in the performance of their daily activities and in both internal and external relationships. Sonae Holding also requires its consultants and suppliers to follow similar ethical standards.

##### **Whistle blowing policy**

In line with Sonae’s culture of social corporate responsibility, Sonae Holding has in place a policy for communicating internal irregularities, which sets out procedures to efficiently and fairly respond to the reporting of alleged irregularities. By successfully implementing these procedures and by making efforts to respond to alleged irregularities, Sonae Holding aims to involve all employees in the creation of a healthy and balanced work environment.

**Ombudsman**

Sonae Holding has always given to employees and to the general public through its website ([www.sonae.pt](http://www.sonae.pt)) direct access to its Ombudsman, who reports directly to the Chairman of the Board of Directors. This has proven to be an effective means of facilitating the report of complaints, to make sure that independence and freedom of opinion are guaranteed and that all issues are treated equally and fairly.

Further detailed information on Sonae Holding's governance regulations can be found under section 2.6 of the Corporate Governance Report.

**8. Sonae performance in 2008****8.1. Macroeconomic environment****8.1.1. International****World Economy**

According to the International Monetary Fund (IMF) the World Economy is estimated to have grown by 3.4% in 2008 decelerating compared to 2007 by 1.8 p.p.. At the root of this slowdown has been the financial crisis which has worsened since the autumn. Though slowing from 8.3% in 2007 to 6.3% in 2008, the economic growth of Emerging and Developing Countries continued to post a robust contribution to the growth of the global economy. The Advanced Economies led the slowdown, decelerating from 2.7% in 2007 to 1.0% growth in 2008.

During 2008, Brent crude oil prices fell by 56% to reach 42 USD per barrel at the end of the year. In the first half of the year, they rose 54% to a maximum of 146 USD in July. Following this peak in the summer, the financial crisis weakened growth prospects and depressed commodity prices which lead to the oil price falling 71% from its yearly maximum, despite OPEC's decision to reduce production.

**United States**

In 2008, the financial crisis that began in 2007 with the US sub prime crisis deepened and worsened, particularly after the summer when several financial institutions went bankrupt. In 3Q08, US GDP fell by 0.5%, a substantial decrease from the 2.8% growth of 2Q08. In the full year, the economy is estimated to have grown by 1.1%. The slowdown has been mainly driven by a fall in consumer spending as a result of the housing market slowdown. The US is going through a strong deleveraging process: in 3Q08 credit to households decreased for the first time since the 50s. In order to encourage economic growth, the Federal Reserve Bank cut the bank interest reference rate by a cumulative 325 b.p. from the beginning of 2008 to 0.25% by the end of the year.

**The European Union and the Euro Area**

The speed of economic slowdown was the most unusual feature of the 2008 crisis. The impact of the financial crisis on the economy in real terms became more pronounced in the autumn and the Euro Area (EA) entered its first technical recession in 3Q08. Growth in GDP in both the European Union (EU) and EA is forecast to have slowed down from 2007 levels. The EU is estimated to have grown 1.0% in 2008 (2.9% in 2007) and the EA 0.9% (2.7% in 2007), mainly driven by the slowdown in investment and private consumption.

Domestic demand has also decelerated mainly due to the performance of investment and consumption.

Corporate Investment slowed down due a fall in capacity utilization and to a significant worsening in the economic outlook. Household investment in the EA also decelerated because of higher interest rates due to the financial crisis, and of adjustments to the over-heated housing markets. The financial crisis has affected confidence and the availability of funds in the market, making it difficult to raise funds, which in turn hampers investment projects.

Private consumption fell by 1.2 p.p. in the EU to a 1.0% growth and also by 1.1 p.p. in the EA to a 0.5% growth. Consumption slowed as a consequence of sluggish real disposable income as a result of high inflation, rising unemployment as well as lower levels of confidence.

The behaviour of labour markets varied across member states, but most started to weaken during 2008. Countries most severely affected by the housing market downturns, such as Spain and Ireland, account for the biggest increases in unemployment rates. Nevertheless, Germany registered robust job creation in the first three quarters of 2008. The unemployment rate in 2008 was 7.0% in the EU, down from 7.1% in 2007, and 7.5% in the EA, up from 7.4% in the previous year.

Foreign demand was a significant brake on growth accounting for -0.6 p.p. of the yearly growth of GDP in the EA. Exports posted the lowest growth rate since 2003 growing by 2% as a result of the world trade slowdown.

In the first half of 2008, the European Central Bank (ECB) adopted a tighter monetary policy (the base rate increased 25 b.p. in July to 4.25%) to control inflationary pressures arising mainly from food and energy prices. After the intensification of the financial crisis, the prospect of economic slowdown alleviated inflationary pressures, and from October onwards, the ECB adopted an expansionary policy cutting the bank reference rate by 175 b.p. until, by the end of the year, the rate fell to 2.50%. In January 2009, the ECB cut the reference rate further to 2.00% and in March by 50bp to the historical minimum of 1.50%.

In 2008 in the EA, GDP is estimated to have grown in Spain by 1.2% (3.7% in 2007), in Germany by 1.3% (2.5% in 2007), in Greece by 2.9% (4.0% in 2007) but to have contracted in Italy by 0.6% (after growing 1.5% in 2007). Central and Eastern Europe posted stronger growth rates with GDP estimated to have grown by 3.2% (decelerating from 5.4% in 2007).

### **Brazil**

The strong pace of growth achieved in 2007 was sustained in the first half of 2008, showing strong fundamentals. During 2008, two rating agencies revised Brazil's rating upward to 'investment grade' which increased capital flows into the country. Brazilian GDP is estimated to have accelerated from a 5.7% growth rate in 2007 to 5.8% in 2008.

A sustained easing of monetary policy, credit expansion and improving labour market conditions have fuelled the economic expansion. Investment had strong momentum, supported by the above mentioned rating revision while exports benefited from high food prices.

Food and energy prices increased inflationary pressures and, in order to keep inflation in the target range (4.5% +/- 2 p.p.), the Brazilian Central Bank increased the reference rate during the year.

### **8.1.2. Portugal**

According to the Portuguese Central Bank, the Portuguese economy grew 0.3% in 2008, continuing to diverge from the EA average and slowing from the previous year's 1.9% growth. GDP growth was driven by domestic demand, while, contrary to 2007, external demand acted as a brake on growth.

Despite continuing to post a positive contribution to economic growth in 2008, the contribution of domestic demand decreased to 1.1 p.p., with the strongest fall being in the investment component of demand.

Investment accounted for the biggest drop in domestic demand, decreasing 0.8% in 2008, down from 3.2% growth in 2007. The main drivers of this poor investment performance were housing investment and the impact on the 2007 base from aircraft acquisitions in that year.

Private consumption slowed to 1.4% growth for the year. During 2008, interest rates increased well above historical levels (the EA bank reference rate reached 4.25% in July but fell to 2.50% at the end of the year; the reference rate for many loans - 3 month Euribor - reached a maximum of 5.393% in October) which, together with the high level of indebtedness of Portuguese families, hampered consumption. Nevertheless, the rate of unemployment is expected to have decreased from 8.1% in 2007 to 7.8% in 2008

As a result of the economic downturn, government expenditure grew by 0.2%. Despite this increase, the government managed to meet the Stability and Growth Pact threshold, achieving a public deficit of below 3% of GDP.

As for external demand, the contribution of net exports to the growth of Portuguese GDP decreased and became negative by 0.8 p.p.. Portuguese exports fell sharply from 7.5% in 2007 to 0.6% in 2008, as a result of the strong economic downturn in major target countries for Portuguese exports.

Portuguese inflation was 2.6% in 2008, 0.1 p.p. above the previous year. Portuguese inflation remained below the EA average, despite high pressure from food and energy prices.

## 8.2. Corporate events

The following corporate events that took place during 2008 should be noted:

- (i) Following the completion of the demerger of Sonae Capital from Sonae, with the attribution of 0.125 of a share of the new company for each Sonae share, a rights trading period was available to Sonae shareholders from 9 January 2008 to 15 January 2008, inclusive, and continued over-the-counter up to 18 January 2008, inclusive. The listing on Euronext Lisbon of the new shares took place on 28 January 2008.
- (ii) On 3 March 2008, Luiz Filipe Lampreia, a member of Sonae's Board, resigned his position as a Board Director of the Group, with this change taking effect as from 30 April 2008.
- (iii) Sonae acquired, through a wholly owned subsidiary, additional 13.3 million Sonaecom shares, purchased at an average price of 2.18 euros per share. The Company ended 2008 with a shareholding position of 53.1%.
- (iv) Sonae completed the subscription of securitized Assets ("Notes"), through a private offering, in the amount of approximately 100 million euros. These Notes have a term of 5 years (2009/2013), amortized in quarterly equal instalments, having as underlying asset the future receivables to be generated under a portfolio of existing corporate customer contracts of Sonaecom. This transaction provides an interesting investment opportunity to Sonae through the associated remuneration and by investing in a specific pool of high quality credit-enhanced assets with an interesting rate of return on a risk-adjusted basis. The Notes also constitute a marketable instrument, which may be monetized in the future if deemed appropriate.

## 8.3. Investment portfolio as of 31 December 2008

Sonae's good operational performance and resilience to the financial crisis, clearly visible in 2008, was not reflected in its share price at 31 December 2008 and its trend since end 2007.

Million euros		Analyst's consensus		Market multiples, real estate NAV and market capitalization for listed companies			
	% stake	latest valuations	2008	9M08	Δ	2007	Δ
<b>NET ASSET VALUE</b> <sup>(6)</sup>		<b>2,760</b>	<b>2,792</b>	<b>2,689</b>	<b>3.9%</b>	<b>3,381</b>	<b>-17.4%</b>
<b>Gross Asset Value (GAV)</b>							
Retail <sup>(1)</sup>	100%	1,461	1,707	1,367	24.9%	1,713	-0.3%
Shopping Centre <sup>(2)</sup>	50%	780	795	924	-14.0%	949	-16.3%
Insurance Brokerage <sup>(3)</sup>	100%	57	95	77	23.8%	77	23.8%
Total unlisted holdings		2,298	2,597	2,368	9.7%	2,739	-5.2%
Telecommunications <sup>(4)</sup>	53%	462	195	321	-39.1%	642	-69.5%
Total listed holdings		462	195	321	-39.1%	642	-69.5%
Holding costs <sup>(5)</sup>		57	52	49	6.6%	81	-36.1%
Holding&Others Net debt <sup>(5)</sup>		573	648	584	11.0%	402	61.4%
<b>Net Asset Value</b>		<b>2,130</b>	<b>2,092</b>	<b>2,056</b>	<b>1.8%</b>	<b>2,897</b>	<b>-27.8%</b>
shares outstanding ('000)		2,000,000	2,000,000	2,000,000	0.0%	2,000,000	0.0%
<b>NAV/share (€)</b>		<b>1.07</b>	<b>1.05</b>	<b>1.03</b>	<b>1.8%</b>	<b>1.45</b>	<b>-27.8%</b>
closing price last trading day		0.44	0.44	0.53	-18.2%	1.78	-75.4%
NAV premium/(discount) to closing price last trading day		144%	139%	92%	46.9pp	-18%	-

(1) based on food retail sector EV/EBITDA 08 & EV/Sales 08 multiple, the consensus 2008 Sales & EBITDA for Sonae Distribuição, and non-operating real estate gross book value; (2) includes European and Brazilian properties in operation and under development at NAV; Property and Asset Management businesses based on EV/EBITDA market multiples; (3) Acquisition value to Sonae Capital at end November 2007 and increase at December 2008 in shareholding at Cooper Gay, from 14% to 32.12%; (4) valuation at market prices with the exception of analyst's consensus column; (5) Values reported by Sonae with the exception of analyst's consensus column; the reported holding costs are a perpetuity based on food retail EV/EBITDA 08 and the costs incurred; (6) Unaudited figures.

Based on the latest available research by analysts on Sonae, the consensus value of the Group's net assets at end 2008 amounted to 2,130 million euros, equal to 1.07 euros per share, implying a premium of 144% over the Sonae share closing price of 0.44 euros at 31 December



2008. From analyst's research available up to 31 December 2008, 80% have a 'buy' recommendation, the majority of which attributed a high premium over Sonae's stock market valuation, despite progressively adjusting their price targets to Sonae share price trend. Thus, Sonae was considered a "top pick" by several financial institutions for 2009.

Taking into account market multiples, real estate NAV and market capitalization for listed companies, Group net asset value at end 2008 amounted to approximately 2,092 million euros, representing 1.05 euros per share, implying a premium of 139% over the Sonae share closing price of 0.44 euros as at 31 December 2008. Compared to year end 2007, the market multiples based estimate of the Group's net asset value fell by 27.8%, driven mainly by a 69.5% decrease in Sonaecom market capitalization and a 16.3% reduction of the Shopping Centre valuation.

From Sonae's current portfolio and taking into account the consensus of analysts, Retail represented 52.9% of total GAV, Shopping Centres 28.3% and Telecommunications 16.7%. When based on market multiples and market capitalization for quoted companies, investments in Retail accounted for 61.1% of total GAV, Shopping Centres represented 28.5% and Telecommunications 7.0%.

## 8.4. Consolidated results

### 8.4.1. Consolidated income statement

Million euros	2007 <sup>(R)</sup>	2008	y.o.y
<b>CONSOLIDATED INCOME STATEMENT <sup>(8)</sup></b>			
<b>DIRECT INCOME</b>			
<b>Turnover</b>	<b>4,417</b>	<b>5,353</b>	<b>21.2%</b>
Retail	3,376	4,211	24.7%
Shopping centres <sup>(1)</sup>	145	169	16.3%
Telecommunications	877	954	8.7%
Holding & others	19	20	3.8%
<b>Other revenues</b>	<b>338</b>	<b>456</b>	<b>34.8%</b>
<b>Operating costs</b>	<b>4,216</b>	<b>5,179</b>	<b>22.8%</b>
COGS	2,623	3,304	26.0%
Personnel costs	509	612	20.4%
Other operating costs	1,085	1,262	16.4%
<b>EBITDA <sup>(2)</sup></b>	<b>536</b>	<b>617</b>	<b>15.0%</b>
EBITDA margin (%) <sup>(3)</sup>	12.1%	11.5%	-0.6pp
Retail	300	354	17.9%
Shopping centres <sup>(1)</sup>	69	90	29.4%
Telecommunications	173	179	3.6%
Holding & others	-5	-5	0.4%
Provisions and impairment losses	13	28	111.8%
Depreciation & amortization	228	274	20.0%
<b>EBIT</b>	<b>298</b>	<b>328</b>	<b>10.2%</b>
<b>Net financial results</b>	<b>-114</b>	<b>-174</b>	<b>-52.2%</b>
Financial income	53	43	-18.3%
Financial expenses	167	217	29.9%
Share of results of associated undertakings	4	15	-
Investment income <sup>(4)</sup>	34	4	-88.7%
<b>EBT</b>	<b>222</b>	<b>173</b>	<b>-22.2%</b>
Taxes	16	-2	-
<b>Direct Net income</b>	<b>238</b>	<b>171</b>	<b>-28.3%</b>
Group Share <sup>(7)</sup>	199	159	-20.0%
Attributable to minority interests	39	12	-70.0%
<b>INDIRECT INCOME</b>			
Value created on investment properties <sup>(5)</sup>	158	-121	-
Investment income <sup>(6)</sup>	8	12	61.6%
Impairment losses	-5	-37	-
Taxes	-44	15	-
<b>Indirect Net income</b>	<b>117</b>	<b>-132</b>	<b>-</b>
Group Share <sup>(7)</sup>	76	-79	-
Attributable to minority interests	41	-53	-
<b>TOTAL NET INCOME</b>			
<b>Total Net income</b>	<b>355</b>	<b>39</b>	<b>-89.0%</b>
Group Share <sup>(7)</sup>	275	80	-70.9%
Attributable to minority interests	80	-41	-

(1) Shopping centres are proportionally consolidated; (2) EBITDA = Turnover + other revenues - impairment reversion - goodwill - operating costs; (3) EBITDA margin = EBITDA / Turnover; (4) Capital gains (losses) with financial investments excluding those generated at shopping centres plus dividends received; (5) Increase (decrease) in the valuation of the shopping centres proportionally consolidated; (6) Capital gains (losses) with financial investments generated at Sonae Sierra; (7) Net income attributable to Sonae shareholders; (8) the financial information regarding 4Q07<sup>(R)</sup> and 4Q07 was not audited; (R) Restated to exclude Sonae Capital contribution in 2007 and to consolidate the Portuguese shopping centres comprising the Sierra Portugal Fund under the equity method in 2H08.

## **DIRECT INCOME**

### **Turnover**

Consolidated turnover increased by 936 million euros in 2008 compared to 2007<sup>(R)</sup>, driven by strong growth across all the businesses, a remarkable achievement given the deterioration of macroeconomic conditions. The breakdown of this consolidated performance was as follows:

- (i) 24.7% higher contribution from Retail, mainly reflecting: (a) a marginal positive like-for-like growth, heavily penalized throughout the year by the worsening levels of household confidence; (b) the result of the implementation of a strong organic growth plan in Portugal; (c) the entry into the Spanish market with SportZone and Worten formats; (d) the contribution of the petrol stations acquired at end 2007 as part of the retail operation acquisition; and (e) the successful integration of the acquired operating units. On a standalone basis, the company delivered the disclosed objective for the year, with turnover of its food and non-food retail formats totalling 4,068 million euros, up 20% compared to 2007. Food retail registered a solid 22% sales growth and non-food retail sales increased by 16.1% in 2008 compared to 2007, a positive achievement in the current economic environment of lower overall spending and household confidence levels. In perspective, this trend clearly stands out in the current context of the contracting world economy, and is particularly relevant as it confirms the capacity of Retail to progress beyond its already prominent leadership position in the Portuguese retail market.
- (ii) 8.7% higher contribution from Telecommunications, as a result of higher customer revenues at the Wireline and Mobile areas, driven by a number of initiatives implemented during 2008 such as: (a) promotion of its mobile broadband product, contributing to the maintenance of its leading position in retail sales of wireless broadband; (b) improvements in quality of service with the reorganization of its Call Centre; (c) re-launch of the “Optimus” brand, by the mobile, and SME and corporate wireline businesses; (d) the strengthening of its distribution network, including an increase in the number of own stores to 42 at end 2008; and (e) the success of several innovative products and services launched on the market, namely TAG (an innovative offer aimed at the youth segment) and the introduction of the iPhone in Portugal. This performance was achieved despite aggressive price competition in the Portuguese telecoms market, the lower level of roaming-in tariffs and the introduction of the new Mobile Termination Rate (MTR) programme, which introduced a glide path for lower MTRs, and, for the first time since the launch of its mobile operations, asymmetry in favour of Optimus.
- (iii) 16.3% higher contribution from Shopping Centres, primarily due to an increase in rental income, reflecting: (a) the full year contribution from 3 centres opened in 2007, namely Alexa, El Rosal and 8ª avenida, and the contribution from 3 centres opened in 2008, namely Freccia Rossa, Pantheon Plaza and Gli Orsi, and the expansion of the Plaza Mayor; (b) the portfolio increase through the acquisition of Munster and River Plaza in 2007; (c) an increase in ownership of several shopping centres in Brazil and Portugal in 2007; and (d) positive performance of the portfolio under management in 2008, with like-for-like growth in rents of 5.4% (4.1% in Europe and 7.2% in Brazil), sustained by the maintenance of the occupancy rate at 94.3%; On a standalone basis, the Development business posted a 9.7% increase in turnover, mainly due to the higher number and size of the projects in pipeline, and despite the delay on the development pipeline, explained by the sharp contraction of global credit. The organic increase of the portfolio under management, offsetting the negative impact of yield increases on value and lower leasing activity, explained the 3.5% turnover growth of the Property and Asset Management businesses in the period.

### **EBITDA**

EBITDA amounted to 616.8 million euros, 15.0% above 2007<sup>(R)</sup>, generating a margin of 11.5% compared to a margin of 12.1% in 2007<sup>(R)</sup>. This value reflects the following contributions:

- (i) The Retail business increased its contribution to EBITDA by 17.9% compared to 2007<sup>(R)</sup>, mainly reflecting the turnover performance detailed above, as well as the implementation of cost reduction and operational efficiency programmes. On a standalone basis, total EBITDA reached 355 million euros, generating an EBITDA margin of 8.4%. Two extraordinary impacts affected both 2008 and 2007 results: (a) a 9 million euros capital gain in 2008

generated by the sale of a Brazilian site in Florianópolis; and (b) a 12 million euros capital gain in 2007 generated by the sale of the real estate assets of the Albufeira and Portimão shopping centres galleries in Portugal. Excluding the impact of these non-recurrent capital gains, EBITDA rose by 20% to 346 million euros, generating a margin of 8.5%, in line with guidance. Food retail EBITDA increased by 26.8% over 2007 to 263 million euros and non-food retail EBITDA was up 5.7% over 2007 to 76 million euros;

- (ii) The Shopping Centre business contribution to EBITDA grew by 29.4% over 2007<sup>(R)</sup>, mainly driven by the above mentioned increase of the portfolio owned and its good operational performance in the year. On a standalone basis, investment properties EBITDA was 193.9 million euros, up 27.3% compared to 2007, mainly reflecting the 17.3% increase in fixed rental income and the 10.7% increase in turnover rental income. Asset Management and Property Management Service divisions had EBITDA of 15.6 million euros, 11.7% below 2007, explained by the lower value of the European portfolio under management, as a result of continuous yield increases throughout 2008;
- (iii) The Telecommunications business increased its contribution to EBITDA by 3.6% compared to 2007<sup>(R)</sup>, reflecting the success of the ongoing investment in growth of the mobile business and the focus on delivering greater value to the existing wireline customer base, mitigating the decrease in roaming-in tariffs, the delays in the introduction of the new MTR program and the increased aggressiveness of the competitive environment. On a standalone basis, the Mobile business generated an EBITDA of 142.4 million euros, compared to 153.7 million euros in 2007, while the Wireline business reached an EBITDA of 14 million euros, up 43.8% compared to 2007.

#### **Net financial results**

Net Financial results deteriorated by 52.2% to a negative 174 million euros in 2008 compared to a negative 114 million euros in 2007<sup>(R)</sup>, mainly comprising: (i) a 29.9% increase in financial expenses, explained by the Group's higher average net debt in 2008 and by the increase in Euribor market rates (the 3 and 6 months Euribor increasing by 0.4pp compared to 2007); and (ii) a 9.6 million euros decrease in financial income. The Group's higher average net debt in 2008 compared to 2007<sup>(R)</sup> is primarily explained by the financing requirements of the retail acquisition successfully completed at the end of 2007, and progress in the development pipeline of the Shopping Centre business.

#### **Direct net income – Group share**

The group share of direct net income decreased by 20.0% from 198.9 million euros in 2007<sup>(R)</sup> to 159.1 million euros in 2008, mainly due to: (i) the above mentioned higher net financial charges incurred in the period; (ii) a decrease of 30 million euros of investment income, with the 2007 figure mainly comprising capital gains of 27.5 million euros arising from the sale of 6.7 million shares of Sonaecom; and (iii) Sonae's ambitious investment plan for the year, which involved store network expansion in Retail and extension of the mobile and wireline network in Telecommunications, driving up depreciation and amortization costs in 2008 against 2007<sup>(R)</sup> but not yet fully contributing to the Group's operational profitability.

#### **INDIRECT INCOME**

##### **Value created on investment properties**

Value created on investment properties at the Shopping Centres business amounted to a negative 121.4 million euros, compared to a positive 158.2 million euros in 2007<sup>(R)</sup>, primarily reflecting the following factors in the shopping centre business, on a standalone basis: (i) 413.9 million euros decrease in the value of the European shopping centres in the portfolio, explained by the general yield increase in Europe, compared to a yield compression trend still prevailing in 2007; in 2008, average yields in Portugal increased by 56bp, in Spain by 95bp, in Italy by 78bp, in Germany by 42bp and in Romania by 125bp; (ii) 129.7 million euros positive impact on valuation reflecting the improved performance of the shopping centres owned; (iii) 37.3 million euros positive impact on valuation resulting from the 3 openings and 1 expansion in 2008, and (iv) 3.0 million euros increase in the value of the Brazilian Shopping Centres, impacted by the 8bp yield decrease compared to 2007;



### Investment income

Investment income totalled 12 million euros in 2008 compared to 8 million euros in 2007<sup>(R)</sup>, mainly relating to gains on the launch of the Sierra Portugal Fund on 27 March 2008 and the corresponding placement of 58% of the fund with international institutional investors, namely a Finnish pension fund, a Finnish mutual pension insurance company, two real estate funds managed by Schroeder Investment Management and one client of Aberdeen Property Investors.

### TOTAL NET INCOME

#### Total net income – Group share

The above mentioned trend of value created on investment properties at the Shopping Centres business was the main factor responsible for the reduction of the group share of consolidated net income to 80 million euros in 2008.

#### 8.4.2. Consolidated balance sheet

Million euros

#### CONSOLIDATED BALANCE SHEET

	2007 <sup>(R)</sup>	2008	y.o.y
<b>Total Net Assets</b>	<b>6,862</b>	<b>7,306</b>	<b>6.5%</b>
Non current assets	5,449	5,871	7.7%
Tangible and intangible assets	2,566	2,948	14.9%
Goodwill	676	697	3.2%
Investment properties in operation <sup>(1)</sup>	1,659	1,683	1.4%
Investment properties under development <sup>(2)</sup>	192	159	-17.0%
Other investment	121	156	28.8%
Deferred tax assets	148	207	39.5%
Others	87	21	-75.6%
Current assets	1,413	1,435	1.5%
Stocks	469	560	19.6%
Trade debtors	229	215	-6.2%
Liquidity <sup>(3)</sup>	344	248	-28.0%
Others	371	411	11.0%
<b>Total Equity</b>	<b>1,568</b>	<b>1,563</b>	<b>-0.4%</b>
Group share	1,121	1,151	2.7%
Minority interests	448	412	-8.1%
<b>Total liabilities</b>	<b>5,294</b>	<b>5,744</b>	<b>8.5%</b>
Non current liabilities	3,475	3,560	2.4%
Bank loans	965	1,281	32.7%
Other loans <sup>(4)</sup>	1,769	1,735	-1.9%
Deferred tax liabilities	319	331	3.7%
Provisions	109	57	-47.8%
Others	312	155	-50.2%
Current liabilities	1,818	2,184	20.1%
Bank loans	127	259	103.8%
Other loans <sup>(4)</sup>	9	111	-
Trade creditors	990	1,050	6.1%
Others	693	763	10.2%

(1) Value of shopping centres in operation owned by Sonae Sierra; (2) Properties under development owned by Sonae Sierra; (3) Liquidity includes cash & equivalents and current investments; (4) Other loans include bonds, leasing, derivatives and shareholder loans; (R) 2007 figures restated for the fair value allocation of the Carrefour acquisition by end 2007, to exclude Sonae Capital contribution in 2007 and to consolidate the Sierra Portugal Fund by the equity method in 2H08.

### CAPEX

Sonae's levels of investment essentially continued, although the increase in hurdle rates has resulted in a decrease of absolute values in 2H08 compared to the same period of last year. CAPEX amounted to 901.8 million euros in 2008, equal to 16.8% of turnover, with key strategic investment objectives maintained, namely the increase in the pace of international development, the strengthening of Retail's leadership position, the expansion of the shopping centre portfolio and the improvement in quality, reach and bandwidth of the telecommunications network.

Million euros

#### CAPEX

	2007 <sup>(R)</sup>	2008	y.o.y
<b>Total CAPEX <sup>(1)</sup></b>	<b>1,454</b>	<b>902</b>	<b>-38.0%</b>
Retail	800	388	-51.6%
Shopping Centres <sup>(2)</sup>	417	185	-55.7%
Telecommunications	236	299	26.9%
Holding & others	1	30	-
CAPEX as a % of turnover	32.9%	16.8%	-16.1pp
EBITDA minus CAPEX	-917	-285	68.9%

(1) Capex includes gross investments in tangible, intangible, investment properties and investments in acquisitions; (2) shopping centres proportionally consolidated; (R) Restated to exclude Sonae Capital contribution in 2007 and to consolidate the Portuguese shopping centres comprising the Sierra Portugal Fund by the equity method in 2H08.

Retail CAPEX, responsible for 43.0% of consolidated investment as at end 2008, was mainly focused on the Company's strong expansion plan, with the company ending the year with 793 operating units with a total of 809 thousand m2 of sales area (+14% compared to the end of the previous year). In 2008, the company: (i) opened 77 thousand m2 of sales area in Portugal; (ii)

entered the Spanish market with the opening of 6 SportZone stores and the acquisition of 9 consumer electronics and household appliances units (to which a new store was later added), totalling 34 thousand m<sup>2</sup> of sales area. Additionally, the company dedicated part of its investment effort to the store remodelling programme (in order to guarantee that the store portfolio remains a benchmark in the sector), and the development of the logistic infrastructure. The decrease in investment compared to 2007<sup>(R)</sup> is explained by the acquisition, at the end of last year, of Carrefour Portugal Hypermarkets, an investment of 664 million euros.

Telecommunications CAPEX accounted for 33.2% of consolidated investment as at 2008, and was mainly made up of investments in the Mobile division, totalling 244.7 million euros (+117.6 million euros increase in 2008 over 2007), of which 91 million euros related to the recognition of the net present value of the Company's contribution to the "e-Initiatives" programme, a government initiative which offers laptops and discounts for broadband access to school teachers and students. The remaining Mobile CAPEX reflects the ambitious investment plan aimed at increasing the coverage and capacity of the mobile access network: by end 2008, the 3G network covered circa 90% of the Portuguese population and over 80% with HSDPA technology, offering bandwidths of up to 7.2 Mbps. Total CAPEX also included the initial phase of the announced fibre optic cable deployment plan.

The Shopping Centres business represented 20.5% of consolidated CAPEX, entirely due to investments in development activities in Romania, Brazil, Germany, Italy, Greece and the Iberian Peninsula. The decrease in investment compared to 2007<sup>(R)</sup> is explained by: (i) the acquisitions concluded during the previous year, namely Munster Arkaden, in Germany, River Plaza Mall, in Romania, Albufeira and Portimão in Portugal; (ii) the increase, during 2007, of shareholding positions in Brazilian and Portuguese shopping centres; (iii) the acceleration, in 2007, of the development of projects opened in 2008; and (iv) some slowing down of development projects in 2008.

CAPEX at the Holding company amounted to 30 million euros compared to 1 million euros in 2007<sup>(R)</sup>, mainly relating to the acquisition of approximately 13.3 million Sonaecom shares during the period.

### Capital structure

The Group's debt has evolved in line with expectations in all businesses and in the Holding company, maintaining levels considered clearly adequate for each activity, with relatively long average maturities and no major debt repayments in the short term.

Million euros	2007 <sup>(R)</sup>	2008	y.o.y
<b>CAPITAL STRUCTURE</b>			
Gross debt <sup>(1)</sup>	2,871	3,387	18.0%
<b>Net debt <sup>(2)</sup></b>	<b>2,526</b>	<b>3,139</b>	<b>24.2%</b>
Retail	1,072	1,218	13.6%
Shopping centres <sup>(3)</sup>	745	876	17.5%
Telecommunications <sup>(4)</sup>	307	397	29.1%
Holding & others	402	648	61.4%
Retail net debt/EBITDA (last 12 months)	3.6 x	3.5 x	-0.2x
Shopping centres Loan to Value <sup>(5)</sup>	41.0%	46.7%	5.7pp
Telecoms net debt/EBITDA (last 12 months)	1.9 x	2.5 x	0.6x
Holding&Others Loan to Gross Asset Value <sup>(6)</sup>	11.8%	23.2%	11.4pp

(1) Gross debt = non current borrowings + current borrowings; (2) Net debt = gross debt - liquidity; (3) Shopping Centres are proportionally consolidated; (4) excluded securitization transaction completed at end 2008; (5) Net debt / Investment properties + properties under development; (6) Holding Net debt/Holding Investment Portfolio Gross Asset Value; gross asset value based on Market multiples, real estate NAV and market capitalization for listed companies; unaudited; (R) Restated to exclude Sonae Capital contribution in 2007 and to consolidate the Sierra Portugal Fund by the equity method in 2H08.

Compared to the end of 2007<sup>(R)</sup>, net debt increased 612.3 million euros, reflecting: (i) the retail investment plan of organic growth and store refurbishment, responsible for a 145.7 million euros increase in the contribution to consolidated net debt from the Retail business in 2008; the Company's Retail business Net Debt to EBITDA (last 12 months) reached 3.5x, decreasing from 3.6x at end of 2007<sup>(R)</sup> and continuously improving from the 4.4x leverage ratio at end 1H08; (ii) the acquisition of 13.3 million Sonaecom shares during 2008, and the 209.7 million euros impact from the payments under the cash settled equity swap covering approximately 6.6% of Sonae's share capital, the main factor responsible for a 246 million euros higher contribution to consolidated net debt from the Holding & Others; loan to value at the Holding company reached 23.2%; (iii) the growth led investment in the Telecommunications business, including the expansion of the network, responsible for a 90 million euros increase in its contribution to consolidated Net Debt; nonetheless, the Telecommunications' Net Debt to EBITDA (last 12 months) remained at an adequate level of 2.5x; and (iv) the successful placement of 58% of the

Sierra Portugal Fund and consequent proceeds from the operation, which offset the Shopping Centre business' financial needs for the on-going development pipeline.

Holding & Others net debt totalled 648.2 million euros, 246.5 million euros above the level at end of 2007<sup>(R)</sup>, and was made up mainly of: (i) 145.3 million euros used under the 340 million euros of committed short term credit facilities; of which 295 million euros can be cancelled with a prior notice of 1 year and 45 million euros with a prior notice of 6 months; and (ii) 500 million euros of long-term bonds, of which 250 million euros are due in May 2011 and the remainder in 2013 and 2014.

Overall, refinancing risk continued at a low level at the end of 2008, the weighted average maturity of Sonae Group debt standing at approximately 5.7 years (considering 100% of Sonae Sierra's debt), with the Retail business having more than 61% of its debt repayable after 2012, the Shopping centre business with more than 79% of its debt repayable after 2012 and the Telecommunications business with no amortizations of bank debt scheduled before 2010. Liquidity risk was also maintained at a low level, with the sum of cash and unused credit facilities standing at 1,112 million euros. Worth mentioning is the fact that the Group's debt has no financial covenants, with the exception of Shopping Centres non-recourse project financing.

### 8.5. Sonae Holding financial results

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

Total operating income of Sonae as a stand alone company totalled 2.3 million euros, a similar value to that of 2007, and EBITDA amounted to negative 8.2 million euros, compared to 8.4 million euros in 2007. Net profit for the year 2008 amounted to 30.5 million euros, which was favourably impacted the dividends received from its affiliated companies Sonae Distribuição and Sonae Sierra.

## 9. Outlook for 2009

### 9.1. Macroeconomic environment

#### 9.1.1. International

##### **World**

It seems now inevitable that, as a result of the financial crisis, the World will experience a downturn in 2009. The IMF forecasts 0.5% growth in the World Economy for 2009. Advanced Economies are expected to brake world output, decreasing by 2.0%. Emerging and Developing Economies are expected to slow sharply from 6.3% growth in 2008 to 3.3% growth in 2009, with China and India expected to grow by 6.7% and 5.1% respectively in 2009. Emerging and Developing Economies will be hurt by falling export demand, lower commodity prices and much tighter external financing constraints.

According to Bloomberg, analysts forecast a Brent crude oil price of around 68 USD per barrel by the end of 2009.

##### **United States**

In January 2009, the IMF forecasted a 1.6% fall in GDP in the US for the full year. The sub-prime crisis, the resulting turmoil in both credit and money markets and the necessary de-leveraging of financial institutions and companies, recent bankruptcies and rising unemployment are expected to negatively impact economic growth in 2009. Credit tightening, the severe wealth effects arising from the housing market downturn and labour market deterioration will negatively impact consumption. It is expected that the positive contribution from net exports to economic growth will at least partially offset the forecasted weakness in domestic demand. Headline inflation is forecast to fall temporarily below zero in 2009.

##### **European Union and Euro Area**

The impact of the financial crisis on the EU economy in real terms is expected to be tougher than in the US. The EU will be hurt by the fall in global trade, confidence deterioration and the required de-leveraging process. Soft data indicates persistent weakness of the economy:

consumer confidence fell to an all-time low in December 2008; the annual growth rate of loans to households is decelerating; and firms are cutting back on their recruitment plans. The European Commission expects a 2.8 p.p. decline in the 1.0% growth of 2008 to -1.8% in 2009 for the EU. For the EA, the forecast is a slowdown from 0.9% growth in 2008 to -1.9% in 2009.

In relation to domestic demand, both investment and consumption are expected to fall.

Reduced availability of credit arising from the need for de-leveraging in the financial sector and the lowered expectations of investors are expected to hamper investment projects severely. Investment growth is expected to experience a slowdown of 6.5 p.p. to -5.9% in 2009 in the EU and of 6.1 p.p. to -5.5% in the EA, with residential and corporate investment forecasted to decline strongly, while public investment will increase as part of governments' expansionary plans.

Private consumption growth is expected to fall to -0.4% in the EU and to -0.1% in the EA, as a result of credit tightening, increasing unemployment, and deteriorating levels of wealth and confidence.

Net exports in the Euro Area are expected to have an approximately neutral contribution to GDP growth as a result of deterioration in external demand.

As the world began to face the prospect of economic downturn, inflationary pressures eased with food and energy prices decreasing. Inflation is expected to fall to 1.2% in the EU and to 1.0% in the EA in 2009, well below the ECB 2% target for the EA. This background of low inflation has created room for expansionary monetary policy to prevail in 2009.

GDP growth is expected to be negative by 2.0% in Spain, 2.3% in Germany, 2.0% in Italy and to remain positive by 0.2% in Greece, while Central and Eastern Europe are also expected to see economic growth of 0.4%.

### **Brazil**

In 2009, the Brazilian economy is expected to grow by 1.8% according to the IMF. Domestic demand has been the main driver of growth and the labour market is expected to continue to post robust job creation. The trade surplus is shrinking due to the fall in world trade and an increase in imports. As a result of the worsening of the financial crisis last autumn, capital outflows from Brazil have been depreciating the currency. Monetary policy will remain tight as inflationary pressures arising from exchange rate depreciation continue throughout 2009. The bank reference rate is now at 12.75% and inflation is forecasted to remain below the central bank's target (4.5% +/- 2 p.p.). In March 2009, the Brazilian Central Bank cut the reference rate further by 150 bp to 11.25%.

### **9.1.2. Portugal**

According to the European Commission, Portuguese GDP is likely to contract by 1.6% in 2009. Domestic demand is forecasted to make a negative contribution to 2009 growth (-1.3 p.p. of GDP growth) since the positive growth of public expenditure will not be enough to offset decreases in private consumption and investment. The Portuguese Central Bank forecasted in its early January 2009 Winter Economic Bulletin -0.8% GDP growth, but the governor of the bank has since said publicly that he now expects the Portuguese economy to perform worse than stated in that report.

Investment is expected to fall by 5.5% in 2009, with the business sector contributing heavily to this performance with an 11% decrease.

Private consumption is expected to decrease by 0.2%. This can be explained mainly by the tighter credit conditions, deteriorating consumer confidence and the higher unemployment rate (expected to increase to 8.8% during 2009).

The government is expected to adopt an expansionary public expenditure policy, leading to an expected increase of 0.3%, accelerating from an increase of 0.1% in 2008. This increase is explained both by the automatic increases that tend to take place in a year of economic

recession and by the fact that 2009 is an election year (European, local and central government elections). The overall public deficit is expected to be in excess of 3% of GDP in 2009.

External demand is also forecasted to contribute negatively to growth (-0.1 p.p. of GDP growth). Exports are projected to slow from 0.3% growth in 2008 to a fall of 3.8% in 2009, as a result of the expected slow down in world trade and of the severe recession affecting Spain, Portugal's major export market. Imports are also expected to decrease, from 2.3% growth in 2008 to a 2.8% fall in 2009, in line with the decline in internal demand.

In 2009, inflation is expected to decrease to around 1.0%. Falls in both food and energy prices and the expected economic recession will check any further inflationary pressures.

## 9.2. Investment portfolio outlook

Sonae ended 2008 with a comfortable balance sheet, strong competitive positions in its main markets and an outstanding, highly skilled management team in each business, with expertise and recognised reputation in their sectors. This, together with a corporate culture of ambition, excellence, flexibility and innovation, allows the Group's management team to be confident of achieving the commitments of sustainable growth and superior value creation. In addition, the role and competencies of the corporate centre will continue to be fine tuned and shaped so that it can best help the Group towards success in achieving future profitable growth.

The Retail business will maintain its focus on pushing for growth and strengthening its value proposal, by: (i) continuing to expand its sales area until reaching 1 million m<sup>2</sup> over the next 2 years through implementing its growth plan in Portugal and maintaining progress with its international expansion programme (with the opening of 80 thousand m<sup>2</sup> of sales area in Spain); (ii) developing the own brand program; (iii) strengthening sourcing skills with the aim of increasing competitiveness and the variety of the commercial offer of each format; (iv) implementing innovative commercial strategies based upon the information and know how obtained from the customer loyalty programme; (v) implementing productivity enhancement programmes at the store level; (vi) improving logistics, benefiting internal efficiency and productivity; and (vii) optimising operational working capital management. In relation to debt levels, the company does not anticipate increasing its financial exposure in 2009.

The Shopping Centre business will focus on optimizing the operational performance of its shopping centre portfolio, while adapting the pace of its development activity to the recovery of the financial system. Of the disclosed 14 projects under development, the projects LeiriaShopping, in Portugal, Loop 5, in Germany, and the 4 disclosed projects in Brazil will continue their development and open on schedule. Additionally, the pace of the launch of new development projects will probably slow down, given lower funding availability (only projects with financing already finalised will be started), an increase in the minimum required return on equity rate, and also expectations of further yield increases in Europe, although of a lower magnitude than in 2008 but mitigated by yield compression in Brazil. Rental income is expected to increase in 2009, benefiting from the full year contribution to turnover of the 3 shopping centres opened in 2008.

The Telecommunication business will continue to push for customer growth in its mobile business, based on the foundations built during 2008 in terms of brand investments, organisational and commercial initiatives, and improvements in customer service. The wireline segment will continue to be very competitive and we will look to protect margins in residential direct access ULL services, push for necessary regulatory improvements and continue to focus on the second phase of our fibre deployment plan.

## 10. Proposed appropriation of profit for the year

In 2008, the net profit of Sonae Holding was 30,472,155.03 euros. The Board of Directors will propose to the Shareholders' Annual General Meeting that this profit should be appropriated as follows:

Legal reserves	1,523,607.75 euros
Dividend	28,948,547.28 euros



For 2008, a gross dividend of 0.03 euros per share has been proposed and the Board of Directors will recommend that free reserves of 31,051,452.72 euros are used for this purpose totalling 60,000,000 euros.

## 11. Financial glossary

<b>CAPEX</b>	Investments in tangible, intangible, investment properties and investments in acquisitions
<b>Indirect income</b>	Indirect Income includes the Shopping Centres segment contributions net of taxes to consolidated income statement, arising from: (i) investment properties valuations; (ii) capital gains (losses) with the sale of financial investments, joint ventures or associates; (iii) impairment losses (including goodwill) and; (iv) provision for "Development Funds at Risk"
<b>Direct income</b>	Direct income excludes the contributions to indirect income
<b>EBITDA</b>	EBITDA = Turnover + other revenues - impairment reversion - badwill- operating costs
<b>EBITDA margin</b>	EBITDA / turnover
<b>Interest cover</b>	EBITDA / interest expenses
<b>Investment income</b>	Capital gains (losses) on financial investments plus dividends received
<b>Investment properties</b>	Shopping centres owned by Sonae Sierra
<b>Like for Like sales</b>	Sales made by stores that operated in both periods under the same conditions. Excludes stores opened, closed or which suffered major upgrade works in one of the periods
<b>Net asset value (NAV)</b>	Open market value attributable to Sonae Sierra less net debt less minorities plus deferred tax assets
<b>Net debt</b>	Bonds + bank loans + other loans + finance leases – cash, bank deposits and current investments
<b>Non food retail</b>	Specialized retail which is not related to food based retail
<b>Net gearing</b>	Debt / (Debt + total equity)
<b>Net income group share</b>	Net income attributable to Sonae shareholders
<b>Open market value</b>	Fair value of real estate in operation and under development (100%), provided by an independent entity.
<b>Shareholders' funds</b>	Share capital + reserves + net income group share.
<b>Value created on investment properties</b>	Increase/decrease in the fair value of shopping centres.

## 12. Acknowledgements

The Board of Directors would like to thank the Statutory Audit Board and the Statutory External Auditor for the valuable advice and help given during 2008. The Board would also like to express its gratitude to suppliers, banks and other business associates of the Group for their continuing involvement and the confidence that they have shown in our organization. Finally, the Board expresses its gratitude to the Non-Executive Directors for their work and valuable advice and to all employees for their effort and dedication throughout the year.

Maia, 17 March 2009

Belmiro de Azevedo

Álvaro Cuervo Garcia

Michel Marie Bon

José Neves Adelino

Duarte Paulo Teixeira de Azevedo

Álvaro Carmona e Costa Portela

Ângelo Gabriel Ribeirinho dos Santos Paupério

Nuno Manuel Moniz Trigo Jordão

# CORPORATE GOVERNANCE REPORT



## Introduction

### Corporate Governance Structure and Practices

Sonae SGPS, SA, (hereinafter as “Sonae Holding”) has been consistently committed and has actively participated in the public discussions launched by CMVM (Portuguese Securities Market Commission) regarding any corporate governance practices’ recommendations, thereby sharing its perspective and experience.

Sonae has decided to implement CMVM Regulations and Recommendations on corporate governance as per the terms herein described.

The Corporate Governance Report provides a description of the Corporate Governance structure and practices followed by Sonae Holding, under the terms of article 245-A of Portuguese Securities Code, and was prepared to comply with CMVM Regulation no. 1/2007, of 21 November, as amended by CMVM Regulation no. 5/2008, of 15 October, and has the structure established by the annex of that CMVM Regulation.

It also hereby includes the information required by articles 447 and 448 of the Portuguese Companies Act and of CMVM Regulation no. 5/2008.

This section should be read together with and as a complement to the Management Report and Annual Accounts.

## 0. Statement of compliance

### 0.1. Disclosure of the placement of availability

This document was prepared to comply with CMVM Regulation no. 1/2007, of 21 November, as amended by CMVM Regulation no. 5/2008, of 15 October, and with 2007 CMVM Recommendations, issued on September 2007, all publicly available at [www.cmvm.pt](http://www.cmvm.pt).

### 0.2. Fully Adopted CMVM Recommendations on Corporate Governance

CMVM recommendations I.3.1, I.4.1 e II.5.2 are not fully adopted by Sonae Holding, with the motivation explained in 0.3.

## I - 1 SHAREHOLDERS’ GENERAL MEETINGS

### I.1 BOARD OF THE SHAREHOLDERS’ GENERAL MEETING

I.1.1 The Chairman of the Board of the Shareholders’ General Meeting shall be given adequate human and logistical resources, taking the financial position of the company into consideration.

#### RECOMMENDATION FULLY ADOPTED

The Chairman of the Board of the Shareholders’ General Meeting is given the support of the legal and administrative Company’s teams on the preparation of each General Meeting. Specific logistical support is given for the public disclosure of the convening notice for the Shareholders’ General Meeting, as well as for the reception of the documents for the General Meeting sent to Sonae Holding by shareholders and addressed to the Chairman. Sonae Holding also facilitates the logistics of the contact between the Chairman and the shareholders, for the collection of all preparatory documents necessary for the shareholders’ participation at the General Meeting, thereby actively promoting their presence.

I.1.2 The remuneration of the Chairman of the Board of the Shareholders’ General Meeting shall be disclosed in the annual corporate governance report.

#### RECOMMENDATION FULLY ADOPTED

Sonae Holding discloses the remuneration of both the Chairman of the Board of the Shareholders’ General Meeting, as well of its Secretary, as per the terms of section 1.3.

### I.2 PARTICIPATION AT THE MEETING

I.2.1 The requirement to deposit or block shares before the General Meeting, contained in the Articles of Association, shall not exceed 5 working days.

#### RECOMMENDATION FULLY ADOPTED

The Articles of Association presently only require for the proof of shareholding to be received at Sonae Holding's head office up to 5 working days before the Shareholders' General Meeting. Hence, the blocking period does not exceed 5 working days. The Chairman of the Board of the Shareholders' General Meeting accepts that the proof of shareholding may be exercised by email or by fax, as long as the original documents are received at Sonae Holding's head office up to three days before the date of convening the General Meeting.

I.2.2 Should the General Meeting be suspended, the Company shall not require share blocking during the full period until the meeting is resumed, but shall apply the same period as for the first session.

RECOMMENDATION FULLY ADOPTED

The Articles of Association establish, in paragraph 1 of its article 21, that the blocking period will only be required for five working days before the Shareholders' General Meeting convening. Thus, and according to the interpretation of the Chairman of the Shareholders' General Meeting, in the event of suspension of the General Meeting, the maximum period of required blocking for the attendance in the General Meeting's resuming session, will never be higher than five working days.

### **I.3 VOTING AND EXERCISING VOTING RIGHTS**

I.3.2 The statutory advance deadline for receiving voting ballots by post should not exceed 3 working days.

RECOMMENDATION FULLY ADOPTED

It is expressly established in Sonae Holding's Articles of Association a deadline of three days for reception of the postal votes.

I.3.3 The Company's Articles of Association shall respect the one share-one vote principle.

RECOMMENDATION FULLY ADOPTED

Articles of Association have, since 2007 Shareholders' General Meeting, held on 3 May, included such principle in its paragraph 1 of article 22.

### **I.5 MINUTES AND INFORMATION ON RESOLUTIONS ADOPTED**

I.5.1 The minutes of the Shareholders' General Meetings shall be made available to shareholders on Sonae Holding's website within a 5 day period, irrespective of the fact that such information may not be legally classified as material information. The lists of attendees, agendas items and resolutions adopted shall be kept in a historic file on Sonae Holding's website, covering meetings held for at least the last 3 years.

RECOMMENDATION FULLY ADOPTED

At Sonae Holding's website – [www.sonae.pt](http://www.sonae.pt) - it is publicly available the list of attendees, agendas items and resolutions adopted in the last 3 years. The resolutions adopted at the 2008 Shareholders' General Meeting were made available at Sonae Holding's website within a 5 day period, where the respective minutes are also available.

### **I.6 MEASURES RELATING TO CHANGES IN CONTROL**

I.6.1 Measures aimed at preventing the success of takeover bids, shall respect the interests of both the Company and its shareholders.

RECOMMENDATION FULLY ADOPTED

Sonae Holding has not implemented any measures to prevent the success of takeover bids, nor is it aware of any such implementation between the shareholders.

I.6.2 In accordance with the principle established in the previous sub-paragraph, any Company that has Articles of Association with clauses that restrict or limit the number of votes that may be held or exercised by a single shareholder, either individually or acting in concert with other shareholders, shall also require that, at least once every five years, the subsistence of such clauses must be ratified at a Shareholders' General Meeting, at which the quorum shall not exceed the legal minimum and all votes cast shall count, without applying any restriction.

RECOMMENDATION FULLY ADOPTED

Sonae Holding's Articles of Association do not contain any clauses which restrict or limit the number of votes that may be held or exercised by a single shareholder.

I.6.3 Defensive measures should not be adopted that automatically lead to a serious erosion in the value of Sonae Holding's assets, when there has been a change in control or a change in Sonae Holding's management, as this

prevents the free transmission of shares and the ability of shareholders to evaluate those responsible for managing the Company.

RECOMMENDATION FULLY ADOPTED

No such measures have been adopted or established.

## **II. MANAGEMENT AND AUDIT BOARDS**

### **II.1. GENERAL POINTS**

#### **II.1.1. STRUCTURE AND DUTIES**

II.1.1.1 The Board of Directors shall, in its corporate governance report, assess the model adopted by the Company, by identifying any restrictions that are holding back performance and proposing actions to be taken that are judged to be appropriate to resolve them.

RECOMMENDATION FULLY ADOPTED

The Board of Directors has assessed the impact of the corporate governance model adopted and has not encountered any restrictions susceptible of affecting the overall performance, as described in paragraph 2.1 below.

II.1.1.2 Companies shall set up internal control systems in order to efficiently detect risks relating to Sonae Holding's activity, in order to protect its assets and keep its corporate governance transparent.

RECOMMENDATION FULLY ADOPTED

Sonae Holding has established internal risk control systems as described below in paragraph 2.4.

II.1.1.3 The management and audit boards shall establish internal regulations, which shall be disclosed on Sonae Holding's website.

RECOMMENDATION FULLY ADOPTED

The management and audit boards have established their regulations which are currently available at its website – [www.sonae.pt](http://www.sonae.pt).

#### **II.1.2 Incompatibility and Independence**

II.1.2.1 The Board of Directors shall include a sufficient number of non-executive members to ensure that there is the capacity to effectively supervise, audit and assess the activity of the executive members.

RECOMMENDATION FULLY ADOPTED

The Board of Directors has a total number of eight members, of which four are Non-Executive members (please refer to paragraph 2.9 for more detail in terms of the composition of the Board), thereby representing 50% of the total number of board members.

II.1.2.2 Non-executive members shall include an adequate number of independent members, taking into account the size of the Company and its shareholder structure, but this shall never be less than one quarter of the total number of Board members.

RECOMMENDATION FULLY ADOPTED

The Board of Directors has three non-executive independent members, of its total of eight members (please refer to paragraph 2.9 for more detail in terms of the composition of the Board), thereby representing 37.5% of the total number of board members.

#### **II.1.3 ELIGIBILITY CRITERIA FOR APPOINTMENT**

II.1.3.1 Depending on the governance model adopted, the Chairman of the Statutory Audit Board, or of the Board Audit Committee or of the Financial Matters Committee shall be independent and possess the necessary skills to perform their duties.

RECOMMENDATION FULLY ADOPTED

The Chairman of the Statutory Audit Board, as well as the other members of this body, are independent as per the terms of paragraph 5 of article 414.º of the Portuguese Companies Act (please refer below to paragraph 2.12). The respective *curriculum vitae* is disclosed under the terms of paragraph 2.13.

#### **II.1.4 POLICY ON REPORTING IRREGULARITIES**

II.1.4.1 The Company shall adopt a policy of reporting irregularities that allegedly occurred, which includes the following information: i) the means through which such irregularities may be reported internally, including the persons that are

entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should this be requested by the person who has filled the report.

**RECOMMENDATION FULLY ADOPTED**

Sonae Holding has a long established policy for reporting irregularities occurred within Sonae Holding, in accordance and respect of its public principles and values available at Sonae Holding's website – [www.sonae.pt](http://www.sonae.pt). To that effect, Sonae has centralized the reception of any communication on Sonae's Ombudsman who has the role and functions described below in paragraph 2.20.

II.1.4.2 General guidelines of this policy should be disclosed in the Corporate Governance Report.

**RECOMMENDATION FULLY ADOPTED**

A description of the Sonae Holding's policy of reporting irregularities can be found below at paragraph 2.20.

## **II.1.5 REMUNERATION**

II.1.5.1 The remuneration of the members of the Board of Directors shall be structured to be aligned with the interests of the shareholders. In this sense: i) The remuneration of Directors carrying out executive duties should include a variable component based on performance linked to a performance assessment that shall be carried out periodically by the governance body or committee appointed for this purpose; ii) the variable component shall be consistent with the maximization of the long term performance of the Company, and shall be dependent on sustainability of the variables adopted to measure performance; iii) non-executive members of the Board of Directors shall only receive fixed remuneration, unless the legal requirements dictate otherwise.

**RECOMMENDATION FULLY ADOPTED**

Specific details of the compensation policy of the members of the Board of Directors can be found below at paragraph 2.16, as per the terms of the proposal of the Shareholders' Remuneration Committee approved at the Shareholders' General Meetings, held on 3 May 2007, and confirmed on the General Meeting held on 21 April 2008, and applicable to all duration of the mandate starting on 2007 and ending on 2010. Executive Members' remuneration includes an annual and medium term performance bonus, both of which are based on the real performance. This performance is assessed by the Shareholders' Remuneration Committee, liaising with the Board Nomination and Remuneration Committee. Non-Executive Members of the Board have a fixed remuneration.

II.1.5.2 The Shareholders' Remuneration Committee and the Board of Directors shall present to the Shareholders' Annual General Meeting a statement of the remuneration policy applied to management and audit boards, as well as to other strategic decision makers ("dirigentes") as defined in Article 248 B, sub-paragraph 3 of the Portuguese Securities Code. The information to shareholders shall include the criteria and main indicators proposed to be used in assessing of performance and determining the variable component, independently of whether this in the form of bonuses paid in shares, share options, annual bonuses or other awards.

**RECOMMENDATION FULLY ADOPTED**

The remuneration policy of the statutory governing bodies was approved at the Shareholders' General Meeting, held on 3 May 2007, and confirmed at the Shareholders' General Meeting of 21 April 2008, which included the remuneration policy for people discharging managerial responsibilities ("dirigentes" - as per the terms of article 248 B, paragraph 3, of the Portuguese Securities Code). In both situations, the policy was approved by proposal of the Shareholders' Remuneration Committee and is applicable to the bodies' mandate starting in 2007 and ending in 2010. Therein it is described the criteria and the indicators used to determine the variable component of the remuneration received by the Executive Members of the Board.

II.1.5.3 At least one representative of the Shareholders' Remuneration Committee shall be present at the Shareholders' Annual General Meeting.

**RECOMMENDATION FULLY ADOPTED**

Present at the Shareholders' Annual General Meeting is Belmiro Mendes de Azevedo, who is a member of the Shareholders' Remuneration Committee.

II.1.5.4 A proposal shall be submitted to the Shareholders' General Meeting to approve plans to grant shares and/or share options or award compensation based on variations in share prices, to members of the management and audit boards, as well as to other senior management ("dirigentes") as defined in Article 248 B, sub-paragraph 3 of the Portuguese Securities Code. The proposal shall include all information necessary for an comprehensive assessment of the plan. The proposal shall be presented together with regulation that governs the plan or if this has not yet been prepared, the general conditions that will be applied. In the same way, the main characteristics of any retirement benefit plan that benefits the management and audit boards, as well as other senior management ("dirigentes") as defined in

Article 248 B, sub-paragraph 3 of the Portuguese Securities Code, shall also be approved at a Shareholders' General Meeting.

RECOMMENDATION FULLY ADOPTED

A proposal to approve a medium term compensation bonus plan was submitted and approved at the Shareholders' Annual General Meeting held on 21 April 2008 (please refer to proposal no. 8 for that General Meeting available at Sonae Holding's website at [www.sonae.pt](http://www.sonae.pt)). The specific terms of this plan is below described at 3.10, and were also presented at this General Meeting under proposal no. 9 (please refer to Sonae Holding's website – [www.sonae.pt](http://www.sonae.pt)). There is not any adopted retirement benefit plan.

II.1.5.5 The remuneration of the members of the management and audit boards shall be individually disclosed on an annual basis. Fixed and variable components must be disclosed separately, when applicable, as well as any other remuneration received from other companies within the same Group or from companies controlled by shareholders with qualifying shareholdings.

RECOMMENDATION FULLY ADOPTED

This recommendation is considered to be fully adopted, as the information set out below in paragraph 2.18, is in line with CMVM's assessment of compliance in its 2008 annual report on Portuguese Listed Companies - Corporate Governance.

## **II.2. BOARD OF DIRECTORS**

II.2.1 Within the limits established by Portuguese Company Law for each management and audit governance structure, and unless the Company is restricted by its size, the Board of Directors shall delegate the day-to-day running of the Company and the powers and terms of the delegation should be set out in the Corporate Governance Report.

RECOMMENDATION FULLY ADOPTED

The delegation of powers of the Board of Director to the Executive Committee is described below under paragraph 2.3.1.

II.2.2 The Board of Directors shall ensure that the Company acts in accordance with its objectives, and should not delegate its own responsibilities, including: i) definition of Sonae Holding's strategy and general policies; ii) definition of the corporate structure of the Group; iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.

RECOMMENDATION FULLY ADOPTED

A list of the non-delegated matters and powers is described below under paragraph 2.3.1.

II.2.3 Should the Chairman of the Board of Directors have an executive role, the Board of Directors shall set up efficient mechanisms to co-ordinate the work of the non-executive members, to ensure that they may take decisions in an independent and informed manner, and shall also explain these mechanisms to the shareholders in the Corporate Governance Report.

RECOMMENDATION NOT APPLICABLE

The Chairman of the Board of Directors does not have any executive role (please refer below to paragraphs 2.2, 2.3, 2.9 and 2.17).

II.2.4 The Annual Management Report shall include a description of the activity carried out by the non-executive Board Members and shall, in particular, report any restrictions that they encountered.

RECOMMENDATION FULLY ADOPTED

Such description is hereby included at section 3 of the Annual Management Report.

II.2.5. The governing body responsible for management (Board of Directors) should promote the rotation of the Board member responsible for financial matters (CFO) at least at the end of every two mandates.

RECOMMENDATION NOT APPLICABLE

The Board of Directors has not appointed a CFO, as the Chief Executive Officer (CEO) accumulates this role and currently covers the areas of financial responsibility.

## **II.3 CHIEF EXECUTIVE OFFICER (CEO), EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS**

II.3.1 When Directors, who carry out executive duties are requested by other Board Members to supply information, they shall provide answers in a timely manner with information that adequately responds to the request made.

## RECOMMENDATION FULLY ADOPTED

Throughout the year, the Executive Committee timely discloses to the Board of Directors its decisions. The Executive Members are willing to provide any clarifications, by their initiative, as well by request of the Non-Executive members of the Board, so that latter have the necessary support for the completion of their role.

II.3.2 The Chairman of the Executive Committee shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the Board of the Directors and, when applicable, to the Chairman of the Statutory Audit Board or the Audit Committee.

## RECOMMENDATION FULLY ADOPTED

The CEO has made available to the Chairman of the Board of Directors and to the Chairman of the Statutory Audit Board all the information regarding the meetings held.

II.3.3 The Chairman of the Executive Board of Directors shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee.

## RECOMMENDATION NOT APPLICABLE

Sonae Holding has not adopted this governance model.

**II.4. GENERAL AND SUPERVISORY BOARD, FINANCIAL MATTERS COMMITTEE, AUDIT COMMITTEE AND STATUTORY AUDIT BOARD**

II.4.1 In addition to fulfilling its supervisory and verification roles, the General and Supervisory Board shall perform a role of advisor, as well as monitor and continually assess the management of the Company by the Executive Board of Directors. Amongst the other matters on which the General and Supervisory Board should opine are the following: i) definition of the strategy and general policies of the Company; ii) the corporate structure of the Group; and iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.

## RECOMMENDATION NOT APPLICABLE

Sonae Holding has not adopted this governance model.

II.4.2 The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall be disclosed on Sonae Holding's website together with the financial statements.

## RECOMMENDATION FULLY ADOPTED

The Statutory Audit Board's annual report is available at Sonae Holding's website – [www.sonae.pt](http://www.sonae.pt) - together with the financial statements.

II.4.3 The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall include a description of the supervisory and verification work completed and shall, in particular, report any restrictions that they encountered.

## RECOMMENDATION FULLY ADOPTED

Please consult the Statutory Audit Board's annual report issued for 2008 financial year.

II.4.4 The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted) shall represent the Company, for all purposes, in the relationship with the external auditor. This shall include proposing who will provide this service, their respective remuneration, and ensuring that the Company provides adequate conditions to allow them to deliver their service, as well as acting as the point of contact with the Company and being the first recipient of their reports.

## RECOMMENDATION FULLY ADOPTED

The Statutory Audit Board is the body of Sonae Holding responsible for overseeing the work performed by the Statutory External Auditor and its independence, directly interacting with it in the exercise of its functions, as determined by this Board's Rules and Regulations, available at Sonae Holding's website - [www.sonae.pt](http://www.sonae.pt). The Statutory External Auditor was appointed at the Shareholders' Annual General Meeting held on 3 May 2007 by proposal of the Statutory Audit Board.

II.4.5 The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted), shall assess the external auditor on an annual basis and propose to the Shareholders' General Meeting that the external auditor should be discharged, should justifiable grounds exist.

## RECOMMENDATION FULLY ADOPTED



Please consider the Statutory Audit Board's annual report, whereby it is assessed the Statutory External Auditor's work performed in the last financial year.

## **II.5. SPECIAL PURPOSE OR SPECIALIZED COMMITTEES**

II.5.1 Unless Sonae Holding is restricted by its size, the Board of Directors and the General and Supervisory Board, depending on the governance model adopted, shall set up the necessary Committees in order to: i) ensure that a robust and independent assessment of the performance of the Executive Directors is carried out, as well as of its own overall performance and including the performance of all existing Committees; ii) consider the governance system adopted and assess its efficiency and propose to the respective bodies, measures to be implemented to achieve improvements.

RECOMMENDATION FULLY ADOPTED

The Board of Directors has established two specialized working committees to ensure the effectiveness of the work performed by the Non-Executive Directors and of the main Board meetings. Those committees currently created are the Board Audit and Finance Committee (BAFC) and the Board Nomination and Remuneration Committee (BNRC). Their respective role and functions are described below at section 2.3.2.

II.5.3 All Committees shall draw up minutes of the meetings they hold.

RECOMMENDATION FULLY ADOPTED

The committees meetings have minutes drawn under the terms of article 8 of the Board of Directors' Rules and Regulations (which is available at Sonae Holding's website – [www.sonae.pt](http://www.sonae.pt)).

## **III. INFORMATION AND AUDITING**

### **III.1 GENERAL DISCLOSURE REQUIREMENTS**

III.1.2 Companies shall ensure that permanent contact is maintained with the market, upholding the principle of equal treatment for all shareholders and avoiding any asymmetry in the access to information by investors. To achieve this, Sonae Holding shall set up an Investor Relations Office.

RECOMMENDATION FULLY ADOPTED

Sonae Holding's has an active Investor Relations Office that provides shareholders and financial community at large, with regular, comprehensive and transparent information (please refer below to section 3.12 for more detail).

III.1.3 The following information disclosed on Sonae Holding's Internet website, shall be available in English:

- a) Sonae Holding, its listed company status, the registered office and the remaining information set out in Article 171 of Portuguese Company Law;
- b) Articles of Association;
- c) Identification of the members of the Statutory Governing Bodies and of the Representative for Relations with the Market;
- d) Investor Relations Office — its functions and contact details;
- e) Financial Statements;
- f) Half-Yearly Calendar of Company Events;
- g) Proposals presented to Shareholders' General Meetings;
- h) Notices convening Shareholders' General Meetings.

RECOMMENDATION FULLY ADOPTED

All of the above mentioned information is presently available at Sonae Holding's website - [www.sonae.pt](http://www.sonae.pt).

## **0.3. Partially adopted CMVM recommendations on Corporate Governance**

I.3.1 Companies should not impose any statutory restriction on postal voting.

RECOMMENDATION PARTIALLY ADOPTED

The Articles of Association only allow shareholders to vote by post in relation to changes to the Articles of Association and to the election of the Statutory Governing Bodies, subjects that as per the terms of the mandatory legal provisions cannot be excluded from postal voting. An amendment of the articles will be proposed at the 2009 Shareholders' Annual General Meeting in order to adopt this CMVM recommendation.

I.4.1 Companies shall not set a constitutive or deliberative quorum that exceeds the minimum required by Portuguese Company Law.

**RECOMMENDATION PARTIALLY ADOPTED**

Sonae Holding believes that a minimum quorum for the functioning of the Shareholders' General Meeting should be required to guarantee an adequate representation and consideration of shareholders' interests in the adoption of resolutions.

II.5.2 Members of the Shareholders' Remuneration Committee or alike, shall be independent from the Members of the Board of Directors.

**RECOMMENDATION NOT ADOPTED**

Belmiro Mendes de Azevedo, the Chairman and Non-Executive Member of Sonae Holding's Board of Directors, is presently a member of the Shareholders' Remuneration Committee. Nevertheless, he was elected to the Shareholders' Remuneration Committee by Sonae Holding's major shareholder, Efanor Investimentos, SGPS, S.A, and is thereby acting in representation of the interests of this major shareholder and not as Chairman of the Board of Directors. Furthermore, and to ensure the independence of the two roles, this member does not take part in any discussion or resolution where there is or could exist a conflict of interest, namely his remuneration as member of the Board of Directors.

#### 0.4. Assessment of Independence of the Member of the Board of Directors

The Board of Directors did not identify any fact or circumstance that would have caused the loss of independency by any its Independent and Non-Executive members during the term to which this report refers, confirmed by written statement issued by the Independent member at the request of the Board.

### 1. Shareholders' General Meeting

#### 1.1. Members of the Board of the Shareholders' General Meeting

The Board of the Shareholders' General Meeting is composed as follows:

Board of the Shareholders' General Meeting	
Manuel Cavaleiro Brandão .....	Chairman
Maria da Conceição Cabaços .....	Secretary

#### 1.2. Mandates

Sonae Holding's Shareholders' General Meetings are conducted by a Board elected by shareholders for a four-year mandate. The current mandate is from 2007 until 2010.

#### 1.3. Remuneration of the Board of the Shareholders' General Meeting

The remuneration of the members of the Board of the Shareholders' General Meeting is made up of a fixed amount which based on Sonae Holding's economic and financial position and market practices.

Remuneration of the Board of the Shareholders' General Meeting		
Million euros	2007 <sup>(1)</sup> Total Fixed Remuneration	2008 Total Fixed Remuneration
<b>Individual breakdown</b>		
Chairman	0,005	0,008
Secretary	0,002	0,003
<b>Total</b>	<b>0,007</b>	<b>0,011</b>

(1) Eight months of remuneration for 2007.

#### 1.4. Deadline for depositing or blocking shares

The Shareholders' General Meetings may only be attended by shareholders with the right to vote based on shares they own or equivalent subscription rights, which, in the five working days prior to the General Meeting, have provided confirmation of ownership to Sonae Holding, as required by the Portuguese Companies Act. This proof of title must be issued by a financial

institution where records of title are kept by the shareholders, which must also reach Sonae Holding's Head Office within the same deadline of five working days. The Chairman of the Shareholders' General Meeting has accepted that the proof of shareholding is delivered by fax or email, as long as the original documents are received at Sonae Holding's head office within the deadline established by him.

#### 1.5. Rules for the blocking of shares upon suspension of the General Meeting

In case of suspension of the Shareholders' General Meeting the Articles of Association does not enforce the blocking of the shares within the period until such meeting is reopen, being sufficient for the shareholders to attend the meeting to block their shares in the five working days prior to the reopening date.

#### 1.6. Number of shares corresponding to one vote

One share corresponds to one vote.

#### 1.7. Statutory rules on exercising the right to vote

The Shareholders' General Meetings may only be attended by shareholders who respect the deadline for blocking shares as per section 1.4 above.

#### **Convening Shareholders' General Meetings**

Shareholders' General Meetings are conducted by the Chairman or, in his absence, by the Chairman of the Statutory Audit Board or, in his absence, by the shareholder present at the General Meeting representing the largest shareholding position. Shareholders' General Meetings are held in two possible circumstances: (i) in ordinary session, at a date set by law for the Shareholders' Annual General Meeting; (ii) in extraordinary session, whenever the Board of Directors or the Statutory Audit Board deem necessary or at the request of shareholders, representing the legally required minimum percentage of Sonae Holding's share capital (currently 5%).

During 2008, the Shareholders' General Meeting was held in an ordinary session on 21 April, with 57,02% of share capital represented. At this meeting there were present 119 shareholders, all of which were corporate shareholders.

The proposals for discussion and decision at Sonae's Shareholders' General Meetings, as well as other supporting information, are made available to shareholders at Sonae Holding's Head Office, and are posted on Sonae Holding's website - [www.sonae.pt](http://www.sonae.pt) - at least 15 calendar days before the respective meeting or at the time the meeting is convened, for proposals in relation to changes in the Articles of Association.

#### **Shareholders' representation**

The right to vote by appointing a representative and the way in which this right is exercised are in accordance with the law and the Sonae Holding's Articles of Association, under the terms set down in the respective notices convening Shareholders' General Meetings.

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

Sonae Holding provides appropriate information to enable shareholders, wishing to be represented, to give voting instructions by making available the proposals to be submitted at the General Meeting and a template of the representation letter, within the legally established time limits on the Sonae Holding's website.

#### **Quorums**

As per the terms of Sonae Holding's articles of association, the Shareholders' General Meeting may only adopt resolutions the first time it is convened if there are present or represented shareholders holding more than 50% of Sonae Holding's share capital.

If that quorum is not reached and the meeting is reconvened, resolutions may be adopted by the Shareholders' General Meeting regardless of the number of shareholders present or represented and of the percentage of share capital they hold, as required by the Portuguese Companies Act.

The deliberative quorum for resolutions taken by the Shareholders' General Meeting observes the Portuguese Companies Act.

### 1.8. Postal voting

Shareholders can vote by post but only in relation to changes to the Articles of Association and elections to the Statutory Governing Bodies. Postal votes will only be taken into account when received at Sonae Holding's head office by registered post, with acknowledgement of receipt addressed to the Chairman of the Board of the Shareholders' General Meeting. The voting ballots should be signed by the holder of the shares or by his legal representative. In the case of an individual, it should be accompanied by an authenticated copy of his/her identity card. In the case of a corporate entity, the signature should be authenticated certifying that the signatory is duly authorized and mandated for that purpose. It is the responsibility of the Chairman of the Board of the Shareholders' General Meeting, or the person replacing him, to verify postal voting requirements compliance, being not accepted and treated as null and void, the postal vote which does not fulfil such requirements.

### 1.9. Template used for Postal Voting

Sonae Holding makes available at its website a template of the ballot for postal voting.

### 1.10. Deadline for receiving postal votes

Postal voting ballots must be received at least three days before the Shareholders' General Meeting at Sonae Holding's head office by means of registered mail and must be addressed to the Chairman of the Board of the Shareholders' General Meeting.

### 1.11. Electronic voting

The right to vote electronically is not yet available.

### 1.12. Remuneration Policy

The Shareholders' General Meeting approves the compensation policy of the members of the statutory governing bodies and of the people discharging managerial responsibilities ("dirigentes" – as per the terms of article 248 B, paragraph 3, of the Portuguese Securities Code), defining mandatorily its qualitative components and the criteria for its quantitative determination.

The Shareholders' Remuneration Committee, elected by the Shareholders' General Meeting, establishes the individual remunerations, according to the compensation policy in force.

The compensation of the Shareholders' Remuneration Committee members is determined by Shareholders' General Meeting.

### 1.13. Change of control defensive measures

There are no defensive measures in place.

### 1.14. Agreements with ownership clauses

There are not any agreements entered into by Sonae Holding which contain ownership clauses with the purpose of constituting defensive measures to Sonae Holding's change of control.

The majority of the share capital of Sonae Holding is attributable to one sole shareholder.

The shareholders' agreement concluded between Sonae and Grosvenor Group Limited (Grosvenor), regarding Sonae Sierra, SGPS, SA, confers to Grosvenor the faculty of terminating the agreement, in the case of a change of control in Sonae Holding, but only in the particular

and exclusive sense of the control of Sonae Holding ceasing to be directly or indirectly attributable to its present reference shareholder or to any of their relatives.  
This clause has identical terms of application in the case of a change of control in Grosvenor.

### 1.15. Termination agreements

There are no agreements in place establishing any compensation for the benefit of the Board members' or of people discharging managerial responsibilities ("dirigentes" - as per the terms of article 248 B, paragraph 3, of the Portuguese Securities Code) upon termination of their functions.

## 2. Management and auditing bodies

### 2.1. Identification and Composition

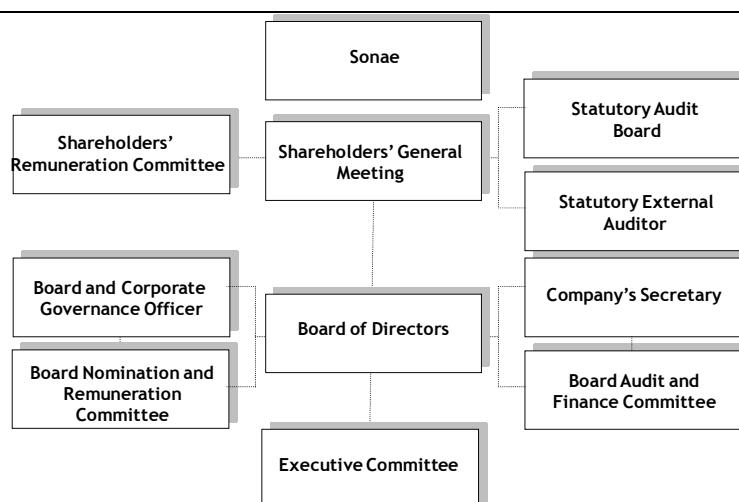
On 3 May 2007, the Shareholders' General Meeting approved, under the amended terms of the Portuguese Companies Act, a new corporate governance structure with a management body and two statutory auditing bodies: the Statutory Audit Board and the Statutory External Auditor.

This new corporate governance structure did not reveal any constraints to the normal functioning of the management and auditing bodies. The Statutory Audit Board exercised its supervisory powers, having received all the required support of the Board to that effect, through its Board and Audit Finance Committee, namely for the drawing up of its annual report on the supervision of Sonae Holding and issuing of a statement of opinion on Sonae Holding's annual report, accounts and proposals presented by the management.

The Statutory Audit Board also exercised its powers and duties referring to the Statutory External Auditor, having proposed its appointment at the abovementioned Shareholders' General Meeting.

Sonae Holding's corporate governance structure clearly sets out the roles, duties and responsibilities of its different Statutory and Non-Statutory Governing Bodies.

Sonae Holding's Governing Bodies



### Board of Directors

#### Composition

Under Sonae Holding's Articles of Association, the Board of Directors may be composed of an odd number or even of members with a minimum of 3 and a maximum of 11 members, elected at a Shareholders' General Meeting. The Board of Directors shall elect its Chairman.

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**Board of Directors**


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Belmiro Mendes de Azevedo.....	Chairman – Non-Executive
Álvaro Cuervo Garcia.....	Independent Non-Executive
Michel Marie Bon.....	Independent Non-Executive
José Neves Adelino.....	Independent Non-Executive
Duarte Paulo Teixeira de Azevedo.....	Executive – CEO
Álvaro Carmona e Costa Portela.....	Executive
Ángelo Gabriel Ribeirinho dos Santos Paupério.....	Executive
Nuno Manuel Moniz Trigo Jordão.....	Executive

**Note:**

On 3 March 2008, Luíz Felipe Palmeira Lampreia resigned as Non-executive Director of Sonae Holding (with effects as from 30 April 2008).

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The qualifications, experience and responsibilities of the members of the Board of Directors are disclosed in section 2.10 of the Corporate Governance Report, and shares held by them, either directly or through connected persons in Sonae Group's (hereinafter also referred to as Sonae) companies are disclosed in an Appendix to the Report, as required by article 447 of the Portuguese Companies Act.

**Statutory Audit Board**
Composition

Under Sonae Holding's Articles of Association, the Statutory Audit Board may consist of an odd or even number of members, with a minimum of 3 and a maximum of 5 members elected by the Shareholders' General Meeting. The Statutory Audit Board additionally includes 1 substitute member, should the Board be composed of 3 members, or 2 substitute members, should the Board be composed of more than 3 members. All members are independent. Decisions are taken by simple majority and the Chairman has a casting vote.

The Statutory Audit Board members were elected at Sonae Holding's Annual Shareholders' General Meeting held in 2007 and its current mandate covers the period 2007 to 2010.

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**Statutory Audit Board**


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Daniel Bessa Fernandes Coelho.....Chairman
Arlindo Dias Duarte Silva
Jorge Manuel Felizes Morgado
Óscar José Alçada da Quinta.....Substitute

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**Statutory External Auditor**
Composition

The Statutory External Auditor is Deloitte & Associados, SROC, S. A..

The Statutory External Auditor was elected by the Shareholders' General Meeting on the basis of a proposal by the Statutory Audit Board.

**Shareholders' Remuneration Committee**
Composition

The Shareholders' Remuneration Committee is composed of 3 members appointed by the Shareholders' General Meeting, under a four year mandate, currently from 2007 to 2010.

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**Shareholders' Remuneration Committee**


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Belmiro Mendes de Azevedo
Artur Eduardo Brochado dos Santos Silva
Bruno Walter Lehmann

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**Company Secretary**
Composition

The Secretary is Luzia Gomes Ferreira, who may be substituted in her absence by Anabela Nogueira de Matos.



## 2.2. Other commissions with competencies in administration and auditing

### **Executive Committee**

#### Composition

The Executive Committee is selected from the members of the Board of Directors. Sonae's CEO and the CEO's of the Group's main business units are members of the Executive Committee. The current membership is as follows:

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#### Executive Committee

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Duarte Paulo Teixeira de Azevedo.....	Sonae's CEO
Álvaro Carmona e Costa Portela .....	CEO Sonae Sierra
Ángelo Gabriel dos Santos Paupério .....	CEO Sonaecom
Nuno Manuel Moniz Trigo Jordão .....	CEO Sonae Distribuição

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### **Board Audit and Finance Committee (BAFC)**

#### Composition

BAFC consists of three members who are appointed by and from among the members of the Board. All of them are independent Non-Executive Directors.

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#### Board Audit and Finance Committee

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Michel Marie Bon .....	Chairman - Independent Non-Executive Director
Álvaro Cuervo García .....	Independent Non-Executive Director
José Manuel Neves Adelino.....	Independent Non-Executive Director

#### Note:

On 3 March 2008, Luiz Felipe Palmeira Lampreia resigned as a member of this committee.

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### **Board Nomination and Remuneration Committee (BNRC)**

#### Composition

BNRC includes the Chairman of the Board of Directors, and one Independent Non-Executive Director, also appointed from among the Board of Directors, as follows:

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#### Board Nomination and Remuneration Committee

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Belmiro Mendes de Azevedo.....	Chairman - Non-Independent Non-Executive
Michel Marie Bon .....	Independent Non-Executive

#### Note:

On 3 March 2008, Luiz Felipe Palmeira Lampreia resigned as a member of this committee.

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### **Board and Corporate Governance Officer**

#### Composition

The Board and Corporate Governance Officer is David Graham Shenton Bain.

## 2.3. Corporate Structure Organisation – Roles and Competencies

### 2.3.1. Statutory Governing Bodies

#### **Board of Directors**

##### Role

The Board of Directors is responsible for ensuring the management of Sonae Holding's business, monitoring risks, managing conflicts of interests and developing the organization's goals and strategy. Sonae Holding's Articles of Association permit the Board to delegate day to day company business, duties and responsibilities, as considered appropriate, to an Executive Committee.

#### **Executive Committee**

##### Role

The Executive Committee may deliberate on matters that relate to general management and not on matters that are exclusively of the competence of the Board of Directors. The Executive Committee is conferred the powers and responsibility to manage and execute day to day operations except:

- (i) to appoint the Chairman of the Board;
- (ii) to co-opt a substitute for a member of the Board;

- (iii) to convene Shareholders' General Meetings;
- (iv) to approve the Annual Report and Accounts;
- (v) to grant any pledges, guarantees or charges over the assets of Sonae Holding;
- (vi) to decide to change Sonae Holding's registered office or to approve any share capital increases;
- (vii) to decide on mergers, de-mergers or modifications to the corporate format of Sonae Holding;
- (viii) to approve the annual portfolio configuration strategy;
- (ix) to approve the annual financial plan and any significant changes thereto.

To ensure that the Board of Directors is kept well informed by the Executive Committee, all significant decisions taken by the Executive Committee are systematically extracted from the minutes of their meetings and are reported, in writing, to the Board of Directors. The Executive Committee supplies, in a timely manner, all the information requested by other Board members. These minutes are also made available to the Chairman of the Board of Directors and the Chairman of the Statutory Audit Board.

The Executive Committee team meets once every month and whenever the CEO or a majority of its members convenes a meeting.

### **Statutory Audit Board**

#### Role

The Statutory Audit Board is responsible for, among others:

- a) Supervising the management of Sonae Holding;
- b) Ensuring that the law and the Articles of Association are observed;
- c) Verifying the regularity of all books, accounting registers and supporting documents;
- d) Verifying the exactitude of the financial statements;
- e) Drawing up an annual report on the supervision of Sonae Holding and issuing a statement of opinion on the annual report, accounts and proposals presented by the management;
- f) Supervising the efficiency of the risk management system, the internal control system and the internal audit function, if one exists;
- g) Receiving notification of irregularities presented by shareholders, Company's employees or others;
- h) Proposing the appointment of the Statutory External Auditor to the Shareholders' General Meeting;
- i) Supervising the auditing of Sonae Holding's financial statements;
- j) Supervising the independence of the Statutory External Auditor, in particular with regard to the provision of additional services.

### **Statutory External Auditor**

#### Role

- a) Verifying the regularity of all books, accounting registers and supporting documents;
- b) Whenever it deems such action convenient and by means it considers appropriate, verifying the extension of cash and stock of any kind of the assets or securities belonging to Sonae Holding or received by it by way of guarantee, deposit or other purpose;
- c) Verifying the exactitude of the financial statements;
- d) Verifying whether the accounting policies and valuing criteria adopted by Sonae Holding lead to the correct valuation of the assets and the results;
- e) Carry out any examinations and checks necessary to the auditing and legal certification of the accounts and carry out all procedures determined by law.

## **2.3.2. Non-statutory governing bodies**

### **Board Audit and Finance Committee (BAFC)**

#### Role

BAFC operates under Terms of Reference approved by the Board of Directors and is responsible for monitoring and supervising financial reporting processes, reviewing accounting policies and for monitoring audit and risk management activities on behalf of the Board, and additionally for overseeing corporate governance within Sonae Holding. The BAFC also liaises with the Statutory Audit Board and is available to support them, if required, completing their work. The BAFC also meets directly with the Statutory External Auditor and the Internal Audit Team. In particular, the duties of the BAFC are:

- (i) to review Sonae Holding's annual and interim financial statements and reports to the market, and to report its findings to the Board, before these documents are approved or signed by the Board;
- (ii) to advise the Board on its reports to shareholders and financial markets to be included in Sonae Holding's Annual and Half-year Accounts and in the Quarterly Earnings Announcements;
- (iii) to advise the Board on the adequacy and appropriateness of internal information provided by the Executive Committee, including systems and standards on internal business controls applied by the Executive Committee;
- (iv) to review the scope of the Internal Audit Function and discuss with the Statutory External Auditor and Internal Auditor Manager their intermediate and year-end reports, as well as their reports on internal control, and advise the Board thereon.

BAFC reports to the Board of Directors concerning the work accomplished, results obtained and concerns identified, and minutes of all BAFC meetings are taken and distributed to other Board Members, thus ensuring the effectiveness of the committee.

### **Board Nomination and Remuneration Committee (BNRC)**

#### **Role**

BNRC operates under Terms of Reference approved by the Board of Directors, and is responsible for identifying candidates for appointment to the Board of Directors or Senior Management positions within the Group and for supervising the preparation of proposals on remuneration and other compensation on behalf of the Board of Directors. The BNRC reports in writing to the Board, whenever necessary, and liaises with Sonae's Shareholders' Remuneration Committee to obtain their approval, on behalf of shareholders, for the remuneration and other compensation of the Board of Directors and other Statutory Governing Bodies. The BNRC may receive assistance from external entities, which are required to ensure absolute confidentiality in relation to all the information obtained.

### **Board and Corporate Governance Officer (BCGO)**

#### **Role**

BCGO reports to the Board of Directors as a whole, through the Chairman, and also, when appropriate, through the senior independent Non-Executive Director.

The main duties of the CGO are:

- (i) Ensuring the smooth running of the Board and Board Committees;
- (ii) Participating in Board Meetings and relevant Board Committee Meetings and, when appointed, serving as a member;
- (iii) Facilitating the acquisition of information by all Board and Committee members;
- (iv) Supporting the Board in defining its role, objectives and operating procedures;
- (v) Taking a leading role in organising Board evaluations and assessments;
- (vi) Keeping under close review all Legislative, Regulatory and Corporate Governance issues;
- (vii) Supporting and challenging the Board to achieve the highest standards in Corporate Governance;
- (viii) Ensuring that the concept of stakeholders and the need to protect minority interests are in the Board's mind when important business decisions are being taken;
- (ix) Helping to ensure that the procedure to nominate and appoint Directors is properly carried out and assist in the induction of new Directors;
- (x) Acting as a primary point of contact and source of advice and guidance for, particularly, Non-Executive Directors as regards Sonae Holding and its activities;
- (xi) Facilitating and supporting the Independent Non-Executive Directors in the assertion of their independence;
- (xii) Helping to ensure compliance with the continuing obligations of the Portuguese Listing Rules;
- (xiii) Participating in making arrangements for and managing the whole process of Shareholders' General Meetings;
- (xiv) Participating in the arrangement of insurance cover for Directors and Officers;
- (xv) Participating, on behalf of Sonae Holding, in external initiatives to debate and improve Corporate Governance regulations and practices in Portugal.

### **Company Secretary**

#### **Role**

Sonae Holding Secretary is responsible for, among others:

- (i) Keeping the formal minute books and attendance lists at Shareholders' General Meetings;
- (ii) Forwarding the legal documentation to convene Shareholders' General Meetings;
- (iii) Supervising the preparation of supporting documentation for Shareholders' General Meetings and the meetings of the Board of Directors and preparing the respective formal minutes;
- (iv) Responding to Shareholder requests for information within the scope of Portuguese Companies Act;
- (v) Legal registration of any act or resolutions of Sonae Holding's Statutory Governing Bodies.

## **2.3.3. Organisation of the corporate centre**

### **2.3.3.1. General Structure**

The current organisation of Sonae Holding's corporate centre is designed to adapt its role and competencies to complement the various businesses in the best manner possible and, ultimately, create value. Also, it aims to optimize the efficiency of the Group, through promoting the sharing of relevant skills, know-how, resources and functions among the sub-holdings.

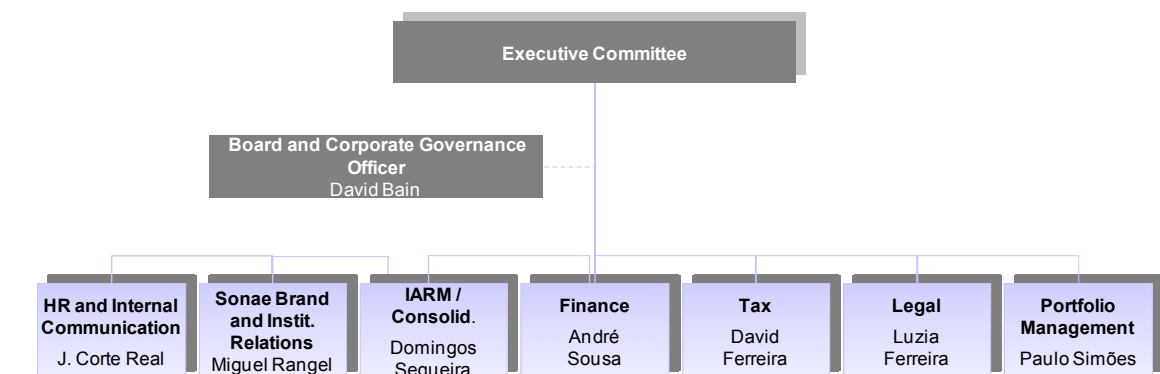
Its value proposal rests upon the following main activities: (i) collaborating with the sub-holdings in their definition of strategy and strategic goals; (ii) allocating capital between businesses and to new business opportunities; (iii) leveraging the Group's global size and set of competencies; (iv) managing top human resources; (v) managing the Sonae values and institutional brand; (vi)

managing institutional relations proactively to influence the Group's business environment. The corporate centre is also responsible for providing services to its various sub-holdings, which are centralized for reasons of efficiency and effectiveness, such as Tax and Financing. There are other tasks that directly relate to the holding company, for example compliance with capital market requirements, legal, financial and fiscal obligations, as well as decision making as a shareholder in Sonae Group sub-holdings and various instrumental companies.

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**Corporate Centre – Organisation and Functions**


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**Board and Corporate governance officer**

A description of this Officer's role and responsibilities is covered in the previous section.

**Human resources and internal communication manager**
Main responsibilities:

- (i) Manage Sonae's top human resources: Chairman of the Human Resources Advisory Group; support the Executive Committee's top human resources management activities;
- (ii) Internally promote the Group's values and culture;
- (iii) Support the External Communication function in managing the image of the group as a major employer;
- (iv) Support the Institutional Relations Department in the management of human resources' best practices;
- (v) Manage Sonae Holding's human resources.

**Sonae brand and institutional relations manager**
Main responsibilities:

- (i) Define and implement the corporate marketing strategy;
- (ii) Manage Sonae's public image and that of its Executive Committee; Proactive management of relations with the Media;
- (iii) Manage Sonae's image and reputation risk management in direct coordination with the Risk Management area;
- (iv) Proactive support to manage Sonae's relationship with Government, public entities, NGOs, opinion makers;
- (v) Represent Sonae at associations, forums and events (national and international) and manage information requests from those institutions;
- (vi) Coordinate messages and lines of communication with the External Communication function at the corporate centre and with the Public Relations departments of the sub-holdings, for all contacts with the Media.

**Internal audit, risk management, accounts consolidation and administrative manager**
Main responsibilities:

- (i) Lead portfolio and corporate centre risk management activities;
- (ii) Lead internal audit of the corporate centre;
- (iii) Operational support to the Audit Committee and the Risk Management Advisory Group;
- (iv) Manage the relationship with the statutory external auditors
- (v) Lead Sonae's individual and consolidated accounting teams;

- (vi) Supervise the administrative processes controls for the corporate centre and manage the service agreements covering the administrative processes outsourced to the service centre of Sonae Distribuição.

**Finance manager**Main responsibilities:

- (i) Lead all of Sonae's financing operations (except Sonae Sierra) in liaison with CFOs of the sub-holdings; support the sub-holdings in executing dealing transactions;
- (ii) Support corporate planning in determining the capital employed in each business area; support corporate development and M&A;
- (iii) Treasury management for Sonae;
- (iv) Financial risk management for Sonae Group.

**Tax manager**Main responsibilities:

- (i) Develop the tax competencies of the sub-holdings; share competences among sub-holdings;
- (ii) Collaborate in the definition of tax strategies and goals: Support the internationalisation of the sub-holdings;
- (iii) Support corporate M&A on tax issues;
- (iv) Institutional Relations: proactively manage the Group's tax environment.
- (v) Optimize the tax efficiency of the Group.

**Legal manager**Main responsibilities:

- (i) Legal support to Sonae Holding's activities;
- (ii) Manage relations with Euronext Lisbon, the Portuguese Securities Market Commission ("CMVM") and with shareholders in relation to legal matters;
- (iii) Manage Sonae Holding's corporate governance legal policies;
- (iv) Manage the legal environment of the Group;

**Portfolio manager**Main responsibilities:

- (i) Coordinate the corporate planning and reporting area;
- (ii) Support decisions regarding the allocation of capital to current businesses and to new business opportunities: responsible for the analysis of capital invested, return on capital invested and support the development of corporate strategy; responsible for corporate M&A and new business opportunities;
- (iii) Leverage the Group's global size and set of competencies;
- (iv) Coordinate the Investor Relations area and represent management in selected meetings with analysts and investors;
- (v) Support the coordination of the activity of the corporate centre.

### 2.3.3.2. Knowledge Sharing Corporate Committees

**Audit committee**

The Audit Committee was formed in 2000, to assist the Executive Committee in defining policies, reviewing and co-ordinating the activities of Risk Management, Internal Audit, and to establish internal control processes and systems. The Audit Committee, which meets quarterly, is chaired by Paulo Azevedo (CEO of Sonae), and includes the Sonae's head of portfolio manager and the CFOs and internal audit managers of the Sonae's sub-holdings.

Supporting this Committee is a Risk Management Consultation Group, which ensures, on a regular basis, consistency between the objectives by the Audit Committee and their implementation.

The Risk Management Consultation Group meets quarterly and is chaired by Ângelo Paupério (member of the Executive Committee), including Sonae Holding's head of portfolio manager, the

Board members and the Risk Managers responsible for this role at the holding company and at each of the Sonae sub-holdings.

#### **Finance committee**

The Finance Committee is chaired by Paulo Azevedo (CEO of Sonae), and includes the CFOs and the directors responsible for corporate finance from each of Sonae's sub-holding as well as the functional managers of Sonae, who are relevant to the subjects on each meeting's agenda. The committee meets monthly to review and co-ordinate financial risk management policies, banking relationships and other matters related to corporate finance.

### **2.4. Risk control**

#### **Risk management objectives**

Risk Management is embedded on Sonae's culture and is one of its Corporate Governance practices, being present in all management processes and a responsibility of all employees of Sonae, at all levels of the organisation.

The objective of risk management is the creation of value by managing and controlling uncertainties and threats that can affect the business objectives and the going concern of Sonae's businesses. Risk Management, together with Environmental Management and Social Responsibility, are pillars of sustainable development, in the sense that better understanding and more effective management of risks contribute to the sustainable development of businesses.

#### **Risk management processes**

Risk management is integrated into Sonae's entire planning process, as a structured and disciplined approach that aligns strategy, processes, people, technologies and knowledge. Its goal is to identify, evaluate and manage the uncertainties and threats that Sonae's sub-holdings face in the pursuit of their business objectives and value creation.

Sonae's management and monitoring of its main risks is achieved through different approaches, including:

- (i) As part of strategic planning, the risks of the existing business portfolio, as well as new businesses and relevant projects, are identified and evaluated, while strategies to manage those risks are also defined;
- (ii) At the operational level, business risks and planned actions to manage those risks, are identified and evaluated, and are included and monitored in business unit and functional unit plans;
- (iii) For risks that cross business unit boundaries, such as large scale organisational changes, contingency and business recovery plans, structural risk management programmes are developed with the participation of those responsible for the units and functions involved;
- (iv) As far as tangible asset and people safety risks are concerned, policies and standards are defined, their implementation is self-monitored, audits are carried out at the main units, and when risks are identified, preventive and corrective actions are implemented. On a regular basis, the financial cover of insurable risks is reassessed.
- (v) Financial risk management is carried out and monitored as part of the activity of holding and sub-holding companies' financial departments, whose work is reported to, co-ordinated and reviewed by the Finance Committee and the Board Audit and Finance Committee.

The risk management process is supported by a consistent and systematic methodology, based on the international standard<sup>2</sup> that includes the following:

- (i) Identifying systematically the risks that affect the organisation (common language); defining and grouping risks (dictionary and matrix of risks);

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<sup>2</sup> Enterprise Risk Management – Integrated Framework issued by COSO (Committee of Sponsoring Organizations of the Treadway Commission).



- (ii) Evaluating and attributing the level of criticality and management priority of risks as a function of their impact on the objectives of the business and the probability of the risks occurring;
- (iii) Identifying the causes of the most important risks;
- (iv) Evaluating strategic risk management options;
- (v) Developing a risk management action plan and integrating it into the management and planning procedures of the units and functions of Sonae's sub-holdings;
- (vi) Monitoring and reporting on progress made to implement the action plans.

**Risk management organization**

Risk Management is the responsibility of all managers and employees of Sonae Group companies, at all levels of the organisation, and is supported by the Internal Audit and Risk Management departments both in the holding and sub-holdings, through especially dedicated teams, which report directly to their respective Boards of Directors.

The Internal Audit and Risk Management department's mission is to help companies reach their objectives via a systematic and structured approach to developing and evaluating the effectiveness of management and control of business processes and information systems risks, namely:

- (i) The Internal Audit department identifies and evaluates the effectiveness and efficiency of management and control of business processes and information systems risks, as well as risks arising from non compliance with legislation, contracts and company policies and procedures. The internal audit annual plan includes critical business process audits, compliance audits, financial audits and information systems audits;
- (ii) The Risk Management department promotes, co-ordinates, facilitates and supports the development of risk management processes.

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

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

By end December 2008, the Internal Audit and Risk Management functions had 41 full time employees, carrying out their work in all countries where the Sonae Group operates.

The Board of Directors has appointed a Board Audit and Finance Committee, comprised of three Non-Executive and Independent Directors, to monitor Audit and Risk Management activities.

**Internal audit and risk management training and development**

As far as development of the Risk Management and Internal Audit function is concerned, in 2008, Sonae continued to support employee training for those who voluntarily put themselves forward for international certification programmes promoted by the IIA (The Institute of Internal Auditors) - Certified Internal Auditor (CIA) and Certification in Control Self Assessment (CCSA) – and other certifications, such as Certified Information System Auditor (CISA), Certified Information System Security Professional (CISSP), BS ISO/IEC 27001: 2005 Information Security Management (ISMS), Certified Information Security Management (CISM), Associated Business Continuity Professional (ABCP), BS 25999 Business Continuity Management (BCM) and Project Management Professional (PMP).

There are twenty four members of the Internal Audit and Risk Management teams of Sonae who have certifications, six of whom are CIA accredited, seven CCSA, four CISA, two ISMS and one CISM, CISSP, ABCP, BCM, and PMP. Sonae is one of the organisations with more certified employees in internal audit and risk management in Portugal. In 2009, Sonae will continue to

support this important training programme, and the international development and qualification of its internal audit and risk management staff, in line with international best practices.

### **Actions undertaken in 2008**

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

#### Tangible assets risks

Preventive and safety audits were conducted in different locations of the business units. In the main business units, tests and simulations were made to emergency and preventive systems and plans, usually in the presence of civil protection services, security forces and fire brigades. The development and implementation of security standards, and related monitoring and self-assessment procedures (Control Risk Self Assessment), also continued. In relation to terrorism risks, preventive and emergency programs were launched and specialist training sessions were given to security managers and staff.

#### People safety risks

Turning to people safety risks (staff, subcontractors, customers and visitors), work continued on the PERSONÆ Project of Sonae Sierra and the projects and Health & Safety functions of other sub-holdings, to develop integrated actions and attitudes towards safety, with special emphasis on changing individual behaviour.

In relation to the PERSONÆ Project, following the preparatory and diagnostic phases completed in 2003, implementation of this project began at Sonae Sierra in 2004, in partnership with a leading international consulting firm in this field, part of a group recognized as being one of the most safety conscious and socially responsible in the world. The programme combines the implementation of best management practices in Health, Safety and Social Responsibility with the development of internal capabilities through training and knowledge sharing. An essential part of the methodology is to integrate responsible attitudes and behaviour into the culture of Sonae Holding. The programme involves all operations world wide and all businesses of Sonae Sierra from project development through to the management of shopping and leisure centres, including investment and construction. The project lasted for four years, and represents, in consulting and training alone, an investment of 5 million euro. Having ended in September 2008, the project has involved more than 70,000 people according to our estimation and the aim is to care for the safety of millions of visitors, as per the figure of more than four hundred million visits per year to Sonae Sierra's shopping centres. The results and key performance indicators of the project have had a very positive trend: from June 2005 to October 2008, the total number of hours performed per month on safety preventive observations had increased from 56 to 1.059 and the number of non conformities per hour of observation had decreased 68%. Staff days of absenteeism due to work accidents have decreased 98% since 2005. The PERSONÆ Project has won two international awards: the Eco Prize 2006 in Brazil for Enterprise Social Responsibility Practices and the 2007 DuPont Safety Award in the category of Visible Management Commitment. The project's progress had been monitored by the other sub-holdings of the Group with a view to taking advantage of synergies and adapting the management model to other Group companies. Subsequently to the PERSONÆ Project, Sonae Sierra has achieved the certification by TÜV Rheinland of its Safety and Health Corporate Management System (covering all its activities) according to OHSAS 18001.

In Retail, it was developed a project to define customer physical safety standards, as a basis for action plans to prevent and mitigate customer safety risks.

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

#### Business continuity management

In relevant businesses, projects and programmes continued in order to guarantee continuity of operations, through defining, revising and implementing procedures and processes to prepare

for crisis and catastrophic scenarios, particularly through developing emergency, contingency and recovery plans.

A specific project was developed and continued in 2008, regarding risks that are common to the different businesses of Sonae. This project was promoted at the Holding level and at each of its main businesses, with the objective of preparing and testing emergency and contingency plans to respond to the threat of a pandemic flu. Actions were developed to identify critical processes and people in each business, assess the impacts of the pandemic flu and define action plans. Contacts were made with Government health divisions and other health authorities, to share information and knowledge regarding national contingency plans and other cooperation actions. In order to support and access protocols, procedures and other relevant information and knowledge, specialised consultancy work was contracted from an international health and medical services company.

In Telecommunications, based on business impact analysis and risk assessment of telco business (mobile and wireline), a business continuity focus was set, and strategies were developed to set the risk at the levels defined by management. A detailed impact analysis model considering system and network platforms was developed to estimate value at risk in main technical sites.

#### Environmental risks

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

Sonae Sierra's Environmental Management System (EMS) covers these risks in all activities of Sonae Holding, including procurement, construction and operation of Shopping Centres. In 2008, besides having had the corporate EMS re-certified according to ISO 14001 by *Lloyds Register Quality Assurance*, 39 shopping centres (from a total of 50) have individually already achieved the same certification (18 of which in 2008) and 17 construction works (6 in 2008) have achieved individual ISO 14001 certification for the construction phase.

#### Risks of "change projects" and new investment projects

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

#### Insurable risks

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

#### Food safety risks

In Retail, and as a result of the project and organisational actions begun in previous years, a programme of food safety audits was implemented and consolidated in stores, e-commerce, warehouses and production centres. This audit programme has the goal of monitoring food safety risks in a systematic way, and also complying with legal regulations and the internal control system for food safety. Since the program was launched in 2003, the average number of findings per audit has decreased 42%, and, more importantly, the average number of critical findings has decreased 72%.

#### Financial risks

Sonae is exposed to a variety of financial risks including interest rate risk, transaction and translation foreign currency exchange rate risk, liquidity risk, counterparty and credit risk related with its operating business. Due to the diverse nature of the different Sonae's businesses, exposure to those risks may vary from business to business, and thus for some risks there are no Sonae's wide risk management policies, but rather, when appropriate, individual and adapted risk policies for each sub-holding. Sonae is also exposed to debt and equity markets fluctuations. During 2008, and in order to minimize potential adverse effects of the volatility of

financial markets, besides individual policies to manage each identified financial risk and controls mechanisms to identify and quantify such exposures, Sonae sub-holdings have also used derivative instruments to hedge certain exposures related to their operating business. Financial risk policies are approved by each Board at business level and exposures are identified and monitored by each sub-holding Financial & Treasury Department. Exposures are also monitored by the Finance Committee activity (see above 2.3.3.2), where a consolidated exposure analysis is reviewed and reported on a monthly basis and guidelines for risk management policies are defined and regularly reviewed. Sonae's attitude to financial risks is conservative and cautious, and when derivative instruments are used to hedge certain exposures related to its operating business, the Group follows a policy of not entering into derivatives or other financial instrument arrangements that are unrelated to its operating business and have speculative purposes.

#### **Financial information disclosure**

The people involved in the financial analysis process are included in the internal list of insiders and particularly aware of their obligations, as well as of the penalties arising from the misuse of inside information.

The internal rules applicable to the disclosure of financial information aim to assure its broad immediate disclosure and prevent the market's asymmetric access to the information.

### **2.5. Powers of the Board of Directors for share capital increases**

The Articles of Association provides (article 6, paragraph 3) that the share capital can be increased through new entries in cash up to five thousand million Euro, in one or more stages, by resolution of the Boards of Directors, which will determine, in accordance with the law, the conditions of subscription and the categories of shares to be issued, based on those already existing at the time.

This power, according to law, terminates in a five year period starting from the shareholders resolution taken at the Shareholders' General Meeting held on 6 April 2006.

### **2.6. Rules and Regulations of the Statutory Governing Bodies**

Sonae is committed to comply with best practices in Corporate Governance. To that end, it has developed a clearly defined set of rules, duties and responsibilities for its different governing bodies and for their respective decision making processes. This has led to increased transparency and improved internal controls.

The Terms of Reference of the Board of Directors and Statutory Audit Board are available on Sonae Holding's website [www.sonae.pt](http://www.sonae.pt).

### **2.7. Nomination and substitution rules of the management and audit bodies**

#### **Board of Directors**

The members of the Board of Directors are elected for each mandate by shareholders' proposal according to Sonae Holding's respective Articles of Association and in compliance with the Law, at the Shareholder's General Meeting.

The election of one member of the Board of Directors will take place individually among persons listed in proposals subscribed by groups of shareholders, provided that such groups of shareholders hold shares that represent more than twenty and less than ten percent of the share capital.

The same shareholder cannot subscribe to more than one proposal, and each proposal must contain the identification of at least two persons eligible for each of the positions to be filled. If proposals are presented by more than one group of shareholders, voting will be based on all of these proposals.

Sonae Holding's Articles of Association also establish that the Board of Directors may co-opt a substitute in case of death, resignation or temporary or permanent incapacity or unavailability of any member, subject to ratification by the shareholders at the next Shareholders' General Meeting.

Additionally, if a Director fails to be present at any two meetings without providing a justification for such absence which is accepted by the Board of Directors, such a Director shall then be deemed permanently unavailable.

A Director who has been elected according to rules abovementioned in the second paragraph of this item, is deemed to be considered permanently unavailable and a substitute will be elected to the Board of Directors by the shareholders at the Shareholders' General Meeting.

#### **Statutory Audit Board**

The members of the Statutory Audit Board shall be elected by the General Meeting, for a four-year mandate.

If the Shareholders' General Meeting does not designate who of the members shall be the Chairman, the latter will be appointed by the members of the Statutory Audit Board.

If the Chairman leaves office prior to the end of the mandate for which he was designated or elected, the other members must choose one of them to exercise the functions until the end of the said period.

The members of the Statutory Audit Board who are temporarily unavailable or whose functions have ceased shall be replaced by the substitute.

Substitutes who replace members whose functions have ceased shall remain in office until the first annual general meeting, at which the vacancies shall be filled.

In the event of it not being possible to fill a vacancy left by a member, due to a lack of elected substitutes, the vacant positions, both of members and of deputies, shall be filled by means of a new election.

If the Shareholders' General Meeting should fail to elect the members of the Statutory Audit Board, the management of Sonae Holding must and any shareholder may petition the courts for the appointment thereof.

#### **Statutory External Auditor**

The Statutory External Auditor is elected by the shareholders at the Shareholders' General Meeting by proposal of the Statutory Audit Board.

Failure of the competent corporate body to appoint the Statutory External Auditor within the period fixed by law must be brought to the attention of the Portuguese Institute of Statutory Auditors within 15 days, by any shareholder or member of the corporate bodies. Within 15 days of that communication referred to in the previous paragraph, the Order of Statutory Auditors must officially appoint a statutory auditor to Sonae Holding, and the general meeting may confirm the appointment or elect another statutory auditor to complete the respective term of office.

### **2.8. Number of meetings held**

#### **Board of Directors**

The Board of Directors meets at least four times a year, as required by Sonae Holding's Articles of Association, and whenever the Chairman or two Board members call a meeting. During 2008 there were 5 Board meetings. The quorum for any Board Meeting requires that the majority of Board Members are present or represented by proxy and decisions are taken by a majority of votes cast. During 2008, the attendance rate at Board meetings was 100%. Minutes are recorded in the respective minutes book. The Board of Directors normally receives information on subjects on the agenda of meetings at least 7 days beforehand, and receives supporting documents for meetings at least 2 working days in advance.

#### **Executive Committee**

The Executive Committee currently meets at least once every month and, whenever the CEO or a majority of its members calls a meeting. There were 15 meetings of the Executive Committee in 2008 and the attendance rate was 100%. The quorum for the Executive Committee meeting requires that a majority of members are present or represented by proxy. Decisions are approved by simple majority, having the CEO a casting vote.

#### **Board Audit and Finance Committee (BAFC)**

BAFC meets at least five times a year and whenever the Chairman, the Board of Directors, the Executive Committee or, exceptionally, the Statutory External Auditor believe a meeting is necessary. Between meetings and since 4Q07, the follow up and monitoring of projects has



periodically been carried out by conference call. During 2008, the Committee met 5 times with an attendance rate of 100%.

### **Board Nomination and Remuneration Committee (BNRC)**

BNRC meets at least once a year and, whenever the Chairman or the Board of Directors deem necessary. There was one formal BNRC meeting during 2008 and the attendance record was 100%. Between formal meetings, the BNRC members keep in touch by electronic means.

### **Statutory Audit Board**

Statutory Audit Board meets at least 4 times a year. During 2008, the Board met 5 times with an attendance rate of 100%.

### **Shareholders' Remuneration Committee**

This Committee meets at least once a year. There were 1 meeting during 2008 and the attendance record was 100%.

## **2.9. Members of the Board of Directors and other committees**

### **Sonae Holding's Board of Directors**

Belmiro Mendes de Azevedo.....	Chairman – Non-Executive
Álvaro Cuervo Garcia.....	Independent Non-Executive
Michel Marie Bon.....	Independent Non-Executive
José Neves Adelino.....	Independent Non-Executive
Duarte Paulo Teixeira de Azevedo.....	Executive – CEO
Álvaro Carmona e Costa Portela.....	Executive
Ângelo Gabriel Ribeirinho dos Santos Paupério.....	Executive
Nuno Manuel Moniz Trigo Jordão.....	Executive

Note:

On 3 March 2008, Luíz Felipe Palmeira Lampreia resigned as Non-executive Director of Sonae Holding (with effects as from 30 April 2008).

### **Executive Committee**

Duarte Paulo Teixeira de Azevedo.....	CEO Sonae
Álvaro Carmona e Costa Portela .....	CEO Sonae Sierra
Ângelo Gabriel Ribeirinho dos Santos Paupério .....	CEO Sonaeecom
Nuno Manuel Moniz Trigo Jordão .....	CEO Sonae Distribuição

### **Board Audit and Finance Committee**

Michel Marie Bon .....	Chairman – Independent Non-Executive
Álvaro Cuervo Garcia .....	Independent Non-Executive
José Manuel Neves Adelino.....	Independent Non-Executive

Note:

On 3 March 2008, Luíz Felipe Palmeira Lampreia resigned as member of this committee.

### **Board Nomination and Remuneration Committee**

Belmiro Mendes de Azevedo.....	Chairman - Non-Independent Non-Executive
Michel Marie Bon .....	Independent Non-Executive

Note:

On 3 March 2008, Luíz Felipe Palmeira Lampreia resigned as member of this committee.

The Board of Directors has a clear balance between the number of Executive Directors and the number of Non-Executive Directors. Currently, the Board of Directors is composed of eight members, including Executive and Non-Executive members. Out of the four Non-Executive Directors, three are considered independent, in accordance with the independence criteria established by article 414, no. 5 of the Portuguese Companies Act, as per the remission of CMVM Regulation nr. 1/2007 for Corporate Governance. The three abovementioned Independent Non-Executive Directors also meet the requirements for assessing their non-incompatibility under the terms of article 414-A, no. 1, of the Portuguese Companies Act, as required by the abovementioned CMVM Regulation, with the sole exception of the Director Michel Marie Bon, who exercises management and auditing functions in more than five companies. Nevertheless, this fact does not affect his overall independence.



## 2.10. Qualifications, experience and responsibilities of the Board of Directors

The Board mandate is for four years, with the possibility of re-election. The current Board mandate covers the period 2007 to 2010. Current members of the Board of Directors have been appointed as follows:

Appointment to the Board of Directors		
	Appointed for the first time on	End of mandate
Belmiro Mendes Azevedo	1989	2010
José Neves Adelino	2007	2010
Álvaro Cuervo Garcia	2004	2010
Michel Marie Bon	2004	2010
Duarte Paulo Teixeira de Azevedo	2000	2010
Álvaro Carmona e Costa Portela	1999	2010
Ángelo Gabriel Ribeirinho Paupério	2000	2010
Nuno Manuel Moniz Trigo Jordão	1999	2010

### **Belmiro Mendes de Azevedo**

#### **Date of Birth**

17 February 1938

#### **Education**

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

#### **Professional Experience**

1963-1964	Technical Career in textile chemical industries
1965-1967	Managing Director of Sonae
1967-1984	President of Sonae Group of companies
1985-1988	CEO of Sonae Indústria e Investimentos, SA
1989-1999	Chairman and CEO of Sonae Investimentos, SGPS, SA
1997	Member of the European Union Hong-Kong Business Cooperation Committee
1999-2007	Chairman and CEO of Sonae SGPS, SA
2000	Member of the International Advisory Board of Allianz AG
2002	Member of the Management Board of Cotec – Portugal
2005	Member of the Harvard Business School European Advisory Board
2005	Chairman of Manufacture Portugal Forum
2008	Chairman of EGP – University of Oporto Business School

### **José Manuel Neves Adelino**

#### **Date of Birth**

19 March 1954

#### **Education**

1976	Graduation in Finance, Universidade Técnica de Lisboa
1981	DBA, Finance, Kent State University
1995	Agregado, Faculdade de Economia, Universidade Nova de Lisboa

#### **Professional Experience**

1978-1981	Teaching Fellow, Kent State University
1981-1986	Member of the Directive Council, Faculdade de Economia, Universidade Nova de Lisboa
1981-1986	Member of the Board, BPA
1981-1995	Professor, Faculdade de Economia, Universidade Nova de Lisboa
1986-1989	Visiting Professor, Universidade Católica Portuguesa
1987-1989	Visiting Professor, Bentley College
1988	Visiting Professor, ISEE
1990-1996	Dean, MBA Program and Executive Education, Faculdade de Economia, Universidade Nova de

	Lisboa
1994-2002	Member of the Directive Board of Fundo de Garantia de Depósitos
1999-2002	Dean, Faculdade de Economia, Universidade Nova de Lisboa
1999-2004	Member of the Global Advisory Board of Sonae SGPS, SA
2003-2006	Member of the Board, Chairman of the Audit Committee of EDP
2003-2006	Strategy Advisory Board of PT
2003-2007	Chairman of the Shareholders' Meeting of PT PRO
2003-2007	Member of the Remuneration Committee of Sonae SGPS, SA
2004-2007	Member of the Investment Committee of PT Previsão

### **Álvaro Cuervo García**

#### **Date of Birth**

30 May 1942

#### **Education**

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

#### **Professional Experience**

1975	Professor of Business Economics at Universidad Complutense Madrid
1997-2006	Member of the Academic Council of the Real Colegio Complutense at Harvard University
Since 1997	Member of the Board of Directors of ACS, SA
Since 2003	Member of the Board of Directors of Sonae Indústria, SGPS, SA
2004	Editor in Chief of Universia Business Review
2006	Member of the Board of Directors of Bolsas y Mercados Españoles
2007	Associate Editor Globalization, Competitiveness and Governability
	Member of the scientific and advisory committee of several journals
	Author of several books and numerous articles published in Spanish and foreign journals

### **Michel Marie Bon**

#### **Date of Birth**

5 July 1943

#### **Education**

1966	Graduation in Business Administration - ESSEC
1971	Graduation at École Nationale d'Administration
1986	Stanford Executive Program – Stanford University

#### **Professional Experience**

1971-1975	Inspecteur des Finances at the French Ministry of Finance and Budget
1975-1985	Chief Credit Officer, and later Deputy CEO of Caisse Nationale de Crédit Agricole (Bank)
1985-1992	Deputy CEO, later CEO and Chairman of Carrefour (Retail)
1993-1995	Head of the Agence Nationale Pour l'Emploi (French State agency for employment)
1995-2002	Chairman and CEO of France Telecom
2003-2005	Chairman of Institut Pasteur
1971-1975	Director of Esmertec (High Technologies)
1975-1985	Senior Advisor to Permira (Investment Fund)
1985-1992	Senior Advisor to Roland Berger (Strategy Consulting)
1998-2002	Co-chairman of the French American Business Council
Since 1984	Director of Institut Pierre Mendès France
Since 1988	Director of the French American Foundation
Since 1994	Founder and Director of Transparency International (France)
Since 2003	Director of International Dominican Foundation
Since 2004	Director of Esmertec

Since 2004	Senior Advisor to Permira
Since 2006	Senior Advisor to Roland Berger
Since 2008	Chairman of Fondation Nationale pour l'Enseignement de la Gestion des Entreprises (FNEGE)

### **Duarte Paulo Teixeira de Azevedo**

#### **Date of Birth**

31 December 1965

#### **Education**

1986	Graduation in Chemical Engineering – École Polytechnique Fédérale de Lausanne
1989	Master of Business Administration – EGP (before designed by ISSE – Business School da Universidade do Porto)
1994	Executive Retailing Program – Babson College
1996	Strategic Uses of Information Technology Program – Stanford Business School
2002	IMD – Breakthrough Program for Senior Executives - Lausanne

#### **Professional Experience**

1988-1990	Analyst and Project manager of new investments at Sonae Tecnologias de Informação
1990-1993	Organizational Development project manager and New business Commercial Director at Sonae Indústria (Wood Based Panels)
1993-1996	Director of Strategic Planning and Control and Project Leader – Group restructuring at Sonae Investimentos, SGPS, SA
1996-1998	Executive Board Director of Merchandising, IT and Marketing of Modelo Continente Hipermercados (Retail)
1998-2000	CEO of Optimus (Mobile Operator).
2000-2007	CEO of Sonaecom, SGPS, SA
2001-2002	President of Apritel - Association of Telecommunication Operators
2002-2007	Chairman of the Statutory Audit Board at Público, SA
2003	Co-author of the book “Reformar Portugal”
2003-2007	Chairman of the Statutory Audit Board at Glunz, AG
2004-2007	Chairman of the Board of Tafisa, SA
Since 2007	CEO of Sonae, SGPS, SA

### **Álvaro Carmona e Costa Portela**

#### **Date of Birth**

4 July 1951

#### **Education**

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

#### **Professional Experience**

1972-1976	Director at Laboratórios BIAL (Pharmaceutical Industry)
1974-1977	Lecturer at Department of Mechanics - Universidade do Porto
1976-1979	Chairman and CEO of Laboratórios BIAL (Pharmaceutical Industry)
1979-1985	Executive Director of Finance, Planning, Exports at COPAM - Companhia Portuguesa de Amidos, SA (Maize derivatives industry) and affiliated companies
1985-1986	Deputy Managing Director and later Managing Director of Módis (Logistics and Retail Procurement at Sonae Distribuição)
1986-1991	Managing Director, later CEO and later Chairman and CEO of Sonae Distribuição, SGPS, SA
1996-2001	Member at ICSC Europe Jury Award
1999-2002	Co-founder and Non Executive Director of EPRA- European Public Real Estate Association
2005-2008	Trustee of the International Council of Shopping Centres

### **Ângelo Gabriel Ribeirinho dos Santos Paupério**

#### **Date of Birth**

14 September 1959

**Education**

1982	Graduate in Civil Engineering
1988/1989	Master of Business Administration

**Professional Experience**

1982-1984	Structural Design Project Manager at Tecnopor (Civil Engineering)
1984-1989	Manager at EDP (Energy)
1989-1991	Leader of the Television Project Team at Sonae Tecnologias de Informação
1991-1994	Director of Strategic Planning and Control at Sonae Investimentos, SGPS, SA
1994-1996	Director in several of Sonae Distribuição, SGPS, SA's affiliates (Retail)
1996-2007	CFO of Sonae Distribuição, SGPS, SA and Director in Modelo Continente, SGPS, SA and several of its affiliates (Retail)
1996-2007	Executive Vice President and CFO of Sonae, SGPS, SA, SA, CEO of Sonae Capital, SGPS, SA and Chairman of Sonae, SGPS, SA's Finance Committee
Since 2007	CEO of Sonaecom SGPS, SA, Executive Director of Sonae, SGPS, SA, Director of Sonae Sierra, SGPS, SA, Director of Sonae Distribuição SGPS, SA

**Nuno Manuel Moniz Trigoso Jordão**
**Date of Birth**

27 April 1956

**Education**

1978	Graduate in Economics ISCTE (Universidade de Lisboa)
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**Professional Experience**

1980-1986	Pingo Doce Supermercados, SA – Career in Store Operations
1986- 1987	Hipermercados Continente, SA - Hypermarket Manager
1988-1989	Hipermercados Continente, SA - General Manager
Since 1990	Executive Board Member of Sonae Distribuição, SGPS, SA
Since 1991	CEO of Sonae Distribuição, SGPS, SA -
Since 1999	Executive Director of Sonae, SGPS, SA

Shares held by the members of the Board of Directors are disclosed in an Appendix to the Management Report, as required by article 447 of the Portuguese Companies Act. The Appendix also includes the relevant information pertaining to transactions performed in the last semester of 2008, as per the terms of article 14 no. 6 of CMVM Regulation no. 5/2008.

**2.11. Offices held by the members of the Board of Directors**
**Belmiro Mendes de Azevedo**
**Offices held in other companies within Sonae:**

None

**Offices held in other companies outside Sonae:**

Chairman of Sonae Indústria SGPS, SA  
 Chairman and CEO of Sonae Capital, SGPS, SA  
 Chairman and CEO of Efanor Investimentos, SGPS, SA  
 Sole Director of BA – Business Angels, SA  
 Chairman and CEO of Casa Agrícola de Ambrães, SA  
 Chairman and CEO of Praça Foz – Soc. Imobiliária, SA  
 Chairman and CEO of Setimanale, SGPS, SA

**José Neves Adelino**
**Offices held in other companies within Sonae:**

None

**Offices held in other companies outside Sonae:**

Full time Professor of Finance, Faculdade de Economia, Universidade Nova de Lisboa  
 Visiting Professor, Bentley College

Member of the Statutory Audit Board at Banco BPI

Member of Investment Committee of Portugal VC Initiative (EIF)

### **Álvaro Cuervo Garcia**

#### **Offices held in other companies within Sonae:**

None

#### **Offices held in other companies outside Sonae:**

Member of the Board of Directors of Sonae Indústria SGPS, SA

Member of the Board of Directors of ACS, SA

Editor in Chief of Universia Business Review

Member of the Board of Directors of Bolsas y Mercados Españoles

Associate Editor Globalization, Competitiveness and Governability

Member of the scientific and advisory committee of several journals

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

### **Michel Marie Bon**

#### **Offices held in other companies within Sonae:**

None

#### **Offices held in other companies outside Sonae:**

Presidente do Conselho de Administração da Les Pélicans

Director of Provimi

Director of Compagnie Européenne de Téléphonie

Director of Institut Catholique de Paris

Director of Lafarge (Cements)

Director of Sonepar (Electrical supply retail)

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

Director of Esmertec (High Technologies)

Senior Advisor to Close Brothers

Senior Advisor to Permira (Investment Fund)

Senior Advisor to Roland Berger (Strategy Consulting)

Chairman of the Supervisory Board of Devoteam (Information Technologies)

Non-voting Director of Asterop

Director of Institut Pierre Mendès France

Director of the French American Foundation

Founder and Director of Transparency International (France)

Director of International Dominican Foundation

Chairman of Fondation Nationale pour l'Enseignement de la Gestion des Entreprises (FNEGE)

### **Duarte Paulo Teixeira de Azevedo**

#### **Offices held in other companies within Sonae:**

Chairman of Sonae Distribuição, SGPS, S.A.

Chairman of Sonaecom, SGPS, S.A.

Chairman of Sonae Sierra, SGPS, S.A.

Chairman of MDS, SGPS, SA

#### **Offices held in other companies outside Sonae:**

Executive Director of Efanor Investimentos, SGPS, S.A.

Executive Director of Imparfin, SGPS, S.A.

Executive Director of Migracom, SGPS, S.A.

Chairman of Sonae Indústria, SGPS, SA

Member of APGEI (Business/University Association of Engineering and Management)

Founding member of EGP – Porto Business School

Member of the Advisory Board "Compromisso Portugal"

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Member of the European Round Table of Industrialists

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### **Álvaro Carmona e Costa Portela**

#### **Offices held in other companies within Sonae:**

CEO of Sonae Sierra, SGPS, SA

Non Executive Director of Sonae Distribuição, SGPS, S.A.

Chairman of the Board of Directors of companies owned by Sonae Sierra, SGPS, SA (these companies are listed in the Notes to the Consolidated Financial Statements).

#### **Offices held in other companies outside Sonae:**

Trustee of European Shopping Centre Trust

Member of Eurohypo International Advisory Board

Director of CADE – Companhia Agrícola de Desenvolvimento SA

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### **Ângelo Gabriel Ribeirinho dos Santos Paupério**

#### **Offices held in other companies within Sonae:**

CEO of Sonaecom, SGPS, SA

Chairman of BE ARTIS – Conceção, Construção e Gestão de Redes de Comunicações, SA

Non Executive Director of Cooper Gay (Holdings) Limited

Director of MDS – Corretor de Seguros, SA

Director of Optimus Artis- Conceção, Construção e Gestão de Redes de Comunicações, SA

Chairman of Público - Comunicação Social, SA

Director of MDS SGPS, SA

Non-executive Director of Sonae Distribuição, SGPS, SA

Executive Director of Sonae Investments, BV

Non-executive Director of Sonae Sierra, SGPS, SA

Chairman of Sonae Telecom, SGPS, SA

Chairman of Sonaecom - Serviços de Comunicações, SA

Executive Director of Sonaecom - Sistemas de Informação, SGPS, SA

Executive Director of Sontel BV

Chairman of WeDo Consulting - Sistemas de Informação, SA

#### **Offices held in other companies outside Sonae:**

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

Director of Sonae Financial Participations BV

Executive Director of Lapidar, SGPS, SA

Lecturer of Corporate Governance (EGP - Porto University)

Sole Director of Enxomil, SGPS, SA

Sole Director of Enxomil, Sociedade Imobiliária, SA

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### **Nuno Manuel Moniz Trigo Jordão**

#### **Offices held in other companies within Sonae:**

CEO of Sonae Distribuição, SGPS, SA

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

#### **Offices held in other companies outside Sonae:**

None

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## **2.12. Identification of the members of the Statutory Audit Board**

The Statutory Audit Board members were elected at the Shareholders' Annual General Meeting held in 2007 and its current mandate covers the period 2007 to 2010.



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**Statutory Audit Board**


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Daniel Bessa Fernandes Coelho.....Chairman  
Arlindo Dias Duarte Silva  
Jorge Manuel Felizes Morgado  
Óscar José Alçada da Quinta.....Substitute

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All of the members of the Statutory Audit Board are independent under the terms of articles 414, paragraph 5, and article 414-A, paragraph 1, both of the Portuguese Companies Act.

## 2.13. Qualifications and experience of the members of the Statutory Audit Board

### **Daniel Bessa Fernandes Coelho**

#### **Date of Birth**

6 May 1948

#### **Education**

1970	Graduate in Economics – University of Porto
1986	Phd in Economics – Universidade Técnica de Lisboa

#### **Professional Experience**

Since 1970	Teacher at the University of Porto
1970-1999	Teacher at Faculty of Economics
1978-1979	Chairman of The Board of Faculty of Economics of University of Porto
Since 1983	Freelance Economist
Since 1988	Author of "Processo Inflacionário Português 1945-1980", and of numerous articles published in several magazines such as <i>Análise Social</i> , <i>Cadernos de Ciências Sociais</i> , <i>Cadernos de Economia</i> , <i>Estudos de Economia</i> , <i>Indústria</i> , <i>Revista de Empresários e Negócios</i> , <i>Pensamento Iberoamericano</i> – <i>Revista de Economia Política</i> , <i>Praxis</i> e <i>Revista Crítica de Ciências Sociais</i>
1988-2000	Teacher at ISEE – Instituto Superior de Estudos Empresariais
1989-1990	Chairman of Comissão Instaladora of Escola Superior de Tecnologia e Gestão do Instituto Politécnico de Viana do Castelo
1989-1992	Teacher at Faculty of Engineering
1990-1995	Vice-Dean at the University of Porto
1992-1995	Spokesman of the Socialist Party for the economic and financial issues
1995	Elected Deputy at the National Assembly
1995-1996	Minister of Economy in the Portuguese Government
1996-2000	Executive Director at AURN – Associação das Universidades da Região Norte
1996-2006	Non-Executive Director at CELBI – Celulose Beira Industrial
1997-1999	Non-Executive Director at INPARSA – Indústrias e Participações, SGPS, SA
1997-2000	Executive Director of Finibanco, SA
1997-2007	Chairman of the Statutory Audit Board at SPGM – Investment Company
1999-2002	Chairman of the Shareholder's General Meeting at APDL – Management of Douro and Leixões Ports
Since 2000	Teacher at the EGP – Escola de Gestão do Porto (School of Administration of Porto)
2000-2008	Dean of the EGP – Escola de Gestão do Porto
2001-2003	Advisory member of the Consulting council of Electric and Telephone Conductors Industries F. Cunha Barros, SA
2003-2004	Coordinator of the technical preparation of the Program next to the Ministries of Economy and of the Social Security and of Work of the Portuguese Government for Recovery of Depressed Areas and Sectors
2008-2009	Dean of the EGP – University of Porto Business School

### **Arlindo Neves**

#### **Date of Birth**

27 October 1936

#### **Education**

1963	Graduate in Economics - Universidade do Porto
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#### **Professional Experience**

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1960-1963	Teacher at the Commerce and Industry School
1968-1971	Military Service at Angola (interruption of the banking professional activity)
1976-1979	Vice-Director of BPA Bank in the Commercial Department of Branches
Since 1979	External Auditor certified by the Portuguese Association of Auditors, having exercised his activity both individually as well as a member of auditors' firms
Since 1979	Statutory External Auditor, member of the Supervisory Board and Sole Auditor in several companies such as Banco Universo, União Portuguesa de Bancos, Orbitur – Intercâmbio de Turismo, ATPS – SGPS, SA, MDS – Corretor de Seguros, SA, Imoarea – Sociedade Imobiliária, SA, and Contacto – SGPS, SA.
1989-1992	Member of the General Council of the Portuguese Association of Auditors
1992-1995	Member of the Governing Council of the Portuguese Association of Auditors
1995-1997	Vice-President of the Governing Council of the Portuguese Association of Auditors

### **Jorge Manuel Felizes Morgado**

#### **Date of Birth**

6 June 1955

#### **Education**

Graduate in Management – ISEG – Universidade Técnica de Lisboa

MBA in Finance – IEDE Madrid

MBA in Management and Information Systems – Faculdade de Economia e Gestão – Universidade Católica

Certified External Auditor no. 775

#### **Professional Experience**

1980-1989 Assistant and Manager at Coopers & Lybrand

1989-1991 Responsible for the Internal Audit and Management Control at Coelima Group

1991-2004 Partner at Deloitte – member of the Statutory Audit Board and External Auditor of several companies; responsible for consultancy in the northern Portuguese region and for corporate finance in Portugal, since 2001

Since 2004 External Auditor of several national and international companies, and partner of Horwarth Parsus – Consultoria e Gestão, Lda

Teacher of the MBA at the European University

Consultant of several companies such as Bolsa de Valores, Grupo Somelos, Hedva (Czech Republic), BAI (Angola, Vaz Pinheiro Group, Siemens, Corticeira Amorim

## **2.14. Offices held by the members of the Statutory Audit Board**

### **Daniel Bessa Fernandes Coelho**

#### **Offices held in other companies within Sonae:**

None

#### **Offices held in other companies outside Sonae:**

Executive Director of Finibanco Holding, SGPS, SA

Non-Executive Director of Efacec Capital, SGPS, SA

Chairman of Statutory Audit Board at Galp Energia, SGPS, SA

Chairman of Statutory Audit Board at Bial – Portela e Companhia, SA

Executive Director of foundation Bial

Chairman of Statutory Audit Board of IGFCSS – Instituto de Gestão de Fundos de Capitalização da Segurança Social

President of Gabinete de Estudos da Câmara dos Técnicos Oficiais de Contas

Non-Executive Director of AICEP – Agência para o Investimento e Comércio Externo de Portugal, E.P.E.

### **Arlindo Dias Duarte Silva**

#### **Offices held in other companies within Sonae:**

Member of the Statutory Audit Board at Sonaecom – SGPS, SA

Member of the Statutory Audit Board at Sonae Distribuição – SGPS, SA

#### **Offices held in other companies outside Sonae:**

External auditor at DMJB – Consultoria de Gestão, SA
External auditor at Orbirio – Imobiliário e Empreendimentos Turísticos, SA
External auditor at Loisir – Equipamentos de Diversão e Ocupação de Tempos Livres, SA
External auditor at Sintigraf II – Tintas Gráficas, SA
Member of the Statutory Audit Board at Rochinvest – Investimentos Imobiliários e Turísticos, SA
Member of the Statutory Audit Board at ALADI – Associação Lavrense de Apoio ao Diminuído Intelectual
Member of the Statutory Audit Board at Centro Social e Paroquial Padre Ângelo Ferreira Pinto
Member of the Statutory Audit Board at Associação de Apoio Social de Perafita
Member of the Statutory Audit Board at Associação Cultural do Senhor do Padrão
Member of the Statutory Audit Board at Liga dos Amigos do Hospital Pedro Hispano

### **Jorge Manuel Felizes Morgado**

#### **Offices held in other companies within Sonae:**

Member of the Statutory Audit Board at Sonae Sierra, SGPS, SA

#### **Offices held in other companies outside Sonae:**

Member of the Statutory Audit Board at Sonae Indústria, SGPS,SA
Member of the Statutory Audit Board at Sonae Capital, SGPS,SA
External Auditor at Vadeca Equipamentos, S.A.
External auditor at GRIN - Gestão de Resíduos Urb.e Ind., S.A.
External auditor at Vadeca Imobiliária, S.A.
External auditor at Sucitesa Portugal, S.A.
External auditor at Vadeca Org. e Gestão, S.A.
External auditor at Vadeca Serviços - Limpeza Industrial, S.A.
External auditor at Vadeca Jardins, S.A.
External auditor at Vadeca Ambiente-Preservação e Controlo, S.A.
External auditor at Vadeca Química - Higiene Profissional, S.A.
External auditor at Vadeca Manutenção - Serviços integrados, S.A.
External auditor at Protessegurança, S.A.
External auditor at Fénix Security Group, S.A.
External auditor at J.R.Costa - Gestão Global Negócios, S.A.
External auditor at Vinidecanter - Distribuição de Produtos Alimentares, S.A.
External auditor at Vinhos & Coisas, Holding, S.G.P.S., S.A.
External auditor at E3C - Comunicação e Eventos, S.A.
External auditor at Timeloft, S.A.
External auditor at ValorInveste - Soc. Invest. Imob., S.A.
External auditor at Jofabo - Construção e Imobiliária, S.A.
External auditor at Polibrás - Polimentos e Abrasivos, S.A.
External auditor at Know it - Soluções Formação Tecnologia, S.A.
External auditor at J. Medeiros, S.G.P.S., S.A.
External auditor at Tratobem - Administ., CMP, VND, IMOV., S.A.
External auditor at Hidroeléctrica S.Pedro, S.A.
External auditor at Hidroeléctrica S. Nicolau, S.A.
External auditor at JIZ - Arquitectura de Interiores e Pub., S.A.
External auditor at Cortwoo - Marketing, SA
External auditor at Mindegames - Sociedade de Comunicação, Produções Audiovisuais e Futebol, SA
External auditor at FeedWater - Tubos, SA
External auditor at SkyWorld, SA
External auditor at Vincos Válvulas, SA
External auditor at Blue Share, S.A.
External auditor at VNG - Gestão, Consultoria e Gestão, S.A.
External auditor at PM. IQS - Projecto, Gestão e Supervisão, S.A.
External auditor at Mendiguren Y Zarraua, Lda ( Ex-Destam)
External auditor at Imoguedes - Imobiliária e Engenharia, S.A.
External auditor at Indivest - Investimentos, S.G.P.S., S.A.
External auditor at Construções Fernando Guedes II, S.A.
External auditor at Silvii, S.A.
External auditor at Silvii, S.G.P.S., S.A.
External auditor at Praianorte - Hotelaria e Turismo, S.A.
External auditor at Companhia das Pastas - Empreendimentos e Investimentos Hoteleiros,, S.A.
External auditor at PREC - Projectos de Engenharia e Construções, S.A.
External auditor at PlanoPharma - Gestão de Farmacias, S.A.

## 2.15. Remuneration of the Statutory Audit Board

The remuneration of the members of the Statutory Audit Board is made up of a fixed amount based on Sonae Holding's situation and market practices.

Remuneration of the Statutory Audit Board		
Million euros	2007 (1) Total Fixed Remuneration	2008 Total Fixed Remuneration
<b>Individual breakdown</b>		
Chairman	0,012	0,013
Average of the remaining 2 members	0,011	0,011
<b>Total</b>	<b>0,033</b>	<b>0,034</b>

(1) Eight months of remuneration for 2007.

## 2.16. Remuneration Policy

Sonae's remuneration policy aims to accurately assess each individual's activity, performance and contribution to the organization's success, and to align Executive Directors' and employees' interests with those of shareholders.

### Description of components

The remuneration policy for all Executive Directors and employees includes two basic components:

- (i) Fixed remuneration, which is granted on an annual basis but paid as Monthly Salary (salaries are paid 14 times per annum in Portugal);
- (ii) An annual performance bonus, which is paid in the first quarter of the following year.

In addition, a discretionary third component may be awarded to Executive Directors and senior managers, in April of the following year, in the form of deferred compensation, as a Medium term performance bonus under the Sonae's Deferred Performance Bonus Plan.

### Fixed remuneration

Annual remuneration and other elements of the compensation package are defined as a function of each Executive Director's and employee's level of responsibility and are reviewed annually. Each Executive Director and employee is classified under a "Group Level" grid, with 9 Management Levels, designed using Hay's international model for classification of job functions to allow easier market comparisons as well as to promote internal equity.

### Annual performance bonus

The annual performance bonus is aimed at rewarding the achievement of certain pre-defined annual objectives, which are linked to both Business and Personal Key Performance Indicators ("KPIs").

The target annual performance bonus amount is based on a percentage of the Executive Director's and employee's fixed remuneration, which ranges between 33% and 75%, depending on their Management Level. Business KPIs (which include economic and financial indicators based on approved budgets, share price performance, individual business unit performance as well as the performance of the Group as a whole) drive 70% of the annual performance bonus and are normally objective indicators. The remaining 30% of the annual performance bonus is based on fulfilment of Personal KPIs, which are a mix of objective and subjective indicators.

Annual performance bonus paid is based on the actual performance achieved or assessed and can represent anything from 0% to 160% of the target performance bonus for Business KPIs and 0% to 120% of the target performance bonus for Personal KPIs. Combining both components, the broadest range that can be paid to any individual is therefore 0% to 148% of the target annual performance bonus.

**Board of Directors**

The compensation policy for the Board of Directors was approved at the Shareholders' General Meeting held on 3 May 2007 and reconfirmed at the Shareholders' General Meeting held on 21 April 2008, and it is aimed at remunerating them in a fair, effective and competitive manner, taking into consideration the individual responsibilities and performance of each Director, both at Company level and at subsidiary company level, when applicable.

Sonae Holding's Shareholders' Remuneration Committee is responsible for the approval of the remuneration and other compensation of the Board of Directors, including both Executive and Non-Executive Directors. The composition and functioning of the Shareholders' Remuneration Committee is described in the next section of the Corporate Governance Report.

Remuneration and other compensation proposals for Sonae Holding's Executive Directors:

- (i) Market comparables;
- (ii) Other Sonae comparables;
- (iii) Individual appraisals of each Executive Director.

The Executive Directors' remuneration and other compensation include Fixed Remuneration and an Annual performance bonus, and they also benefit from compensation under Sonae Holding's deferred performance bonus Plan. The Annual performance bonus is indexed to a group of financial indicators that best align the interests of Executive Directors with those of Sonae Holding and its shareholders. The Medium term performance bonus Plan is an equity-based plan that vests on the third anniversary of the award date, which increases or decreases during the vesting period depending on share price performance, dividends paid and changes Sonae Holding's share capital. A detailed description of these remuneration and other compensation components, which follow the same policy and methodology as for other Sonae's senior management, can be found in section 3.10.

The Chairman of the Board of Directors only receives fixed remuneration and this is decided exclusively by the independent members of the Shareholders' Remuneration Committee (See explanation in section 0.3, referring to CMVM Recommendation II.5.2).

For each Non-Executive Director, fixed remuneration assumes an agreed commitment of time during 2008, including preparation and attendance of at least five Board Meetings each year (approximately an equivalent to 15% of the remuneration is paid as meeting attendance fees). Meeting attendance fees are payable for each meeting actually attended by each Non-Executive Directors as follows: Board meetings: 930 euros, BAFC meetings: 640 euros and BNRC meeting: 390 euros. The Chairman of the Board only receives attendance fees for Board meetings.

Additionally, an annual responsibility allowance is to all Directors, ranging between 1900 euros and 3000 euros.

## 2.17. Shareholders' Remuneration Committee

**Composition**

Sonae Holding's Shareholders' Remuneration Committee is composed of 3 members appointed by the Shareholders' General Meeting, under a four year mandate, currently from 2007 to 2010:

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**Shareholders' Remuneration Committee**

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Belmiro Mendes de Azevedo  
Artur Eduardo Brochado dos Santos Silva  
Bruno Walter Lehmann

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**Role**

The Committee is responsible for approving the remuneration and other compensation of members of Sonae Holding's Board of Directors and other Statutory Governing Bodies, on behalf of the shareholders, following the remuneration policy approved by the Shareholders' General Meeting.

The members serving on the Shareholders' Remuneration Committee have the required professional qualifications and experience to carry out their responsibilities effectively and rigorously. Belmiro Mendes de Azevedo abstains from discussing and deciding his own remuneration, to avoid the potential conflict of interest (see 0.3 above, regarding CMVM Recommendation II.5.2).

Belmiro Mendes de Azevedo is related by bloodline with Sonae Holding's CEO, Paulo Azevedo.

## 2.18. Remuneration of the Board of Directors

For an overall perception of the remuneration criteria, this section should be read together with 2.16 e 3.10.

### Fixed Remuneration and Performance Bonuses

During 2007 and 2008, members of the Board of Directors were paid or attributed the following remuneration, including fixed remuneration and performance bonuses, by Sonae Holding or by its sub-holdings:

Directors' Remuneration – Fixed Remuneration and Performance Bonuses								
Million euros	2007				2008			
	Fixed Remuneration	Annual Performance Bonus	Medium Term Performance Bonus	Total	Fixed Remuneration	Annual Performance Bonus	Medium Term Performance Bonus	Total
<b>Individual breakdown</b>								
Chairman	0,43			0,43	0,44			0,44
CEO	0,43	0,37	0,37	1,17	0,47	0,30	0,29	1,06
Average of the remaining 3 Executive Directors <sup>(1)</sup>	0,37	0,30	0,31	0,98	0,41	0,24	0,23	0,88
Average of the remaining 4 Non-Executive Directors <sup>(2)</sup>	0,04			0,04	0,04			0,04
<b>Aggregate</b>								
Executive Directors	1,54	1,28	1,31	4,13	1,70	1,01	0,98	3,69
Non-Executive Directors	0,60			0,60	0,56			0,56
<b>Total</b>	<b>2,14</b>	<b>1,28</b>	<b>1,31</b>	<b>4,73</b>	<b>2,26</b>	<b>1,01</b>	<b>0,98</b>	<b>4,25</b>
<b>IMPORTANT NOTES:</b>								
Fixed remuneration = fixed remuneration effectively paid								
Performance bonus = attributed remuneration for the year, in line with business KPIs (including short and medium term performance bonus)								
(1) Maximum individual remuneration in 2008 represented 115,6% of Average and Minimum 76,8% of Average; (2) 3 Non-Executive Directors since 3rd March 2008; Maximum Individual Remuneration in 2008 represented 103% of Average and Minimum 96% of Average.								

The table above includes the paid fixed remuneration and the attributed annual and medium term performance bonuses. The annual performance bonus is paid on the year following its attribution. The medium term performance bonus will be adjusted according to share price performance, changes in Sonae Holding's share capital and dividends paid, and it will be paid on the third year after the award date.

In 2008, the total bonuses effectively paid to the Executive Directors was 1,98 million euros and the average was 0,5 million euros (in 2007, 3,11 million euros and 0,78 million euros, respectively, including anticipated payments from the Deferred Performance Bonus Plans to the CEO of 1,08 million euros and to one Executive Director of 1,24 million euros, which relate the changes in their executive roles within Sonae, as from 3 May 2007 and are non-recurrent). Due to the anticipated payments of medium term performance bonus in 2007, there was no such bonuses payment to the CEO and one Executive Director in 2008.

It should be noted that a part of the remuneration and other compensation shown above is also disclosed in the Reports on Corporate Governance of affiliated companies when Sonae Holding's Board members are also members of the Board of Directors of those companies. The remuneration of the Executive Directors, excluding the CEO, in the sub-holdings represents 94,7% of their total of remuneration.

No compensations have been awarded to resigning board members. Sonae Holding does not have any pension or early retirement schemes for Board members and there not any relevant non-monetary benefits.



### Director's participation in the Deferred Performance Bonus Plan (Plan)

Sonae Holding's Executive Directors have been awarded compensation under the Plan. Sonae Holding's Non-Executive Directors do not participate in the Plan.

There are no performance conditions attaching to the Plan's awards other than future share price performance, as these awards are based upon an individual's Annual performance bonus for which KPIs have already been satisfied.

The shares awarded to Executive Directors as part of the Plan that vested, were exercised or remain unvested during 2008, are summarised below.

#### Executive Directors Deferred Performance Bonus Plans

##### Plans outstanding during 2008:

	Vesting period		At 31 December 2008	
	From	To	Number of participants	Million Euros
2004 Plan	March 2005	March 2008		
2005 Plan	March 2006	March 2009	2	0,38
2006 Plan	March 2007	March 2010	2	0,35
2007 Plan	March 2008	March 2011	4	0,60

##### Movements during 2008:

	Aggregated number of plans	Million Euros
<b>Outstanding at 31.12.2007:</b>	6	2,52
<b>Movements in the year:</b>		
Awarded	4	1,27
Vested	(2)	(0,85)
Adjustments (1)		(1,62)
<b>Outstanding at 31.12.2008:</b>	8	1,33

(1) Changes in the number of shares due to dividend payments and changes in the value due to shares price changes .

Details of Sonae Holding's liabilities arising from the Deferred Performance Bonus Plan, are also given in note 30 to the Consolidated Financial Statements.

### 2.19. Compensation for termination of Board members' functions

In case of loss of office during the mandate, it is Sonae's policy to pay whatever compensation that is legally required, or to negotiate, in each situation, a value considered to be fair and appropriate by the parties involved.

### 2.20. Whistle blowing procedures

Sonae's values and principles are widely spread and rooted in its culture, and form the basis of its actions upon principles of absolute respect and awareness for the rules of good conduct in the management of conflict of interests and duties of diligence and confidentiality in its dealings with third parties. The Sonae Holding's values and principles can be consulted on its website - [www.sonae.pt](http://www.sonae.pt).

### Code of Conduct

The Board of Directors, has approved in 2009, a Code of Conduct which, in accordance with Sonae's principles and values, establishes rules of conduct to be complied with, by its directors and employees in the exercise of their functions.

The Code of Conduct is available at Sonae Holding's website – [www.sonae.pt](http://www.sonae.pt).

There have also been approved internal regulations pertaining to conflicts of interests, business gifts and related parties' transactions.

### Whistle blowing policy

Sonae Holding has a policy and process for communicating internal irregularities, which sets out procedures to efficiently and fairly respond to alleged irregularities reported, including:

- (i) Anyone wishing to communicate any irregularity believed or known to have been committed by any of Sonae Holding's members of staff, must address a letter or an e-mail containing a summary description of the facts to the Ombudsman. The identity of the whistle blower will be kept anonymous, if explicitly requested;
- (ii) The letter will be analysed by the Ombudsman and, if he/she finds grounds for the irregularity reported, measures will be taken, as deemed appropriate.
- (iii) The Ombudsman reports quarterly, to the Board of Directors, a summary of all the irregularities, with information also being addressed to the Executive Committee and to the Statutory Audit Board.

All the irregularities reported directly to the Statutory Audit Board are analysed by its Chairman.

Sonae Holding's whistle blowing policy is available on its website - [www.sonae.pt](http://www.sonae.pt).

### Ombudsman

Sonae Holding has available, through its website ([www.sonae.pt](http://www.sonae.pt)), to employees and to the general public, direct access to its Ombudsman, who reports directly to the Chairman of the Board of Directors. This has proven to be an effective means of facilitating the report of complaints, to make sure that independence and freedom of opinion are guaranteed and that all issues are treated equally and fairly.

The Ombudsman received throughout 2008, 3,425 complaints, mostly from customers (99% of total complaints received), compared to 1,821 complaints in 2007. Average response time was 21 days, compared to 13 days in 2007.

## 3. Information

### 3.1. Share capital structure

Sonae Holding's share capital is of two thousand million euros, fully subscribed and paid up, divided into two thousand million ordinary shares, each with a nominal value of one euro.

### 3.2. Qualified shareholdings

At end 2008, and based on notifications made, shares held by companies owning more than 2% of the share capital of Sonae Holding, were the following:

Qualified shareholdings		
Shareholder	Number of shares	% Share capital
Efanor Investimentos	1 061 514 990	53.08%
Banco BPI <sup>(1)</sup>	178 039 855	8.90%
Fundação Berardo <sup>(2)</sup>	49 849 514	2.49%

(1) Shareholding owned according to the announcement made to the market on 16 November 2007; (2) Shareholding owned according to the announcement made to the market on 14 February 2006.

### 3.3. Shareholders holding special rights

Sonae does not have any shareholders holding any special rights.

### 3.4. Restrictions on the transfer and ownership of shares

Sonae Holding's shares do not have any restrictions on the transfer of shares or in the ownership of shares.

### 3.5. Shareholders' agreements known to Sonae Holding

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

### 3.6. Rules applicable to the amendment of Company's articles of association

The amendment of Sonae Holding's articles of association follows the terms of the Portuguese Companies Act, requiring a majority of two thirds of the issued votes for such resolution to be approved.

For the General Meeting to function, Sonae Holding's articles of association require a minimum of 50% of the issued share capital to be present or represented at the meeting.

### 3.7. Control mechanisms for employees participating in the share capital

Sonae does not have any control mechanism for employees participating in the share capital.

### 3.8. Share price performance

Sonae Holding's shares are primarily quoted on the Portuguese stock exchange, Euronext Lisbon, and have been listed in several indexes, including PSI 20, in which it has a weighting of 1.8%, and Euronext 150, with a weighting of 0.74%. The table below shows the key indicators of Sonae Holding's share performance.

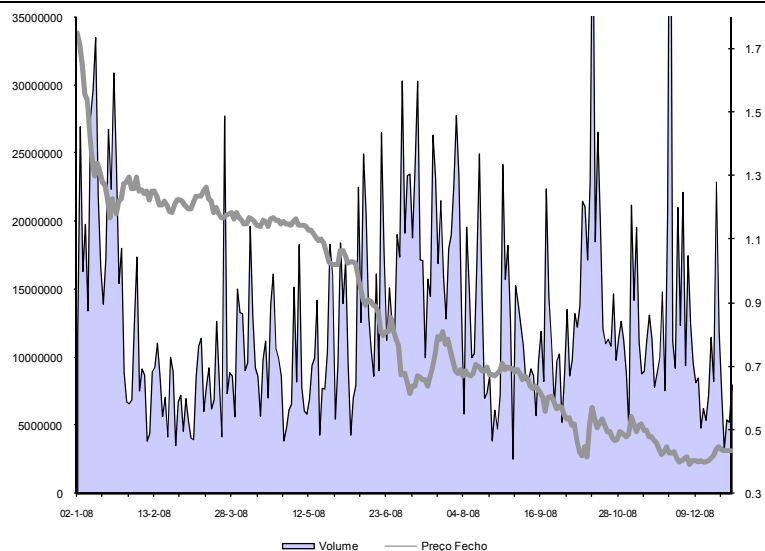
Sonae Holding's shares reference information

	2005	2006	2007
ISIN code	PTSON0AM0001		
Bloomberg code	SON PL		
Reuters code	SONP.IN		
Share Capital	2,000,000,000	2,000,000,000	2,000,000,000
Number of shares outstanding	1,866,581,428	2,000,000,000	2,000,000,000
Closing price last trading day			
of year	1.510	1.980	0.437
year high	1.520	2.170	1.750
year low	1.11	1.5	0.39
Annual trading volume (number of shares)	1,976,490,725	3,781,046,099	3,320,632,327
Average trading volume per day (number of shares)	7,812,216	15,004,151	12,971,220
Market Capitalization 31 December	3,020,000,000	3,960,000,000	874,000,000

Sonae Holding's shares ended the year quoted at 0.44 euros, reflecting a nominal loss of 75.4% during the year, which compares with a general stock market loss of 48.7%, as measured by the Portuguese Stock Market index PSI 20.

The year was marked by deteriorating macro-economic conditions, with the negative impacts of the financial crisis denting consumer and business confidence in Portugal, and by sharp contractions of the global credit and real estate markets, leading to failures in the international financial system and to significant losses in the equity markets.

The following graph highlights the trend of the share price during 2008.

**Sonae's share price and trading volume**


During the year, events with an impact on Sonae Holding's share price were the following:

- (i) 17 March: Sonae announced full year 2007 results, broadly above market expectations;
- (ii) 16 May: Sonae shares started trading ex-dividend relating to the year ending 31 December 2007;
- (iii) 21 May: Sonae paid total ordinary dividends of 3 cents per share on 2007 earnings;
- (iv) 27 May: Sonae announced first quarter results, broadly in line with market expectations;
- (v) 26 August: Sonae announced the acquisition of Boulanger's Spanish stores. The market reflected the new information in their valuation models of Sonae;
- (vi) 28 August: Sonae announced its half-year results, broadly above market expectations;
- (vii) 13 November: Sonae announced third quarter results, ahead of market consensus estimates, mainly driven by Sonae Distribuição and Sonae Sierra businesses.
- (viii) 30 December: Sonae announced the acquisition of Asset backed securities; underlying asset being the future receivables to be generated under a portfolio of existing corporate customer contracts of Sonaecom.

### 3.9. Dividend distribution policy

Following approval by shareholders at Annual General Meetings, the dividends distributed by Sonae for the past three financial years are as shown in the table below.

Company's dividend distribution			
	2005 <sup>(1)</sup>	2006 <sup>(1)</sup>	2007 <sup>(1)</sup>
Gross dividend per share (euros)	0.025	0.03	0.03
Dividend distributed (thousand euros)	46,651	55,997	60,000
Dividend yield (%) <sup>(2)</sup>	2,1%	2,0%	1,5%
Payout ratio (%) <sup>(3)</sup>	9,1%	23,1%	21,1%

<sup>(1)</sup> Year when the dividend is distributed; <sup>(2)</sup> Dividend yield = Dividend distributed / closing price as at 31 December;

<sup>(3)</sup> Payout ratio = Dividend distributed / consolidated net profits attributable to the equity holders of Sonae.

In view of the net results for the financial year 2008, the Board of Directors will propose to the Shareholders' Annual General Meeting a gross dividend of 0.03 euro per share. This dividend is

equal to a *dividend yield* of 6.9% on the closing price as at 31 December, and to a payout ratio of 75% of consolidated net profits attributable to equity holders of Sonae.

For future years, and in accordance with growth and performance expectations for Sonae Holding plans to gradually increase the dividend per share to be distributed, despite the increased investment plan for growth over the coming years.

### 3.10. Deferred Performance Bonus Plan ("Plan")

The Shareholders' Remuneration Committee has approved a Deferred Performance Bonus Plan, a discretionary deferred compensation plan, which is equity based, and has a three year deferral period between the award date and the vesting date. This plan is aimed at enhancing loyalty and increasing Executive Directors' and employees' awareness of the importance of their performance to the overall success of Sonae, as reflected by changes in Sonae Holding's share price.

The decision to award a Deferred Performance Bonus under the Deferred Performance Bonus Plan for any performance year is taken by the Board Nomination and Remuneration Committee and the Shareholders' Remuneration Committee for the Executive Directors and by the Executive Committee for the remaining participants. The values awarded are derived from the Annual performance bonuses actually paid for the same "performance year".

All Executive Directors and senior managers are eligible to participate in the Deferred Performance Bonus Plan, provided that their entry date is before 31 December of the performance year. Deferred Performance Bonuses are awarded in April each year, in respect of performance during the previous financial year.

The number of shares to be attributed under the Plan, is calculated by dividing the value of the Deferred Performance Bonus awarded by a share price calculated at the award date. The share price used is based on the lower of the average of the daily closing share prices of the last 30 trading sessions before the Annual General Meeting and the closing share price on the first trading session after this meeting. The number of shares initially attributed is adjusted during the 3 year deferral period of the Plan to take account of changes in Sonae Holding's share capital and of dividends paid to align the Plan with Total Shareholder Return. Each Plan vests on the third anniversary of its award date. Sonae Holding retains the right to pay the equivalent value in cash at the vesting date rather than transfer actual shares at no cost.

The right to any deferred compensation ceases, should the participant leave Sonae. On retirement, any deferred compensation plans not yet vested are maintained until they actually vest. In the case of death or permanent injury of the participant, deferred compensation plans are marked to market and paid to the rightful heirs or to the participant.

The value awarded is determined by applying the following percentages to the Annual performance bonuses paid in respect of the last financial year, according to Sonae's Management Levels:

Sonae management levels and annual performance bonus	
Company's Management Levels ('Grupos Funcionais')(1)	Percentage of Annual performance bonus
GF3	Up to 100%
GF2	Up to 100%
GF1	Up to 100%
(1) Sonae's Management Levels ('Grupos Funcionais' or 'GF') are attributed according to Hay's international model for the classification of corporate functions. Sonae has defined internally that Managers with levels equal to or higher than GF3 may be Executive Committee members of Sonae companies.	

The right to any deferred compensation ceases, should the participant leave Sonae. On retirement, any deferred compensation plans not yet vested are maintained until they actually vest. In the case of death or permanent injury of the participant, deferred compensation plans are marked to market and paid, respectively, to the rightful participant's heirs or to the participant.

### 3.11. Relevant transactions with related parties

Sonae Holding did not have business dealings with any member of the Board of Directors or of the other Statutory Governing Bodies. The only transactions with the Statutory External Auditor were those related to their official duties and fees were paid as described in paragraph 3.13.

Transactions with companies which are controlled, including wholly-owned, or which control Sonae Holding, or with shareholders with qualified shareholdings, as well as with entities directly or indirectly controlled by the latter, were made on an arms' length basis and related to normal business activity of the respective companies, and as such do not need further disclosure.

### 3.12. Investor relations

The Investor Relations department is responsible for managing Sonae's relationship with the financial community – current and potential investors, analysts and market authorities – with the goal of enhancing their knowledge and understanding of Sonae by providing relevant, timely and reliable information.

In strict compliance with law and regulations, Sonae Holding informs expeditiously its shareholders and the market of all relevant facts about its activities, avoiding delays between their occurrence and disclosure. Sonae Holding has fulfilled this commitment to the market over the years.

The department regularly prepares presentations to the financial community and communications covering quarterly, half year and annual results, as well as issues announcements to the market whenever necessary, to disclose or clarify any relevant event that could influence the share price. In addition, on request, it provides clarification about Sonae Holding's activities, by answering questions sent by email or by taking phone calls.

Information is made publicly available on the Internet at the Portuguese Securities Market Commission site ([www.cmvm.pt](http://www.cmvm.pt)) and on Sonae Holding's own website ([www.sonae.pt](http://www.sonae.pt)). The site provides not only the required information, as stipulated in article 4 of the CMVM no. 1/2007, but also general information about Sonae, in addition to other information considered relevant, including:

- Announcements to the market on privileged information;
- Institutional presentation and other presentations of Sonae to the financial community;
- Quarterly, half yearly and annual results for the last two years;
- Environmental Report;
- Corporate Governance Report;
- Names of managers responsible for investor relations as well as their contact details;
- Sonae Holding's share performance trends on the Portuguese Stock Exchange;
- Notice of Shareholders' Annual General Meetings;
- Proposals to the Shareholders' Annual General Meetings;
- Annual financial calendar, including Shareholders' General Meetings and the dates of disclosure of annual, half yearly and quarterly results;

To further enhance the effective communication with the capital market and guarantee the quality of information provided, the Investor Relations department organizes road shows covering the most important financial centres of Europe and United States, and participates in various conferences. Also, a wide variety of investors and analysts have the opportunity to talk to senior management in one-on-one meetings or conference calls.

Any interested party may access the Investor Relations department through the following contacts:

Patrícia Mendes Pinheiro  
Investor Relations Manager

Tel: (+351) 22 010 4794

Fax: (+351) 22 948 77 22

Email: [patricia.mendes@sonae.pt](mailto:patricia.mendes@sonae.pt) / [investor.relations@sonae.pt](mailto:investor.relations@sonae.pt)



Address: Lugar do Espido Via Norte 4471-909 Maia Portugal  
 Site: [www.sonae.pt](http://www.sonae.pt)

Luzia Leonor Borges e Gomes Ferreira  
 Legal Representative for Relations with Capital Markets  
 Tel: (+351) 22 010 4794  
 Fax: (+351) 22 948 77 22  
 Email: [investor.relations@sonae.pt](mailto:investor.relations@sonae.pt)  
 Address: Lugar do Espido Via Norte 4471-909 Maia Portugal

Sonae Holding believes that the procedures described above ensure permanent contact with the market and respect the principles of equal treatment of all shareholders and equal access to information for investors.

### 3.13. Fees of the Statutory External Auditor

Sonae Holding's Statutory External Audit firm is Deloitte and the amount of fees invoiced to Sonae Holding, including joint ventures, affiliated and associated companies for 2008 and 2007 was as follows:

Statutory External Auditor Fees				
Million euros	2007		2008	
Statutory Audit	1,39	33%	1,54	38%
Other Compliance & Assurance Services	1,08	26%	0,74	18%
Tax Consultancy Services	0,51	12%	0,34	8%
Other Services <sup>(1)</sup>	1,21	29%	1,43	36%
<b>Total</b>	<b>4,19</b>	<b>100%</b>	<b>4,05</b>	<b>100%</b>
(1) Other services = other consultancy fees of wich Billed to Foreign Affiliated companies	1,71	41%	1,29	32%

The details above excludes fees invoiced to companies which were sold during the respective year and, in 2007, includes 9 months of fees invoiced to the Sonae Capital Group of companies.

Audit fees increased by 10.8% in 2008, essentially as a result of business expansion. Compliance & Assurance Service fees and Tax Consultancy Services fees decreased during the year due to less due diligence work. Other Service fees included, in 2008, general consultancy services provided to several subsidiaries of Sonae Distribuição (13.8% of total fees) and Sonae Sierra (3.9% of total fees), tax incentive project fees (2.2% of total fees), human capital consultancy fees (2.7% of total fees) sustainability consultation fees (1.6% of total fees), fixed assets inventory and labelling fees (2.5% of total fees) and training regarding internal control and closing of the books process (3.6% of total fees). This category of fees increased in 2008 as, given their extensive knowledge of the Sonae and their competitive cost quotes, Deloitte was considered to be the best option to support major one-off projects. In 2009 general consultancy fees charged by Deloitte will decrease significantly in relation to 2008 levels.

Tax consultancy services and other services are provided by different teams from those who are involved in audit work, thereby reducing the risk to auditor independence. Furthermore, Sonae's Risk Management Policy monitors the non-audit services requested from the Statutory External Auditor and their respective network of companies, in order to ensure that auditor independence is not compromised. Total annual fees paid in Portugal by the Sonae to the Deloitte Group in 2008 represented approximately 2% of their total global fees in Portugal.

Deloitte's quality system controls and monitors potential conflicts of interest with Sonae as well as risks to auditor independence. In addition, an 'Independence Letter' is obtained from Deloitte in 2008, confirming that they meet international guidelines on auditor independence, in accordance with the IFAC (International Federation of Accountants) rules.

# APPENDIX

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

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

Maia, 17 de Março de 2009

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Belmiro Mendes de Azevedo  
President of the Board of Directors

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Duarte Paulo Teixeira de Azevedo  
President of the Executive Committee

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## Article 447 of Portuguese Companies Act and of Article 14, paragraph 7 of CMVM Regulation nr. 05/2008

Disclosure of shares and other securities held by members of the Board of Directors and by people discharging managerial responsibilities, as well as by people closely connected with them (article 248 B of the Portuguese Securities Code), and disclosure of the respective transactions during the year involving such shares and other securities.

Appendix to the Report of the Board of Directors as of 31 December 2008 required by article 447 of the Portuguese Companies Act and of article 14, paragraph 7 of CMVM Regulation nr. 05/2008

	Date	Additions		Reductions		Balance as of
		Quantity	Aver. Price €	Quantity	Aver. Price €	31.12.2008
<b>Belmiro Mendes de Azevedo (*) (**)</b>						
Efanor Investimentos, SGPS, SA (1)						49,999,996
Sonaeacom, SGPS, SA						75,537
<b>Álvaro Carmona e Costa Portela (*)</b>						
Sonae, SGPS, SA						125,934
Purchase	11.06.2008	100,000	0.91			
Sonaeacom, SGPS, SA						5,000
<b>Ângelo Gabriel Ribeiro dos Santos Paupério (*)</b>						
Sonae, SGPS, SA						250,000
Purchase	11.01.2008	245,436	1.30			
Sonaeacom, SGPS, SA						225,000
Purchase	11.01.2008	59,930	2.89			
Purchase	14.01.2008	61,000	3.00			
Purchase	15.01.2008	44,000	2.87			
<b>Duarte Paulo Teixeira de Azevedo (*) (**) (****)</b>						
Efanor Investimentos, SGPS, SA (1)						1
Migracom, SGPS, SA (3)						1,969,996
Capital increase	27.11.2008	1,900,000	1.00			
Sonae, SGPS, SA						3,293 (a)
<b>Michel Marie Bon (*)</b>						
Sonae, SGPS, SA						100,363
Purchase	17.01.2008	4,600	1.30			
Purchase	28.05.2008	7,250	1.04			
Purchase	22.07.2008	7,250	0.77			
Purchase	09.10.2008	15,000	0.45			
<b>Maria Margarida Carvalhais Teixeira de Azevedo (**) (****)</b>						
Efanor Investimentos, SGPS, SA (1)						1
Sonae, SGPS, SA						14,901
<b>Maria Cláudia Teixeira de Azevedo (**) (****)</b>						
Efanor Investimentos, SGPS, SA (1)						1
Linhacom, SGPS, SA (5)						99,996
Sonaeacom, SGPS, SA						0
Shares attributed under a Share Based Compensation Plan	10.03.2008	10,963	0.00			
Sale	31.03.2008			10,963	2.18	
<b>Nuno Teixeira de Azevedo (**) (****)</b>						
Efanor Investimentos, SGPS, SA (1)						1
Sonae, SGPS, SA						10,500 (a)
Sale	25.10.2008			3,820	0.44	
<b>David Graham Shenton Bain (***)</b>						
Sonae, SGPS, SA						20,000
Purchase	16.06.2008	16,482	0.91			

	Date	Additions		Reductions		Balance as of
		Quantity	Aver. Price €	Quantity	Aver. Price €	31.12.2008
<b>(1) Efanor Investimentos, SGPS, SA</b>						
Sonae, SGPS, SA						659,650,000
Purchase	19.09.2008	845,576	0.60			
Pareuro, BV (2)						2,000,000
Capital increase	21.01.2008	1,980,000	151.51			
Sonaeacom, SGPS, SA						1,000
<b>(2) Pareuro, BV</b>						
Sonae, SGPS, SA						400,000,000
<b>(3) Migracom, SGPS, SA</b>						
Sonae, SGPS, SA						1,485,000
Purchase	17.01.2008	193,500	1.29			
Purchase	18.01.2008	1,500	1.24			
Sonaeacom, SGPS, SA						387,342
Imparfin, SGPS, SA (4)						150,000
<b>(4) Imparfin, SGPS, SA</b>						
Sonae, SGPS, SA						4,105,280
Purchase	03.01.2008	7	1.92			
<b>(5) Linhacom, SGPS, SA</b>						
Sonae, SGPS, SA						351,296
Purchase	03.01.2008	3	1.923			
Sonaeacom, SGPS, SA						36,183
Purchase	31.03.2008	10,963	2.18			
Imparfin, SGPS, SA (4)						150,000

(\*) Member of the Board of Directors of Sonae, SGPS, SA

(\*\*) Member of the Board of Directors of Efanor Investimentos SGPS, SA (directly and indirectly dominant company) (1)

(\*\*\*) Person discharging managerial responsibilities at Efanor Investimentos SGPS, SA (directly and indirectly dominant company) (1)

(\*\*\*\*) People closely connected with the President of the Board of Directors of Sonae Holding, Belmiro de Azevedo

(\*\*\*\*\*) Member of the Board of Directors of Imparfin, SGPS, SA (4)

(a) Shares held by underage descendants under his/her charge

Note: The Non-executive Independent member of the Board of Directors, José Manuel Neves Adelino, is a member of the Statutory Audit Board of Banco BPI, SA, which holds at the present time 178,039,855 shares representing of 8.092 % of Company's share capital.

**Article 448**

Number of shares held by shareholders owning more than 10%, 33% and 50% of the company's share capital.

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Appendix to the Report of the Board of Directors as of 31 December 2008 required by article 448 of the Portuguese Companies Act

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	<u>Number of shares held as of 31.12.2008</u>
<b>Efanor Investimentos, SGPS, SA</b>	
Sonae, SGPS, SA	659,650,000
Pareuro, BV	2,000,000
<b>Pareuro, BV</b>	
Sonae, SGPS, SA	400,000,000

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## Qualified holdings

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

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### Qualified holdings

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As required by article 8 nr.1 b) of Securities Market Regulation Board (CMVM) regulation 05/2008, the following shareholders held more than 2% of the company's share capital.

Shareholder	Nr. Of shares	% Share Capital	% of Voting Rights
Efanor Investimentos, SGPS, S.A.			
Directly	659,650,000	32.983%	32.983%
By Pareuro, BV (controlled by Efanor)	400,000,000	20.000%	20.000%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor)	14,901	0.001%	0.001%
By Duarte Paulo Teixeira de Azevedo (Director of Efanor and held by descendent)	3,293	0.000%	0.000%
By Nuno Miguel Teixeira de Azevedo (Director of Efanor and held by descendent)	10,500	0.001%	0.001%
By Migracom, SGPS, SA (company controlled by Efanor's Director, Duarte Paulo Teixeira de Azevedo)	1,485,000	0.074%	0.074%
By Linhacom, SGPS, SA (company controlled by Efanor's Director Maria Cláudia Teixeira de Azevedo)	351,296	0.018%	0.018%
<b>Total attributable to Efanor Investimentos, SGPS, SA</b>	<b>1,061,514,990</b>	<b>53.076%</b>	<b>53.076%</b>
Banco BPI, S.A.	132,851,868	6.643%	6.643%
Banco Português de Investimento, S.A.	365,199	0.018%	0.018%
Fundos de Pensões do Banco BPI	40,071,372	2.004%	2.004%
BPI Vida - Companhia de Seguros de Vida, S.A.	4,751,416	0.238%	0.238%
<b>Total attributable to Banco BPI, SA</b>	<b>178,039,855</b>	<b>8.902%</b>	<b>8.902%</b>
Fundação Berardo, Instituição Particular de Solidariedade Social	49,849,514	2.492%	2.492%
<b>Total attributable to Fundação Berardo, Instituição Particular de Solidariedade Social</b>	<b>49,849,514</b>	<b>2.492%</b>	<b>2.492%</b>

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# CONSOLIDATED FINANCIAL STATEMENTS



SONAE, SGPS, S.A.

CONSOLIDATED BALANCE SHEET FOR THE PERIODS ENDED AT 31 DECEMBER 2008 AND 2007  
(Translation of consolidated financial statements originally issued in Portuguese.  
In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

ASSETS	Notes	31.December.2008	31.December.2007 Pro-forma (Note 1)	31.December.2007 (Note 1)
<b>NON-CURRENT ASSETS:</b>				
Tangible assets	11	2,507,943,036	2,220,156,165	2,220,156,165
Intangible assets	12	440,299,161	346,245,644	346,245,644
Investment properties	13	1,683,441,521	1,658,780,561	1,868,656,061
Investment properties in progress	13	158,561,052	192,199,770	193,472,865
Goodwill	14	697,267,362	675,666,021	697,390,378
Associated investments	7	142,663,495	108,820,548	73,548,640
Other investments	8, 10 and 15	12,978,175	12,055,157	12,055,157
Deferred tax assets	22	206,954,689	148,332,178	149,323,388
Other non-current assets	10 and 16	21,283,515	87,163,054	74,616,749
<b>Total Non-Current Assets</b>		<b>5,871,392,006</b>	<b>5,449,419,098</b>	<b>5,635,465,047</b>
<b>CURRENT ASSETS:</b>				
Stocks	17	560,433,179	468,692,074	468,692,074
Trade account receivables	10 and 18	215,062,609	229,162,692	229,073,319
Other debtors	10 and 19	145,992,505	153,889,107	153,721,689
Taxes recoverable	20	89,597,166	86,175,201	86,514,614
Other current assets	21	165,902,105	124,601,045	121,639,586
Investments	10 and 15	63,556,763	60,069,924	60,069,924
Cash and cash equivalents	10 and 23	184,360,904	284,403,557	286,401,453
<b>Total Current Assets</b>		<b>1,424,905,231</b>	<b>1,406,993,600</b>	<b>1,406,112,659</b>
<b>Assets available for sale</b>		<b>9,893,174</b>	<b>6,006,580</b>	<b>6,006,580</b>
<b>TOTAL ASSETS</b>		<b>7,306,190,411</b>	<b>6,862,419,278</b>	<b>7,047,584,286</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY:</b>				
Share capital	24	2,000,000,000	2,000,000,000	2,000,000,000
Own shares	24	(138,568,275)	(138,568,275)	(138,568,275)
Legal reserve		161,705,974	160,880,817	160,880,817
Reserves and retained earnings		(952,178,592)	(1,176,780,741)	(1,136,695,832)
Profit/(Loss) for the year attributable to the equity holders of Sonae		80,035,669	275,002,806	284,044,038
Equity attributable to the equity holders of Sonae		1,150,994,776	1,120,534,607	1,169,660,748
Equity attributable to minority interests	25	411,549,101	447,919,160	448,365,507
<b>TOTAL EQUITY</b>		<b>1,562,543,877</b>	<b>1,568,453,767</b>	<b>1,618,026,255</b>
<b>LIABILITIES:</b>				
<b>NON-CURRENT LIABILITIES:</b>				
Loans	10 and 26	1,281,262,524	965,261,310	1,059,691,078
Bonds	10 and 26	1,684,214,319	1,744,850,709	1,744,850,709
Obligation under finance leases	10, 26 and 27	28,701,579	23,470,674	23,470,674
Other loans	10 and 26	22,274,691	1,100,962	1,104,529
Other non-current liabilities	10 and 29	155,464,158	312,460,606	313,023,126
Deferred tax liabilities	22	330,908,680	319,019,994	348,408,863
Provisions	34	57,086,975	109,305,995	109,305,995
<b>Total Non-Current Liabilities</b>		<b>3,559,912,926</b>	<b>3,475,470,250</b>	<b>3,599,854,974</b>
<b>CURRENT LIABILITIES:</b>				
Loans	10 and 26	258,905,967	127,017,024	129,207,708
Bonds	10 and 26	99,930,567	-	-
Obligation under finance leases	10, 26 and 27	5,829,172	8,709,711	8,709,711
Other loans	10 and 26	5,405,466	399,692	399,692
Trade creditors	10 and 31	1,050,238,562	989,635,548	989,303,378
Other creditors	10 and 32	233,899,872	214,272,313	216,288,864
Taxes and contributions payable	20	71,507,795	61,578,945	62,131,632
Other current liabilities	33	455,647,053	414,330,071	421,110,115
Provisions	34	2,369,154	2,551,957	2,551,957
<b>Total Current Liabilities</b>		<b>2,183,733,608</b>	<b>1,818,495,261</b>	<b>1,829,703,057</b>
<b>TOTAL LIABILITIES</b>		<b>5,743,646,534</b>	<b>5,293,965,511</b>	<b>5,429,558,031</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,306,190,411</b>	<b>6,862,419,278</b>	<b>7,047,584,286</b>

The accompanying notes are part of these financial statements.

The Board of Directors



SONAE, SGPS, S.A.

**CONSOLIDATED INCOME STATEMENTS BY NATURE**  
**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2008 AND 2007 PRO-FORMA**  
 (Translation of consolidated financial statements originally issued in Portuguese.  
 In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

	Notes	31.December.2008	31.December.2007 Pro-forma (Note 1)	31.December.2007
Operational income				
Sales	37	4,168,562,332	3,309,905,249	3,428,309,136
Services rendered	37	1,184,541,613	1,107,395,651	1,199,416,024
Value created on investment properties	38	(115,805,475)	156,888,961	152,408,590
Other operational income	39	455,789,170	338,174,373	437,050,529
Total operational income		5,693,087,640	4,912,364,234	5,217,184,279
Operational expenses				
Cost of goods sold and materials consumed	17	(3,303,986,732)	(2,622,631,645)	(2,694,275,192)
Changes in stocks of finished goods and work in progress		-	-	39,844,864
External supplies and services	40	(1,177,241,538)	(1,010,795,232)	(1,200,261,988)
Staff costs	41	(612,404,391)	(508,780,328)	(569,810,726)
Depreciation and amortisation	11 and 12	(273,819,162)	(228,197,614)	(234,952,130)
Provisions and impairment losses	34	(35,512,894)	(15,294,230)	(17,460,444)
Other operational expenses	42	(114,990,028)	(76,523,833)	(83,771,465)
Total operational expenses		(5,517,954,745)	(4,462,222,882)	(4,760,687,081)
Operational profit/(loss)		175,132,895	450,141,352	456,497,198
Financial expense	43	(216,811,915)	(166,868,363)	(172,979,430)
Financial income	43	43,101,223	52,739,539	48,786,301
Net financial expenses	43	(173,710,692)	(114,128,824)	(124,193,129)
Share of results of associated undertakings	7	8,952,847	5,552,394	2,704,264
Investment income	44	16,056,782	41,835,524	48,481,037
Profit/(Loss) before taxation		26,431,832	383,400,446	383,489,370
Taxation	45	12,646,440	(28,371,183)	(26,775,288)
Profit/(Loss) after taxation	46	39,078,272	355,029,263	356,714,082
Attributable to:				
Equity holders of Sonae		80,035,669	275,002,806	284,044,038
Minority interests	25	(40,957,397)	80,026,457	72,670,044
Profit/(Loss) per share				
Basic	48	0.042864	0.147310	0.152154
Diluted	48	0.042864	0.147310	0.152154

The accompanying notes are part of these financial statements.

The Board of Directors



SONAE, SGPS, S.A.

CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE THREE MONTHS ENDED 31 DECEMBER 2008 AND 2007

(Translation of consolidated financial statements originally issued in Portuguese.  
In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

	4 <sup>th</sup> Quarter ended 31 December 2008 Unaudited	4 <sup>th</sup> Quarter ended 31 December 2007 Pro-forma Unaudited	4 <sup>th</sup> Quarter ended 31 December 2007 Unaudited
Operational income			
Sales	1,224,164,092	977,631,377	977,745,386
Services rendered	295,520,414	305,361,616	306,292,987
Value created on investment properties	(72,717,918)	36,875,578	29,811,558
Other operational income	135,102,425	104,016,015	103,016,304
Total operational income	1,582,069,013	1,423,884,586	1,416,866,235
Operational expenses			
Cost of goods sold and materials consumed	(944,780,224)	(761,912,266)	(761,889,908)
Changes in stocks of finished goods and work in progress	-	-	-
External supplies and services	(302,990,345)	(292,347,952)	(291,894,915)
Staff costs	(168,231,021)	(138,501,791)	(138,506,274)
Depreciation and amortisation	(71,945,919)	(61,397,808)	(61,397,807)
Provisions and impairment losses	(19,140,909)	140,805	140,805
Other operational expenses	(50,543,285)	(25,943,916)	(25,937,538)
Total operational expenses	(1,557,631,703)	(1,279,962,928)	(1,279,485,637)
Operational profit/(loss)	24,437,310	143,921,658	137,380,598
Financial expense	(67,122,503)	(45,159,146)	(46,198,763)
Financial income	13,024,900	16,742,688	17,269,459
Net financial expenses	(54,097,603)	(28,416,458)	(28,929,304)
Share of results of associated undertakings	8,776,695	2,836,668	2,539,953
Investment income	5,797,628	6,488,515	6,687,217
Profit/(Loss) before taxation	(15,085,970)	124,830,383	117,678,464
Taxation	16,017,574	18,760,653	21,821,660
Profit/(Loss) after taxation	931,604	143,591,036	139,500,124
Profit/(Loss) for the year	931,604	143,591,036	139,500,124
Attributable to:			
Equity holders of Sonae	26,936,411	112,762,760	113,426,942
Minority interests	(26,004,807)	30,828,276	26,073,182
Profit/(Loss) per share			
Basic	0.014426	0.060397	0.060753
Diluted	0.014426	0.060397	0.060753

The accompanying notes are part of these financial statements.

The Board of Directors



SONAE, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2008 AND 31 DECEMBER 2007

(Translation of consolidated financial statements originally issued in Portuguese.  
In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

Note	Attributable to Equity Holders of Sonae										Minority Interests (Note 25)	Total Equity
	Share Capital	Own Shares	Legal Reserve	Hedging Reserve	Currency Translation Reserve	Investments Fair Value Reserve	Other Reserves and Retained Earnings	Total	Net Profit/(Loss)	Total		
Balance as at 1 January 2007	2,000,000,000	(142,961,431)	157,623,915	2,023,188	18,915,442	65,921,480	(1,050,703,166)	(963,843,056)	241,822,233	1,292,641,661	402,058,314	1,694,699,975
Appropriation of profit of 2006:												
Transfer to legal reserves and retained earnings	-	-	3,256,902	-	-	-	238,565,331	238,565,331	(241,822,233)	-	-	-
Dividends distributed	-	-	-	-	-	-	(55,997,443)	(55,997,443)	-	(55,997,443)	(21,887,082)	(77,884,525)
Changes in reserves												
Changes in fair value of financial instruments	-	-	-	2,426,633	-	-	-	2,426,633	-	2,426,633	-	2,426,633
Transfers to results of fair value of hedging instruments	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the period	-	-	-	-	6,566,532	3,617,759	-	10,184,291	-	10,184,291	1,242,416	11,426,707
Transfers to results	-	-	-	-	-	(14,035,569)	-	(14,035,569)	-	(14,035,569)	(2,534,225)	(16,569,794)
Sales of affiliated undertakings	-	-	-	-	-	-	-	-	-	-	(2,171,988)	(2,171,988)
Aquisition of affiliated undertakings	-	-	-	-	-	-	-	-	-	-	(18,131,866)	(18,131,866)
Spin-off of Sonae Capital	-	-	-	-	-	(55,503,670)	(302,366,820)	(357,870,490)	-	(357,870,490)	9,310,396	(348,560,094)
Other changes	-	4,393,156	-	-	-	-	3,874,471	3,874,471	-	8,267,627	7,809,498	16,077,125
Consolidated Profit/(Loss) for the twelve months ended 31 December 2007	-	-	-	-	-	-	-	-	284,044,038	284,044,038	72,670,044	356,714,082
Balance as at 31 December 2007 (Note 1)	2,000,000,000	(138,568,275)	160,880,817	4,449,821	25,481,974	-	(1,166,627,627)	(1,136,695,832)	284,044,038	1,169,660,748	448,365,507	1,618,026,255
Balance as at 1 January 2008 (Note 1)	2,000,000,000	(138,568,275)	160,880,817	4,449,821	25,481,974	-	(1,166,627,627)	(1,136,695,832)	284,044,038	1,169,660,748	448,365,507	1,618,026,255
Appropriation of profit of 2007:												
Transfer to legal reserves and retained earnings	-	-	825,157	-	-	-	283,218,881	283,218,881	(284,044,038)	-	-	-
Dividends distributed	-	-	-	-	-	-	(56,016,000)	(56,016,000)	-	(56,016,000)	(2,475,031)	(58,491,031)
Changes in reserves												
Changes in fair value of financial instruments	-	-	-	(15,682,811)	-	-	-	(15,682,811)	-	(15,682,811)	(7,761,789)	(23,444,600)
Transfers to results of fair value of hedging instruments	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the period	-	-	-	-	(29,733,295)	(1,976,346)	-	(31,709,641)	-	(31,709,641)	-	(31,709,641)
Transfers to results	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments of Sonae Capital right shares related to the spin-off	-	-	-	-	-	-	7,304,000	7,304,000	-	7,304,000	-	7,304,000
Aquisitions and sales of shares of affiliated undertakings	-	-	-	-	-	-	-	-	-	-	(20,508,575)	(20,508,575)
Capital increases	-	-	-	-	-	-	-	-	-	-	36,604,140	36,604,140
Other changes	-	-	-	-	-	-	(2,597,189)	(2,597,189)	-	(2,597,189)	(1,717,754)	(4,314,943)
Consolidated Profit/(Loss) for the twelve months ended 31 December 2008	-	-	-	-	-	-	-	-	80,035,669	80,035,669	(40,957,397)	39,078,272
Balance as at 31 December 2008	2,000,000,000	(138,568,275)	161,705,974	(11,232,990)	(4,251,321)	(1,976,346)	(934,717,935)	(952,178,592)	80,035,669	1,150,994,776	411,549,101	1,562,543,877

The accompanying notes are part of these financial statements.

The Board of Directors



SONAE, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR

THE TWELVE MONTHS ENDED 31 DECEMBER 2008 AND 2007

(Translation of consolidated financial statements originally issued in Portuguese.

In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

		31.December.2008	31.December.2007 Pro-forma (Note 1)	31.December.2007
<b>OPERATING ACTIVITIES</b>				
	<u>Notes</u>			
Cash receipts from trade debtors		5,303,693,940	4,391,331,892	4,602,045,255
Cash paid to trade creditors		(4,208,396,201)	(3,357,637,695)	(3,479,623,863)
Cash paid to employees		(605,764,104)	(511,331,175)	(572,536,584)
Cash flow generated by operations		<u>489,533,635</u>	<u>522,363,022</u>	<u>549,884,808</u>
Income taxes (paid) / received		(16,616,170)	(21,925,634)	(30,292,373)
Other cash receipts and (payments) relating to operating activities		(6,692,573)	(7,035,201)	(1,930,279)
Net cash flow from operating activities (1)		<u>466,224,892</u>	<u>493,402,187</u>	<u>517,662,156</u>
<b>INVESTMENT ACTIVITIES</b>				
Cash receipts arising from:				
Investments	49	123,090,637	216,550,292	221,792,514
Tangible assets and investment properties		25,714,084	40,643,285	33,788,683
Intangible assets		6,209,293	346,965	342,512
Interest and similar income		27,913,003	44,562,072	39,443,989
Loans granted		8,612,239	126,781,107	288,022,566
Dividends		554,007	593,039	1,818,802
Others		-	1,774,706	2,385,790
		<u>192,093,263</u>	<u>431,251,466</u>	<u>587,594,856</u>
Cash Payments arising from:				
Investments	49	(76,986,407)	(878,508,390)	(916,902,643)
Tangible assets and investment properties		(592,118,629)	(596,647,830)	(688,526,511)
Intangible assets		(51,595,045)	(53,120,170)	(53,223,488)
Loans granted		(39,149,825)	(13,395,624)	(17,385,832)
Others		(6,810,325)	(7,950,003)	(8,068,600)
		<u>(766,660,231)</u>	<u>(1,549,622,017)</u>	<u>(1,684,107,074)</u>
Net cash used in investment activities (2)		<u>(574,566,968)</u>	<u>(1,118,370,551)</u>	<u>(1,096,512,218)</u>
<b>FINANCING ACTIVITIES</b>				
Cash receipts arising from:				
Loans obtained		7,124,370,355	6,894,452,156	7,107,957,625
Capital increases, additional paid in capital and share premiums		1,608,000	182,783	1,183,454
Sale of own shares		-	273,398,877	273,398,877
Others		-	212,500	212,500
		<u>7,125,978,355</u>	<u>7,168,246,316</u>	<u>7,382,752,456</u>
Cash Payments arising from:				
Loans obtained		(6,669,559,059)	(6,678,179,850)	(6,904,004,556)
Interest and similar charges		(193,401,577)	(150,861,111)	(158,974,453)
Reimbursement of capital and paid in capital		(632,564)	(4,693)	(4,693)
Dividends		(62,326,616)	(78,435,064)	(78,435,064)
Others		(220,898,528)	(3,251,496)	(3,282,123)
		<u>(7,146,818,344)</u>	<u>(6,910,732,214)</u>	<u>(7,144,700,889)</u>
Net cash used in financing activities (3)		<u>(20,839,989)</u>	<u>257,514,102</u>	<u>238,051,567</u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		<u>(129,182,065)</u>	<u>(367,454,262)</u>	<u>(340,798,495)</u>
Effect of foreign exchange rate		3,477,519	(166,281)	79,489
Cash and cash equivalents at the beginning of the period	23	<u>275,625,572</u>	<u>640,915,658</u>	<u>648,811,274</u>
Cash and cash equivalents demerged				32,307,718
Cash and cash equivalents at the end of the period	23	<u>142,965,988</u>	<u>273,627,677</u>	<u>275,625,572</u>

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2008

(Translation of consolidated financial statements originally issued in Portuguese.  
In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

1. INTRODUCTION

SONAE, SGPS, SA ("Sonae Holding"), has its head-office at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal, and is the parent company of a group of companies, as detailed in Notes 5 to 8 the Sonae Group ("Sonae"). The Group's operations and business segments are described in Note 51 and in the management report.

Restated Financial Statements

The consolidated financial statements for the year ended 31 December 2008 are not directly comparable with the financial statements for the twelve months period ended as at 31 December 2007 due to the spin-off of Sonae Capital business (with accounting effects from 1 October 2007) and due to the disposal of a shareholding position in Sierra Portugal Fund (SPF) on July 2008, reducing the percentage of capital held to 42% thus starting to be included by the use of the equity method. As a result of the SPF disposal, the consolidated income statements includes line-by-line contribution of the first six months of the year and the net profit of the second half of the year was recorded in the caption "Share of results of associated undertakings".

The pro-forma consolidated balance sheet as at 31 December 2007 includes the above mentioned change.

The pro-forma consolidated income statement and the pro-forma consolidated statement of cash flows as at 31 December 2007 include the above mentioned changes as if they had occurred on the 1 January 2007 (spin-off of Sonae Capital) and on 30 June 2007 (disposal of the investment fund) so that those income and cash flow statement are directly comparable to 2008 consolidated financial statements.

Business Combinations: Continente Hipermercados (portfolio ex-Carrefour)

The subsidiary Continente Hipermercados, S.A. (corresponding to the portfolio ex-Carrefour) was acquired by the end of 2007 (Note 9) not having, as noticed, concluded at that time the fair value imputation and the respective goodwill allocation. Such process was finished during 2008, hence a retrospective allocation of fair value related to the referred Business Combination as required by IFRS 3 – Business Combinations was performed. Consequently the consolidated Balance Sheet at 31 December 2007 and the Consolidated Statements of Change in Equity for the year ended 31 December 2007, have been restated to consider already the new figures. The explanation of the changes made is presented in Note 9 in detail.

2. PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), as adopted by the European Union as at the consolidated financial statements issuance date.

Interim consolidated financial statements are presented quarterly in accordance with IAS 34 - Interim Financial Reporting.

The accompanying consolidated financial statements have been prepared from the books and accounting records of the Company, subsidiaries and joint ventures on a going concern basis and under the historical cost convention, except for financial instruments and investment properties which are stated at fair value.

New accounting standards and their impact on the consolidated financial statements

Up to the financial statements approval date, the following Standards and Interpretations, some of which have become effective during the year 2008, have been endorsed by European Union:

	Effective date
<u>With mandatory application in 2008</u>	
IAS 39/IFRS 7 - Amendments: Reclassification of Financial Instruments	01/07/2008
IFRIC 14/IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01/01/2008
<u>With mandatory application after 2008</u>	
IFRS 8 – Operating Segments	01/01/2009
IFRS 2 - Amendments: Share-based Payment	01/01/2009
IAS 1 - Amendments: First-time Adoption of International Financial Reporting Standards	01/01/2009
IAS 23 - Amendments: Borrowing Costs	01/01/2009
IAS 32/IAS 1 - Amendments: Puttable Financial Instruments and Obligations Arising on Liquidation	01/01/2009
Amendments to International Financial Reporting Standards (2007)	01/01/2009
IFRS 1/IAS 27 - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	01/01/2009
IFRIC 13 - Customer Loyalty Programmes	01/07/2008



The adoption of these Standards has not led to any relevant changes to the consolidated financial statements.

With the exception of IAS 40 - Investment Property amendment included on the Annual Improvements 2007, which Sonae decided to early adopt prospectively since 2008, the remaining endorsed standards were not adopted in 2008, as its application is not mandatory for 2008 (Note 4).

It is not expected to arise material impacts to the consolidated statements of Sonae from the application of the above mentioned standards, with the exception of presentation and disclosure improvements as a result of the application of IAS 1 amendments and IFRS 8.

As at this date, the following standards and interpretations have already been issued by the IASB /IFRIC but have not yet been endorsed by the European Union:

	Effective Date
Amendments to IFRS 3 – Business Combinations	01/07/2009
Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards	01/07/2009
Amendments to IAS 27 - Consolidated and Separate Financial Statements	01/07/2009
Amendments to IAS 39 – Qualifying hedging instruments.	01/07/2009
Amendments to IAS 39 – Reclassification of Financial Assets	01/07/2009
Amendments to IFRS 7 – Financial Instruments: Disclosures	01/01/2009
IFRIC 12 - Service Concession Arrangements	01/01/2009
IFRIC 15 – Agreements for the Construction of Real Estate	01/01/2009
IFRIC 16 – Hedges of a Net Investments in a Foreign Operation	01/10/2008
IFRIC 17 – Distributions of Non-cash Assets to Owners	01/07/2009
IFRIC 18 – Transfer of Assets from Customers	01/07/2009

The future application of the standards mentioned above, which have not been yet endorsed by the European Union, is not expected to produce material impacts to the consolidated financial statements, except for the IFRS 3 Revision which will produce significant changes in what goodwill computation is concerned.

## 2.2 Consolidation principles

The main accounting policies adopted by Sonae are as follows:

### a) Investments in Sonae companies (subsidiaries)

Investments in companies in which the Sonae owns, directly or indirectly, more than 50% of the voting rights at Shareholders' General Meetings or is able to establish financial and operational policies so as to benefit from its activities (definition of control normally used by Sonae), are included in the consolidated financial statements using the full consolidation method. Equity and net profit attributable to minority shareholders are shown separately, under the caption Minority interests, in the consolidated balance sheet and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 5.

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

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

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

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

Whenever Sonae has, in substance, control over other entities created for a specific purpose, even if no share capital interest is directly held in those entities, these are consolidated by the full consolidation method. Such entities, when applicable, are disclosed in Note 5.

### b) Investments in jointly controlled companies

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

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

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

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

Companies included in the accompanying consolidated financial statements in accordance with the proportionate method are listed in Note 6.

c) Investments in associated companies

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

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

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

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

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

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

Investments in associated companies are disclosed in Note 7.

d) Goodwill

The excess of the cost of acquisition of investments in subsidiaries, jointly controlled and associated companies over Sonae's share in the fair value of the assets and liabilities of those companies at the date of acquisition is shown as Goodwill (Note 14) or as Investments in associated companies (Note 7). The excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities at the date of acquisition is calculated using the functional currency of each of those companies. Translation to the Group's functional currency (Euro) is made using the closing exchange rate. Exchange rate differences arising from this translation are recorded and disclosed in "Other reserves and retained earnings".

Goodwill is not amortised, but it is subject to impairment tests on an annual basis. Net recoverable amount is determined based on business plans used by Sonae management or on valuation reports issued by independent entities. Impairment losses recognized in the period are recorded in the income statement under the caption Provisions and impairment losses.

Impairment losses related with goodwill will not be reversed unless in the case of goodwill related with associated companies.

Any excess of Sonae's share in the fair value of identifiable assets and liabilities in group, jointly controlled and associated companies over cost, is recognised as income in the profit or loss for the period, at the date of acquisition, after reassessment of the fair value of the identifiable assets and liabilities acquired.

Goodwill recognised prior to the transition date

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

e) Translation of financial statements of foreign companies

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

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

Whenever a foreign company is sold, accumulated exchange rate differences are recorded in the income statement as a gain or loss on the disposal, in the caption Investment income.

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

	31.December.2008		31.December.2007	
	End of period	Average of period	End of period	Average of period
US Dollar	0.71855	0.68350	0.67930	0.73080
Swiss Franc	0.67340	0.63044	0.60434	0.60884
Pound Sterling	1.04987	1.25890	1.36361	1.46209
Romanian New Leu	0.24860	0.27178	0.27718	0.30017
Brazilian Real	0.30830	0.37657	0.38516	0.37577
Polish Zloty	0.24076	0.28570	0.27828	0.26445

Source: Bloomberg

### 2.3. Tangible assets

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

Tangible assets acquired after that date are recorded at acquisition cost, net of depreciation and accumulated impairment losses.

Depreciation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life for each class of assets.

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

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

	Years
Buildings	10 to 50
Plant and machinery	10 to 20
Vehicles	4 to 5
Tools	4 to 8
Fixture and fittings	3 to 10
Other tangible assets	4 to 8

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

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

Gains or losses on sale or disposal of tangible assets are calculated as the difference between the selling price and the carrying amount of the asset at the date of its sale/disposal. These are recorded in the income statement under either Other operational income or Other operational expenses.

### 2.4. Investment properties

Investment properties consist of shopping centre buildings and other constructions that are held to earn rental income or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of business.

The investment properties which do not fulfil the conditions to reliably measure their fair value, are recorded at their historical or production cost, net from eventual impairment losses. Taking in concern that such investment properties are essentially fixed assets that are being qualified as investments properties in the future, they are separately classified in the caption Investments Properties in Progress on the Consolidated Balance Sheet.

The investment property in progress considered investment property, within the scope of IAS 40, when they fulfil the conditions to reliably measure their fair value.

It is considered that an Investment property in progress fulfill the conditions for its fair value to be reliably measured, when a there is a high probability that the project will be concluded in a short period. This probability is high when the following events are simultaneously accomplished:

- land is acquired
- construction license is obtained
- financing contract for the property is signed
- construction works of the property have started
- lease contracts with the main anchors stores or possibles lessee are signed

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

The assets of Sonae which qualify as investment properties are recognized as such when they start being used or, in the case of the investment properties in progress, when their development is considered irreversible, as mentioned in the above conditions. Until the moment the asset is qualified as investment property, the same asset is booked at historical or production cost under the caption "Investment Property in progress" in the same way as a tangible asset (Note 2.3). Since that moment, the investment properties in progress are recorded at their fair value. The difference between cost (of acquisition or production) and the fair value at that date is accounted for in the consolidated income statement at the caption "Variation in fair value of investment properties".

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

### 2.5. Intangible Assets

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

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

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

Internal costs associated with maintenance and development of software are recorded as an expense in the period in which they are incurred. Only costs directly attributable to projects for which the generation of future economic benefits is probable are capitalised as intangible assets.

The expenses incurred with the acquisition of client portfolio's (attributed value relating to the allocation of the purchasing price in business activity concentration) are stated as intangible assets and amortized on a straight line bases, during the average estimated period of portfolio's client retention.

Amortisation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life which usually is between 3 and 6 years, except for property occupation rights which are amortised over the duration of the contract which establishes these rights. It is recorded in the caption of "Amortizations and depreciations".

Amortisation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life which usually is between 3 and 6 years, except for property occupation rights and mobile and fixed operator licenses.

Mobile and fixed operator licenses are amortised over the duration of the contract which establishes these rights.

The property occupation rights, specially from Shopping centres segment, are being amortised on a straight line basis during the right's estimated utilization time period (time periods vary between 10 and 15 years).

Brands and patents with defined useful lives are recorded at their historical cost and are amortised on straight line basis during the estimated useful life. Brands and patents with undefined useful lives are not amortised, but are subject to impairment tests on an annual basis or when there are impairment indicators.

## 2.6. Accounting for leases

### Accounting for leases where Sonae is the lessee

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

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

Tangible assets acquired through finance lease contracts are recorded as assets and corresponding obligations as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability, at their fair value or if lower, at the minimum present value payment to do until the end of the contract. Both the finance charge and the depreciation expense for depreciable assets are taken to the income statement in the period in which they are incurred.

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

### Accounting for leases where Sonae is the lessor

Most of the cases where the Group is the lessor arise from contracts with shopping centre tenants. These contracts are usually for a period of six years and establish the payment by the tenant of a monthly fixed rent - invoiced in advance -, a variable rent, invoiced if the monthly sales of the tenant are higher than the limit established in the contract and the payment of the tenant's share in the shopping centre operational expenses. The contract with the tenant may also establish the payment of an entrance fee in the shopping centre (key money income) and some discounts (usually in the first three years of the contract) to the fixed rent. These contracts can be renewed or cancelled by any of the parties involved (the company or the tenant). If the cancellation is made by the tenant it must pay a cancellation fee to the company established in the contract. In the case of being proposed a renovation by the lessor, Sonae should pay a compensation (indemnization) to the shopkeeper.

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

## 2.7. Government grants

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

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

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

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

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

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

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

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

## 2.9. Borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of tangible and intangible assets, real estate projects classified as inventories or investment properties are capitalised as part of the cost of the qualifying asset. Borrowing costs are capitalised from the beginning of preparation of the activities to construct or develop the asset up to the time the production or construction is complete or when asset development is interrupted. Any income earned on funds temporarily invested pending their expenditure on the qualifying asset, is deducted from the borrowing costs that qualify for capitalisation.

## 2.10. Inventories

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

Differences between cost and net realisable value, if negative, are shown as operating expenses under the caption "Cost of goods sold and materials consumed" or Changes in stocks of finished goods and work in progress, depending on whether they refer to consumer goods and raw materials or finished goods and work in progress.

## 2.11. Provisions

Provisions are recognised when, and only when, Sonae has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at the balance sheet date to reflect the best estimate as of that date.

Restructuring provisions are recorded by Sonae whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

## 2.12. Financial instruments

Sonae classifies the financial instruments in the categories presented and conciliated with the Consolidated Balance Sheet disclosed in Note 10.

### a) Investments

Investments are classified into the following categories:

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

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

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

Sonae classifies as available-for-sale investments those that are neither included as investments measured at fair value through profit or loss neither as investments held to maturity. These assets are classified as non-current assets, except if the sale is expected to occur within 12 months from the date of classification.

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

Investments are initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs.

Available-for-sale investments and investments measured at fair value through profit or loss are subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the balance sheet date. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, are stated at cost, less impairment losses.

Gains or losses arising from a change in fair value of available-for-sale investments are recognised directly in equity, under Fair value reserve, included in Reserves and retained earnings until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to net profit or loss for the period.

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

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

### b) Loans and non current account receivables

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

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

These financial investments arise when Sonae provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are recorded as current assets, except when its maturity is greater than 12 months from the balance sheet date, when they are classified as non-current assets. Loans and receivables are included in the captions presented in Note 10.

c) Trade accounts receivable and other accounts receivables

Trade accounts receivables and other accounts receivable are recorded at their nominal value and presented in the consolidated balance sheet net of eventual impairment losses, recognised under the allowance account Impairment losses on accounts receivable, in order to reflect its net realisable value. These captions, when classified as current, do not include interests because the effect of discounting would be immaterial.

Impairment is recognised if there is objective and measurable evidence that, as a result of one or more events that occurred, the balance will not be fully received. Therefore, each Sonae company takes into consideration market information that indicates:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

When it's not possible to assess the impairment for every single financial asset, the impairment is assessed on a collective basis, namely in the Telecommunications segment. Objective evidence of impairment of a portfolio of receivables could include Sonae's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the receipt of the full amount is expected to be within one year the discount is considered null as it is immaterial.

d) Assets held for sale

The non-current assets (or disposal group) are recorded as held for sale if it is expected that the book value will be recovered through the sale and not through the use in the operations. This condition is achieved only if the sale is highly probable and the asset (or disposal group) is available for the immediate sale in the actual conditions. Additionally, there must be in progress actions that should allow to conclude the sale within 12 months counting from the classification's date in this caption. The non-current assets (or disposal group) recorded as held for sale are booked at the lower amount of the historical cost or the fair value deducted from costs, not being amortized after being classified as held for sale.

e) Classification as equity or liability

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

Equity instruments are contracts that evidence a residual interest in the assets of Sonae after deducting all of its liabilities. Equity instruments issued by Sonae are recorded at the proceeds received, net of direct issue costs.

f) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.9. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

g) Trade accounts payable

Accounts payable are stated at their nominal value, as they do not bear interests and the effect of discounting is considered immaterial.

h) Derivatives

Sonae uses derivatives in the management of its financial risks to hedge such risks and/or in order to optimise the funding costs.

Derivatives classified as cash flow hedge instruments are used by the Sonae mainly to hedge interest and exchange rate risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. The inefficiencies, if any, are accounted under financial expenses or gains in the consolidated income statement.

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

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

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

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption Hedging reserve, are transferred to profit or loss of the period or to the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the income statement.

Sonae also uses financial instruments with the purpose of cash flow hedging that essentially respect the exchange rate hedging ("forwards") of loans and commercial operations that, however, do not configure perfect hedging relations, and so, do not receive hedge accounting treatment, but allow the reduction, in a very significant way, of the loan and receivable/payable balance exchange variability effect, nominated in foreign currency.

Sonae also uses financial instruments with the purpose of cash flow hedging that essentially respect the exchange rate hedging ("forwards") of loans and commercial operations that, however, do not configure perfect hedging relations, and so, do not receive hedge accounting treatment, but allow the reduction, in a very significant way, of the loan and receivable/payable balance exchange volatility, nominated in foreign currency.

Derivatives, despite being entered into with the above mentioned aims (mainly exchange forwards and derivatives in the form of or including interest rate options), do not qualify for hedge accounting, thus are initially recorded by their cost, which corresponds to its fair value, and are subsequently measured at fair value through profit and loss. The derivatives fair value is estimated internally by the use of specific software.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host instruments, and this is not stated at fair value through profit or loss.

Sonae may agree to become part of a derivative transaction in order to fair value hedge some interest rate exposure. In these cases, derivatives are recorded at fair value through profit or loss and the effective portion of the hedging relationship is adjusted in the carrying amount of the hedged instrument, if not stated at fair value (namely loans recorded at amortised cost), through profit or loss.

i) Own shares

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

j) Cash and cash equivalents

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

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

All the amounts included in this caption can be reimbursed at demand as there are no pledges or guarantees over these assets.

2.13. Share-based payments

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

Share-based payment liabilities are measured at fair value on the date they are granted (normally in March of each year) and are subsequently remeasured at the end of each reporting period, based on the number of shares or share options granted and the corresponding fair value at the closing date. The fair value of share options is estimated based on the "Black-Scholes" model. These obligations are stated as Staff costs and Other liabilities, and are recorded on a straight-line basis, between the date the shares are granted and their vesting date, taking into consideration the time elapsed between these dates, when the Sonae has the choice to settle the transaction in cash. In the case of equity-settled share-based payment transactions, these obligations are stated as Staff costs and Reserves and are recorded on a straight line basis between the date the shares are granted and their vesting date, in the proportion of time passed between both dates, being the fair value fixed at each balance sheet date.

2.14. Contingent assets and liabilities

Contingent liabilities are not recorded in the consolidated financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the consolidated financial statements but disclosed when future economic benefits are probable.

2.15. Income tax

The tax charge for the year is determined based on the taxable income of companies included on consolidation and considers deferred taxation.

Current income tax is determined based on the taxable income of companies included on consolidation, in accordance with the tax rules in force in the respective country of incorporation.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore are expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognised and expected to reverse in the same period. At each balance sheet date a review is made of the deferred tax assets recognised, which are reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in equity.



**2.16. Revenue recognition and accrual basis**

Revenue from the sale of goods is recognised in the income statement when the risks and benefits have been transferred to the buyer and the amount of the revenue can be measured reasonably. Sales are recognised net of sales taxes and discounts and other expenses arising from the sale, and are measured as the fair value of the amount received or receivable.

Revenue from services rendered is recognised in the income statement taking into consideration the stage of completion of the transaction at the balance sheet date and include fixed and variable rents billed to shopkeepers, recoverable common expenses from shopkeepers and exploration revenue from car parks.

Revenue from admission rights and store transfer taxes are recognised in the consolidated income statement under Other operational expenses and under Services rendered, respectively, when billed to the tenant. Costs from discounts given over the rent and compensations are recognised in the consolidated income statement under Services Rendered and Other operational expenses, respectively.

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

Revenue from Telecommunications services is recognised in the period in which it occurs. Such services are invoiced on a monthly basis. Revenues not yet invoiced, from the last invoicing cycle to the end of the month, are estimated and recorded based on actual traffic. Differences between the estimated and actual amounts, which are usually not material, are recorded in the following period.

The income related to pre-paid cards is recognised whenever the minutes are used. At the end of each period the minutes still to be used are estimated and the amount of income associated with those minutes is deferred.

The deferral of revenue related with the customer loyalty programmes by the attribution of points or discounts in future purchases, in the Retail and Telecommunications segments, are quantified having in account the probability of their exercise and are deducted to the revenue at the moment of his generation. The corresponding liability is presented in the caption "Other creditors".

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

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and Other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they will be recognised in the income statement.

**2.17. Balances and transactions expressed in foreign currencies**

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

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

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

When Sonae wants to reduce currency exposure, it negotiates hedging currency derivatives (Note 2.12.h)).

**2.18. Subsequent events**

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material.

**2.19. Judgement and estimates**

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

- a) Useful lives of the tangible and intangible assets;
- b) Impairment analysis of goodwill and of tangible and intangible assets;
- c) Recognition of adjustments on assets and provisions;
- d) Assessment of responsibilities associated with customers' loyalty programs.

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

The main estimates and assumptions in relation to future events included in the preparation of consolidated financial statements are disclosed in the correspondent notes.

## 2.20. Insurance and reinsurance contracts

In order to optimise insurance costs, Sonae, through a wholly owned subsidiary, enters into reinsurance operations over non-life insurance contracts entered into by subsidiaries and related of the Efanor Group.

The Sonae branch office acts like an intermediate in the assurance operations as a way to optimise insurance coverage and retention levels in accordance with the needs of each business, ensuring effective insurance management worldwide. The retained risk is immaterial when compared with the risks transferred.

Premiums written on non-life insurance contracts and associated acquisition costs are recognised as income and cost on a pro-rata basis over the term of the related risk periods, through changes in the provision for unearned premiums.

The provision for unearned premiums (Note 34) reflects the portion of non-life insurance premiums written attributable to future years, namely the portion corresponding to the period between the balance sheet date and the end of the period to which the premium refers. It is calculated, for each contract in force.

The Provision for claims (Note 34) reflects the estimated amounts payable for claims, including claims that have been incurred but not reported and future administrative costs to be incurred on the settlement of claims under management. Provisions for claims recorded by Sonae are not discounted.

Reinsurer's share of technical provisions (Assets - Note 16) are determined by applying the above described criteria for direct insurance, taking into account the percentages ceded, in addition to other clauses existing in the treaties in force.

At each balance sheet date, Sonae assess the existence of evidence of impairment on assets originated by insurance or reinsurance contracts.

## 2.21. Segment information

All business and geographic segments of Sonae are identified annually.

Information regarding business and geographic segments identified is included in Note 51.

## 2.22. Legal reserves, other reserves and transited results

### Legal reserves:

Portuguese commercial legislation requires that at least 5% of annual net profit must be appropriated to a legal reserve, until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in the case of liquidation of the Company, but it may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

### Hedge reserve

The Hedging reserve reflects the changes in fair value of "cash flow" hedging derivatives that are considered as effective (Note 2.12.h)) and is not distributable or used to absorb losses.

### Currency translation reserve

The currency translation reserve corresponds to exchange differences relating to the translation from the functional currencies of the Sonae's foreign subsidiaries and joint ventures into Euro, in accordance with the accounting policy described in Note 2.17.

### Fair value reserve:

This reserve arises on the revaluation of available-for-sale financial assets as mentioned in Note 2.12.a).

## 3. FINANCIAL RISK MANAGEMENT

### 3.1. Introduction

The ultimate purpose of financial risk management is to support Sonae in the achievement of its strategy by reducing unwanted financial risk and volatility and mitigate any negative impacts in the profit or loss statement arising from such risks. Sonae's attitude towards financial risk management is conservative and cautious. Derivatives are used to hedge certain exposures related to its operating business and, as a rule, Sonae does not enter into derivatives or other financial instruments that are unrelated to its operating business or for speculative purposes.

Due to its diversified nature Sonae is exposed to a variety of financial risks, consequently each Sub-holding is responsible for, where applicable, for setting its own financial risk management policies, to monitor their own exposure and to implement their approved policies. Therefore for some risks there are not Sonae global risk management policies, but rather, where appropriate, customised risk management policies at Sub-Holding level. Financial risk management policies are approved by each Executive Committee and exposures are identified and monitored by each Sub-Holding Finance Department. Exposures are also monitored by the Finance Committee as mentioned in the Corporate Governance Report.

The Finance Committee co-ordinates and reviews, amongst other responsibilities, global financial risk management policies. It is the Finance Departments responsibility to review and measure, group and company's financial risk exposure for reporting purposes. Sonae SGPS Finance department is also responsible for assisting each Sub-holding in managing their own currency, interest rate, liquidity and refinancing risks through the Corporate Dealing Desk. Exposures are recorded in a main Treasury Management System (TMS). Risk control and reporting is carried out both at Sub-Holding level on a daily basis and on a Consolidated basis for the monthly Finance Committee meeting.

### 3.2. Credit risk

Credit risk is defined as the probability of a counterparty defaulting on its contractual obligations resulting in a financial loss. It is shown in two main ways:

#### 3.2.1) Credit risk arising from Financial Instruments

The credit risk in what Financial Instruments is concerned arises mainly from holding cash and cash equivalents instruments, deposits with banks and financial institutions or resulting from derivative financial instruments entered into in the normal course of its hedging activities or from its lending activities to subsidiaries. In order to reduce the probability of counterpart default Sonae SGPS transactions (short term investments and derivatives) are only contracted in accordance with the following principles:

- Only carry out transactions (short term investments and derivatives) with counterparties that have at least a credit rating of BBB from Moody's and/or Baa2 from Standard & Poor's or equivalent (this information is supplied through independent information systems);
- Sonae only enters into eligible and approved financial instruments. The definition of the eligible instruments, for the investment of temporary excess of funds or derivatives, was made in a conservative approach (essentially consisting in short term monetary instruments, in what excess of funds is concerned and instruments that can be split into components and that can be properly fair valued, with a loss cap);
- In relation to excess funds: i) those are preferentially used, whenever possible and when more efficient to repay debt, or invested preferably in instruments issued by existing relationships banks in order to reduce exposure on a net basis, and ii) may only be applied in pre approved instruments;
- In some cases Sub-holdings can define more strict rules regarding counterparty exposure or more conservative policies;
- Any departure from the above mentioned policies needs to be pre approved by the respective Executive Committee/Board of Directors of each Sub-holding.

Given the above mentioned policies and the minimum credit ratings Sonae does not expect any material failure in contractual obligation from its external counterparties nevertheless exposure to each counterparty resulting from financial instruments and the credit rating of potential counterparties is regularly monitored by the Sub-holding Finance Department and any departure is promptly reported to the respective Executive Committee/Board of Directors and to the Sonae Finance Committee.

### 3.2.2) Credit risk in operational and commercial activities of each business

In this case due to each business characteristics and consequently of different credit risk typology, each sub-holding determines the most appropriate policy, as described above. However the policies follow the same wide principles of: prudence, conservatism, and the implementation of control mechanisms.

#### **- Retail**

The credit risk in the scope of its current operational activity is controlled through a system of gathering financial and qualitative information from independent entities that supply risk information, in order to allow the assessment of credit risk from debtors. Credit risk is mainly originated by sales to other retail operators and by the rendering of travel agencies services or by advances made to or discounts billed to suppliers.

#### **- Shopping Centres**

The credit risk results essentially of the risk of credit of the tenants of the commercial centres managed by Sub-Holding and of the other debtors. Shopping Centre storekeepers credit risk monitoring is made by the adequate assessment of risk before the storekeepers are accepted and by the establishment of conservative credit limits for each storekeeper.

#### **- Telecommunications**

The Sub-holding exposure to credit risk is mainly associated with the accounts receivable related to current operational activities. The credit risk management purpose is to guarantee that the amounts owed by debtors are effectively collected within the periods negotiated without impacting the financial health of the Sub-holding. Sonaecom uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, which all contribute to the mitigation of credit risk.

#### **- Holding**

Sonae Holding is a company without any relevant commercial or trade activity, other than the normal activities of a portfolio manager. As such, it is only exposed, on a regular basis, to credit risk resulting from its investing activities (holding cash and cash equivalents instruments, deposits with banks and financial institutions or resulting from derivative financial instruments entered into in the normal course of its hedging activities) in accordance with the principles mentioned in point 3.2.1..

Additionally Sonae SGPS may sometimes also be exposed to credit risk as a result of its portfolio manager activities (buying or selling investments), but in those exceptional situations risk reducing mechanisms and actions are implemented on a case by case basis under the supervision of the Executive Committee (requesting bank guarantee, escrow accounts, obtaining collaterals, amongst others).

The amount related to customers, other debtors and other assets presented in Financial Statements, which are net of impairment losses represent Sonae exposure to credit risk.

### **3.3. Liquidity risk**

Sonae needs to raise external funds to finance its activities and investing plans. It holds a diversified loan portfolio, essentially made of long term bonds, long term project finance, mutuals, structured facilities, but which also includes a variety of other short-term financing facilities in the form of commercial paper and credit lines. As at 31 December 2008 the total gross debt was 3.387 million euro (2.967 million euro as at 31 December 2007 and 2.871 million euro in the pro forma financial statements).

The purpose of liquidity risk management is to ensure, at all times, that Sonae has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy. Given the dynamic nature of its activities, Sonae needs a flexible financial structure and therefore uses a combination of:

- Maintaining, with its relationship banks, a combination of short and medium term committed credit facilities, commercial paper programme with sufficiently comfortable previous notice cancellation periods with a range that goes up to 360 days;
- Maintenance of commercial paper programs with different periods and terms, that allow, in some cases, to place the debt directly in institutional investors;
- Detailed rolling annual financial planning, with monthly, weekly and daily cash adjustments in order to forecast cash requirements;
- Diversification of financing sources and counterparties;
- Ensuring an adequate debt average maturity, by issuing long term debt and avoiding excessive concentration of scheduled repayments. At the end of 2008, Sonae's average debt maturity (considering 100% of Sonae Sierra's debt) was approximately 5.7 years ( 6.6 years as at December 2007);

- Negotiating contractual terms which reduce the possibility of the lenders being able to demand an early termination;
- Where possible, by prefinancing forecasted liquidity needs;
- 
- Management procedures of short term applications, assuring that the maturity of the applications will match with foreseen liquidity needs, including a margin to hedge forecasting deviations. The margin of error needed in the treasury department prediction, will depend on the confidence degree and it will be determined by the business. The reliability of the treasury forecasts is an important variable to determinate the amounts and the periods of the market applications/borrowings.

The maturity table of each major class of liabilities is presented in Notes 26, 27, 30, 31 and 32, based on the undiscounted cash flows of financial liabilities based on the earliest date on which Sonae can be required to pay ("worst case scenario").

A liquidity reserve in form of credit lines with its relationship banks is maintained by Sonae, to ensure the ability to meet its commitments without having to refinance itself in unfavourable terms. Loans maturing in 2009 where 370 million euro (138 million euro maturing in 2008) and as at 31 December 2008 Sonae had undrawn committed credit facilities of 605 million euro (766 million euro in 2007) cancellable within a previous notice of less than one year and 259 million euro (495 million euro in 2007) cancellable with a previous notice of no less than 360 days.

Additionally, as at 31 December 2008, cash and cash equivalents and current investments were also held amounting to 248 million euro (346 million euro as at 31 December 2007). Consequentially, Sonae SGPS expects to meet all its obligations by means of its operating cash flows and proceeds from its financial assets as well as from drawing existing available credit lines, if needed.

### 3.4 Interest rate risk

#### 3.4.1) Policies

As each Sub-holding operates in different markets and in different business environments, there is no single policy applicable for the entire Sonae, but rather policies adjusted to each Sub-holding exposure existing as described below. As previously mentioned, the Group exposure is regularly monitored by the Finance Committee, at a group level, and at each Sub-holding level. Although there is no wide risk management interest rate policy, in what concerns the derivatives negotiation, there are principles that should be followed by each group companies and that are referred below:

- Sonae hedging activities do not constitute a profit-making activity and are deemed derivatives are entered into without any speculation purpose;
- For each derivative or instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be the same as the settlement dates of the hedging instrument to avoid any mismatch and hedging inefficiency.
- 
- Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the hedged facility / transaction;
- Since inception, the maximum cost of the hedging operation is known and limited, even in scenarios of extreme change in market interest rates, so that the resulting interest rates are within the cost of the funds considered in Sonae's business plans (or in extreme scenarios are not worse than the underlying cost of the floating rate underlying).
- The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, as described in 3.2. above - Credit Risk Management. It is Group policy that, when contracting such instruments, preference should be given to financial institutions that form part of Sonae's relationships, whilst at the same time obtaining quotes from a sufficient large sample of banks to ensure optimum conditions;
- In determining the fair value of hedging operations Sonae uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates, foreign exchange rates, volatility among others prevailing at the balance sheet date. Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the valuation;
- All transactions are documented under ISDA's Agreements (International Swaps and Derivatives Association);
- All transactions which do not follow the Rules above have to be individually approved by respective Executive Committee/ Board of Directors, and reported to Finance Committee, namely transactions entered into with the purpose of optimising the cost of debt when deemed appropriate according to prevailing financial market conditions.

#### **- Retail**

Group exposure to the interest rate arises mainly from long term loans which bear interests at Euribor plus spread.

Sonae Distribuição purpose is to limit cash-flows and results volatility considering the profile of its operational activity by using an appropriate mix of fixed and variable interest rate debt. Sonae Group policy allows the use of interest rate derivatives to decrease the exposure at Euribor fluctuations but not for trading purposes.

#### **- Shopping Centres**

Sonae Sierra's revenue and cash-flows are marginally influenced by the interest taxes fluctuations.

In relation to long-term borrowings and in order to hedge the volatility of long term interest rates, Sonae Sierra uses, whenever appropriate, cash flow hedge instruments in the form of swaps or zero cost collars, which represents perfect hedges of those long-term borrowings. In certain long-term borrowings Sonae Sierra choose also to have a fixed interest rate in the first years of the agreement and study afterwards the possibility to negotiate interest rate swaps or zero cost collars for the remaining period.

#### **- Telecommunications**

Sonae's total indebtedness is indexed to variable rates, accordingly debt servicing costs are likely to be volatile. The impact of this volatility on the Group's income and shareholders' equity is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility of using interest rate hedging derivative instruments, as explained below; (iii) possible correlation between the market interest rate levels and economic growth, the latter having a positive effect on other lines of the Group's consolidated results (particularly operational), thus partially offsetting the increased financial costs ("natural hedge");

and (iv) the availability of consolidated liquidity or cash, also remunerated at variable rates.

Sonae only uses derivatives or similar transactions to hedge those interest rate risks considered as significant. Sonae respects the same principles as adopted by the Group Sonae in determining and using instruments to hedge interest rate risk.

As all Sonae's borrowings (Note 51) bear interest at variable rates, interest rate swaps and other derivatives are used to hedge future changes in cash flow relating to interest payments. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The Board of Directors of Sonae approves the terms and conditions of the funding with a significant impact on the Sonae based on an analysis of the debt structure, the inherent risks and the different options in the market, particularly as regards the type of interest rate (fixed / variable). Under this policy, the Executive Committee is responsible for decisions regarding the contracting of occasional interest rate hedging derivative financial instruments, through monitoring the conditions and alternatives existing in the market.

#### **- Holding & Others**

Sonae Holding is exposed to cash flow interest rate risk in respect of items in the balance sheet (Loans and Short Term Investments) and to fair value interest rate risk as a result of interest rate derivatives (swaps, FRA's and options). All Sonae SGPS debt bears variable interest rates, and interest rate derivatives may be entered into to convert part of the variable rate debt into fixed rate (usually through interest rate swaps or Forward Rate agreements), or to limit the maximum rate payable (usually through zero cost collars or the purchased caps).

Sonae Holding, mitigates interest rate risk by adjusting the proportion of its debt that bears fixed interest to that which bears floating interest although without a fixed goal or percentage to achieve since hedging interest rate risk usually has an opportunity cost associated. Therefore a more flexible approach is considered preferable to a more strict traditional approach. Part of the risk is also mitigated by the fact that Sonae Holding grants loans to its subsidiaries as part its usual activities and thus there may be some degree of natural hedging on a company basis, since if interest rates increase the additional interest paid would be partially offset by additional interest received.

Sonae Holding hedging activities do not constitute a profit-making activity and derivatives are deemed to be entered into without any speculation purpose. Strict rules are observed in relation to any derivative transaction entered into.

#### **3.4.2.) Sensitivity analysis**

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments (the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks). As a consequence, they are included in the calculation of income-related sensitivities;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortised cost are not subject to interest rate risk as defined in IFRS 7;
- In the case of fair value hedges designed for hedging interest rate risks, when the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements are offset almost completely in the income statement in the same period, these financial instruments are also not exposed to interest rate risk;
- Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the equity-related sensitivity calculations;
- Changes in the market interest rate of interest rate derivatives that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations;
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end, and assuming a parallel shift in interest rate curves;
- For the purposes of sensitivity analysis, such analysis is performed based on all financial instruments outstanding during the year.

Under these assumptions, if interest rates of euro denominated financial instruments had been 75 basis points higher/lower, the consolidated net profit before tax of Sonae for the year ended 31 December 2008 would decrease/increase by approximately 10 and 7 million euro, respectively (14 million euro decrease/increase at 31 December 2007). The impact in equity (including minorities interests) would be a decrease/increase of, approximately, 16 million euro (decrease/increase by approximately 10 million euro in 2007).

### **3.5. Exchange rate risk**

#### **3.5.1) Policies**

Sonae operates at an international level, having subsidiaries that operate in different jurisdictions, and so it is exposed to foreign exchange rate risk. As each Sub-holding operates in different markets and in different business environments, there is no standard policy for Sonae, but rather individual policies which are stated below. Sonae's currency exposures are divided into transaction exposures (foreign exchange exposures relating to contracted cash flows and balance sheet items where changes in exchange rates will have an impact on earnings and cash flows) and translation exposure (equity in foreign subsidiaries). Although there is not global management exchange rate risk policy in what concerns hiring derivatives to managing exchange interest risk, it also applies to all group companies, with the necessary adaptations, the principles referred at 3.4.1..

#### **- Retail**

The impact on the financial statements of changes in exchange rate is immaterial, as the most part of the transactions are denominated in Euro. Sonae Distribuição is only exposed to foreign exchange risk due to inventories imports made and denominated in US Dollars.

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

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

#### **- Shopping Centres**

The main activity of each company is developed inside its country of origin and consequently the majority of the company transactions are maintained in its functional currency. The policy to hedge this specific risk is to avoid, if possible, the contracting of services in foreign currency.

In the particular case of Brazil, Sonae Sierra assumed in 2006 a commitment with its partner DDR to increase, within a 3 year period, the equity of the Brazilian operation by R\$ 600 million (each partner undertaking to cover 50%). In order to hedge the foreign exchange risk that is implicit in this commitment, Sonae Sierra negotiated, in early 2007, a number of "non-deliverable forward" contracts for future acquisition of Brazilian Real.

The investment undertaking with DDR only establishes the total amount and the timeframe for it to occur. The uncertainty about the dates when investment is to occur makes it difficult to measure at inception the degree of efficiency of the instruments. This led the instruments not to qualify for hedge accounting. As a consequence, the gains or losses or any changes in its fair value, are booked directly in Profit or Loss.

#### **- Telecommunications**

The Sub-Holding operates internationally, having subsidiaries that operate in Brazil, United Kingdom, Ireland, Poland, United States of America and Australia and so it is exposed to foreign exchange rate risk.

Foreign exchange risk management seeks to minimise the volatility of investments and transactions made in foreign currency and contributes to reduce the sensitivity of Sonaecon results to changes in foreign exchange rates.

Whenever possible, the Sonaecon uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such procedure is not possible, the Sonaecon adopt derivatives financial hedging instruments.

Sonaecon exposure to exchange rate risk results mainly from the fact that some of its subsidiaries report in currencies other than the Euro, the risk relating to the operations being insignificant.

#### **- Sonae Holding and others**

Due to the nature of holding company, Sonae Holding, has very limited transaction exposure to foreign exchange risk. Normally, when such exposures arise foreign exchange risk management seeks to minimize the volatility of such transactions made in foreign currency and to reduce the impact on the Profit and loss of exchange rate fluctuations. When significant material exposures occur with a high degree of certainty, Sonae Holding hedges such exposures mainly through forward exchange rate contracts. For uncertain exposures, options may be considered, subject to previous approval from the company's Executive Committee.

### **3.5.2) Exposure and Sensivity analysis**

As at 31 December 2008 and 2007 the assets and liabilities denominated in a currency different from the subsidiary functional currency where the following (amounts in Euro):

	Assets		Liabilities	
	31.December.2008	31.December.2007	31.December.2008	31.December.2007
Euro	-	12,287	127,595	1,699
Brazilian Real	13,746,578	3,405,325	1,972,126	11,886,482
British Pound	592,721	-	3,549,021	4,407,486
US Dollar	6,499,470	1,178,545	7,556,866	3,574,320
Other Currencies	113,439	61,351	20,169	-

The amounts presented above, only include assets and liabilities expressed in different currency than the functional currency used by the affiliated or jointly controlled company. Therefore it does not represent any risk of financial statements translation. Considering the exposure above, which is considered immaterial, no sensitivity analysis is disclosed.

### **3.6 Price and capital markets risk**

Sonae is exposed to equity price risk arising from equity investments, held for strategic rather than for trading purposes as the group does not actively trade these investments, which are disclosed in Note 8.

In 2007, Sonae entered into a Total Return Swap (TRS) with Sonae Holding shares as underlying. As explained in note 24 the Total Return Swap precluded the derecognition of those own shares, and as such a change in the Sonae share price will have an impact on the cash flows by means of TRS cash settlements. If Sonae price had been 1% higher/lower, it would have 0.7 million euro additional receivings/payments ( at 31 December 2007 the impact would be 2.9 million euro).

Besides the share based deferred performance bonuses granted to its directors and eligible employees, referred in note 30, the exposure to shares price risk is not actively managed, since it is in the essence of a portfolio manager to take exposure to the market value of its listed assets.

### **4. ACCOUNTING POLICY CHANGES AND FUNDAMENTAL ERROR CORRECTIONS**

As mentioned in Note 2.1 – Basis of preparation, Sonae has earlier adopted the ammendment to IAS 40 – Investment Properties.

This change is part of International Financial Accounting Standards Amendments 2007 - standard which proceeds to the chaging of several IFRS - and that has as consequence the changing of the investment properties in progress treatment, starting to being included within the scope of IAS 40 – Investment Properties, when previously accounted under IAS 16 – Tangible Fixed Assets. Regarding IAS 40 - Investment Properties ammendments, investment properties in progress, would be, when fulfilling the conditions to measure reliably their fair value, measured by its fair value against consolidated income statement.

The impact of the adoption of the amended IAS 40 - Investments Properties by Joint Ventures from Shopping Centers segment, prospectively applied after the reporting year started at 1st January 2008, has increased the Assets, Liabilities and Equity approximately by 6,300,00 Euro, 2,100,000 Euro and 4,200,000 Euro, respectively. The increase on Equity, includes, besides exchange rate translation impact recorded in the caption Conversion Reserves and resulting of the application of the accounting standard by foreign entities, an increase in the profit for the year of, approximately, 5,000,000 Euro.

## 5. GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies included in the consolidated financial statements, their head offices and percentage of share capital held by the Group as at 31 December 2008 and 2007 are as follows:

COMPANY	Head Office	Percentage of capital held			
		31.December.2008		31.December.2007	
		Direct	Total	Direct	Total
<b>Sonae - SGPS, S.A.</b>	<b>Maia</b>	<b>HOLDING</b>	<b>HOLDING</b>	<b>HOLDING</b>	<b>HOLDING</b>
<b>Retail</b>					
1) Arat Inmuebles, SA	a) Madrid (Spain)	100.00%	100.00%	-	-
1) Azulino Imobiliária, SA	a) Maia	100.00%	100.00%	-	-
Bertimóvel - Sociedade Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Best Offer - Prestação de Informações por Internet, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Bikini, Portal de Mulheres, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Canasta - Empreendimentos Imobiliários, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Carnes do Continente - Indústria e Distribuição Carnes, SA	a) Santarém	100.00%	100.00%	100.00%	100.00%
Chão Verde - Sociedade de Gestão Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Citorres - Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Contibomba - Comércio e Distribuição de Combustíveis, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Contimobe - Imobiliária de Castelo Paiva, SA	a) Castelo de Paiva	100.00%	100.00%	100.00%	100.00%
Continente Hipermarcados, SA	a) Lisbon	100.00%	100.00%	99.86%	99.86%
Cumulativa - Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Difusão - Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Efanor - Design e Serviços, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Efanor - Indústria de Fios, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
9) Equador & Mendes - Agência de Viagens e Turismo, Lda	a) Lisbon	70.00%	70.00%	67.50%	67.50%
Estevão Neves - Hipermarcados da Madeira, SA	a) Madeira	100.00%	100.00%	100.00%	100.00%
2) Farmácia Seleção, SA	a) Matosinhos	100.00%	100.00%	-	-
Fozimo - Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Fozmassimo - Sociedade Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Fundo de Investimento Imobiliário Imosonae Dois	a) Maia	100.00%	100.00%	100.00%	100.00%
Fundo Fechado de Investimento Imobiliário Efisa Imobiliário	a) Lisbon	100.00%	100.00%	100.00%	100.00%
Global S - Hipermercado, Lda	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
IGI - Investimento Imobiliário, SA	a) Porto	100.00%	100.00%	100.00%	100.00%
Igimo - Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Iginha - Sociedade Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Imoconti - Sociedade Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Imoestrutura - Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Imomuro - Sociedade Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Imoresultado - Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Imosistema - Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Infofield - Informática, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Inventory - Acessórios de Casa, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Marcas MC, zRT	a) Budapest	100.00%	100.00%	100.00%	100.00%
MJLF - Empreendimentos Imobiliários, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Modalfa - Comércio e Serviços, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Modelo - Distribuição de Materiais de Construção, SA	b) Maia	50.00%	50.00%	50.00%	50.00%
Modelo Continente - Operações de Retalho SGPS, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Modelo Continente Hipermarcados, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Modelo Continente Seguros - Sociedade Mediação, SA	a) Porto	100.00%	100.00%	100.00%	100.00%
Modelo Hiper Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Modelo Hipermarcados Trading, SA	a) Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
Modelo.com - Vendas p/Correspond., SA	a) Maia	100.00%	100.00%	100.00%	100.00%
NA - Comércio de Artigos de Desporto, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
NA - Equipamentos para o Lar, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
9) Nova Equador Internacional, Agência de Viagens e Turismo, Lda	a) Lisbon	52.50%	52.50%	67.50%	67.50%
9) Nova Equador P.C.O. e Eventos, Sociedade Unipessoal, Lda	a) Lisbon	52.50%	52.50%	67.50%	67.50%
Peixes do Continente - Indústria e Distribuição de Peixes, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Pharmacontinente - Saúde e Higiene, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Predicomercial - Promoção Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Selifa - Empreendimentos Imobiliários, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Sempre à Mão - Sociedade Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Sesagest - Proj.Gestão Imobiliária, SA	a) Porto	100.00%	100.00%	100.00%	100.00%
3) SM Empreendimentos Imobiliários, Ltda	a) Porto Alegre (Brazil)	100.00%	100.00%	100.00%	100.00%
Socijofra - Sociedade Imobiliária, SA	a) Gondomar	100.00%	100.00%	100.00%	100.00%
Sociloures - Sociedade Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Soflorin, BV	a) Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%
Solaris Supermercados, SA	a) Viana do Castelo	100.00%	100.00%	100.00%	100.00%
Sonae Capital Brasil, Lda	a) São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%



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Sonae Distribuição, SGPS, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Sonae Investimentos America Latina Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
Sonae Retailho España - Servicios Generales, SA	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
4) Sonaecor - Comércio Y Distribución, SA	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
Sondis Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Sontária - Empreendimentos Imobiliários, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Sonvecap, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%
Sport Zone - Comércio de Artigos de Desporto, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Sport Zone Espanã - Comercio de Articulos de Deporte, SA	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
9) Star - Viagens e Turismo, SA		Lisbon	70.00%	70.00%	90.00%	90.00%
Tiatic Portugal - Sistemas de Informação, SA	a)	Maia	100.00%	100.00%	-	-
Tiatic Sistemas de Informação, Ltda	a)	Porto Alegre (Brazil)	100.00%	100.00%	100.00%	100.00%
Todos os Dias - Com. Ret. Expl. C. Comer., SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Valor N, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Worten - Equipamento para o Lar, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
1) Worten España Distribución, S.L.	a)	Madrid (Spain)	100.00%	100.00%	-	-

### Telecommunications

5) Be Artis - Conceção, Construção e Gestão de Redes de Comunicações, SA	a)	Maia	100.00%	53.95%	100.00%	50.52%
6) Be Towering - Explor. Torres Telecom, SA	a)	Maia	100.00%	53.95%	100.00%	50.52%
Cape Asia Pac Pty Limited	a)	Australia	100.00%	53.95%	100.00%	50.52%
Cape Poland Sp.Z.o.o.	a)	Poznan (Poland)	100.00%	53.95%	100.00%	50.52%
Cape Technologies (U.K) Limited	a)	Cardiff (U.K.)	100.00%	53.95%	100.00%	50.52%
Cape Technologies Americas, Inc.	a)	Delaware (USA)	100.00%	53.95%	100.00%	50.52%
Cape Technologies Limited	a)	Dublin (Ireland)	100.00%	53.95%	100.00%	50.52%
Digitmarket - Sistemas de Informação, SA	a)	Maia	75.10%	40.52%	75.10%	37.94%
M3G - Edições Digitais, SA	a)	Lisbon	100.00%	53.95%	100.00%	50.52%
10) Magma - Operação de Titularização de Créditos	c)	Portugal	100.00%	53.95%	-	-
Mainroad Serviços em Tecnologias de Informação, SA	a)	Maia	100.00%	53.95%	100.00%	50.52%
Miauger - Org. Gestão Leilões El., SA	a)	Maia	100.00%	53.95%	100.00%	50.52%
Per-Mar - Sociedad de Construção, SA	a)	Maia	100.00%	53.95%	100.00%	50.52%
Praesidium Services Limited	a)	Berkshire (U.K.)	100.00%	53.95%	100.00%	50.52%
Praesidium Technologies Limited	a)	Berkshire (U.K.)	100.00%	53.95%	100.00%	50.52%
Público - Comunicação Social, SA	a)	Porto	100.00%	53.95%	100.00%	50.52%
Saphety Level - Trusted Services, SA	a)	Maia	86.99%	46.93%	100.00%	50.52%
Sonae Telecom, SGPS, SA	a)	Maia	100.00%	53.95%	100.00%	50.52%
Sonaecom - Serviços de Comunicação, SA	a)	Maia	100.00%	53.95%	100.00%	50.52%
Sonaecom - Sistemas de Informação, SGPS, SA	a)	Maia	100.00%	53.95%	100.00%	50.52%
Sonaecom BV	a)	Amsterdam (The Netherlands)	100.00%	53.95%	100.00%	50.52%
Sonaecom, SGPS, SA	a)	Maia	53.95%	53.95%	50.52%	50.52%
Sonaetelecom, BV	a)	Amsterdam (The Netherlands)	100.00%	53.95%	100.00%	50.52%
Tecnológica Telecomunicações Ltda	a)	Rio de Janeiro (Brazil)	99.99%	53.89%	99.99%	50.47%
Telemilénio - Telecomunicações Soc.Unipessoal, Lda	a)	Lisbon	100.00%	53.95%	100.00%	50.52%
We Do Brasil - Soluções Informáticas, Ltda	a)	Rio de Janeiro (Brazil)	99.91%	53.90%	99.91%	50.47%
We Do Consulting - Sistemas de Informação, SA	a)	Maia	100.00%	53.95%	100.00%	50.42%
8) We Do Technologies (UK) Limited	a)	Berkshire (U.K.)	100.00%	53.95%	100.00%	50.52%
2) We Do Technologies BV	a)	Amsterdam (The Netherlands)	100.00%	53.95%	-	-
2) We Do Technologies Egypt Limited	a)	Cairo	100.00%	53.95%	-	-
2) We Do Technologies Mexico Limited	a)	Mexico City	100.00%	53.95%	-	-

### Others

Libra Serviços, Lda	a)	Funchal	100.00%	100.00%	100.00%	100.00%
MDS - Corretor de Seguros, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
7) MDS, SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Sonae Investments, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%
Sonae RE, SA	a)	Luxembourg	100.00%	100.00%	100.00%	100.00%
2) Sonaecenter Serviços, SA	a)	Maia	100.00%	100.00%	-	-
Sonaegest-Soc.Gest.Fundos Investimentos, SA	a)	Maia	80.00%	70.00%	80.00%	70.00%
Sontel, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%

1) Company acquired in the period;

2) Company created in the period;

3) Company merged into Sonae Capital Brasil, Lda

4) Ex- Worten Espanã, SA;

5) Ex - Optimus Artis - Conceção, Construção e Gestão de Redes de Comunicações, SA;

6) Ex - Optimus Towering - Explor. Torres Telecom, SA;

7) Ex - Resolução, SGPS, SA;

8) Ex - Praesidium Holdings Limited;

9) Due to the sale of 60% of share capital of Star Viagens e Turismo, S.A., to the jointly controlled entity Raso SGPS, S.A., (Note 6), the company and all its subsidiaries were consolidated by the proportionate method.

10) On 30 December 2008, the group subsidiary Sonaecom - Serviços de Comunicação, S.A., carried out a future credit securitization operation amounting to 100 million Euro ( 98,569,400 Euro, net of initial costs) under which it ceded future credits to be generated by a portfolio of existing "Corporate" customer contracts, under the regime established in the Decree-Law nº 453/99, of 5 November. This operation was coordinated by Deutsche Bank, having the future credits been assigned to TAGUS - Sociedade de Titularização de Créditos, S.A. ("TAGUS"), which, for this purpose, issued securitized bonds designated "Magma No. 1 Securitization Notes", which were fully subscribed by the holding company. Taking into consideration SIC 12 - Consolidation: Special Purpose Entities, the operation was consolidated in these financial statements.

a) Majority of voting rights;

b) Management control.

c) Control obtained in accordance with SIC 12 - Consolidation - Special Purpose Entities.

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

## 6 JOINTLY CONTROLLED COMPANIES

Jointly controlled companies included in the consolidated financial statements, their head offices and the percentage of share capital held by the Group as at 31 December 2008 and 2007 are as follows:

COMPANY	Head office	Percentage of capital held			
		31.December.2008		31.December.2007	
		Direct	Total	Direct	Total
<b>Shopping Centres</b>					
3DO Holding GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
3DO Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
3shoppings - Holding, SGPS, SA	Maia	100.00%	25.05%	100.00%	25.05%
4) 8ª Avenida Centro Comercial, SA	Maia	100.00%	25.15%	100.00%	50.00%
Aegean Park Constructions Real Estate and Development, SA	Athens (Greece)	100.00%	25.00%	100.00%	25.00%
Airone - Shopping Centre, Srl	Milan (Italy)	100.00%	25.05%	100.00%	25.05%
ALEXA Administration GmbH	Berlin (Germany)	100.00%	25.00%	100.00%	25.00%
ALEXA Holding GmbH	Dusseldorf (Germany)	50.00%	25.00%	50.00%	25.00%
ALEXA Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	25.00%	100.00%	25.00%
6) ALEXA Side GmbH & Co. KG	Berlin (Germany)	-	-	100.00%	25.00%
Algarveshopping - Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
5) Arrábidoshopping - Centro Comercial, SA	Maia	50.00%	12.53%	100.00%	37.53%
Avenida M-40, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
Avenida M-40, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
Cascaishopping - Centro Comercial, SA	Maia	50.00%	12.53%	50.00%	12.53%
Cascaishopping Holding I, SGPS, SA	Maia	100.00%	25.05%	100.00%	25.05%
Centro Colombo - Centro Comercial, SA	Maia	100.00%	12.53%	100.00%	12.53%
Centro Vasco da Gama - Centro Comercial, SA	Maia	50.00%	12.53%	50.00%	12.53%
Clérigosshopping - Gestão do Centro Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Coimbrashopping - Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
Colombo Towers Holding, BV	The Hague (The Netherlands)	50.00%	25.00%	50.00%	25.00%
2) Craiova Mall BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
Dortmund Tower GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
Dos Mares - Shopping Centre, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
Dos Mares - Shopping Centre, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
El Rosal Shopping, SA	Madrid (Spain)	70.00%	35.00%	70.00%	35.00%
Estação Viana - Centro Comercial, SA	Viana do Castelo	100.00%	25.05%	100.00%	25.05%
Freccia Rossa - Shopping Centre, Srl	Milan (Italy)	50.00%	25.00%	50.00%	25.00%
Fundo Investimento Imob. Shopping Parque D. Pedro Shopping, SA	São Paulo (Brazil)	100.00%	24.36%	100.00%	24.33%
5) Galashopping I - Centro Comercial, SA	Maia	50.00%	12.53%	100.00%	37.53%
5) Galashopping II - Centro Comercial, SA	Maia	100.00%	12.53%	100.00%	37.53%
Gli Orsi - Shopping Centre, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
3) Gli Orsi 1 Shopping Centre, Srl	Milan (Italy)	100.00%	50.00%	-	-
Guimarãesshopping - Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
Iberian Assets, SA	Madrid (Spain)	49.78%	12.48%	49.78%	12.48%
Inparsa - Gestão de Galeria Comerc., SA	Maia	100.00%	50.00%	100.00%	50.00%
Ioannina Development of Shopping Centres, SA	Athens (Greece)	100.00%	50.00%	100.00%	50.00%
KLC Holdings XII, SA	Luxemburg	100.00%	50.00%	100.00%	50.00%
La Farga - Shopping Centre, SL	Madrid (Spain)	100.00%	12.48%	100.00%	12.48%
Larissa Development of Shopping Centres, SA	Athens (Greece)	100.00%	25.00%	100.00%	25.00%
Le Terrazze - Shopping Centre, Srl	Milan (Italy)	50.00%	25.00%	50.00%	25.00%
Lembo Services Ltd	Cyprus	100.00%	50.00%	100.00%	50.00%
Loop 5 - Shopping Centre GmbH	Dusseldorf (Germany)	50.00%	25.00%	50.00%	25.00%
4) Loureshopping - Centro Comercial, SA	Maia	50.00%	12.58%	50.00%	25.00%
Luz del Tajo - Centro Comercial, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
Luz del Tajo, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
Madeirashopping - Centro Comercial, SA	Funchal	50.00%	12.53%	50.00%	12.53%
Maishopping - Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
MC Property Management, SA	Athens (Greece)	75.00%	18.75%	75.00%	18.75%
Münster Arkaden, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
Norte Shopping Retail and Leisure Centre, BV	Amsterdam (The Netherlands)	50.00%	12.53%	50.00%	12.53%
Norteshopping - Centro Comercial, SA	Maia	100.00%	12.53%	100.00%	12.53%
4) Oeste Retail Park - Gestão de Galerias Comerciais, SA	Maia	50.00%	12.58%	50.00%	25.00%
1) Pantheon Plaza 1, SA	Athens (Greece)	100.00%	25.00%	100.00%	25.00%
1) Pantheon Plaza 2, SA	Athens (Greece)	100.00%	25.00%	100.00%	25.00%
1) Pantheon Plaza 3, SA	Athens (Greece)	100.00%	25.00%	100.00%	25.00%
Pantheon Plaza BV	Amsterdam (The Netherlands)	50.00%	25.00%	50.00%	25.00%
Paracentro - Gestão de Galerias Comerciais, SA	Maia	100.00%	50.00%	100.00%	50.00%
Park Avenue Development of Shopping Centers, SA	Athens (Greece)	100.00%	25.00%	100.00%	25.00%
Parque Atlântico Shopping - Centro Comercial SA	Ponta Delgada (Azores)	50.00%	12.53%	50.00%	12.53%
Parque D. Pedro 1, BV Sarl	Luxembourg	100.00%	25.00%	100.00%	25.00%
Parque D. Pedro 2, BV Sarl	Luxembourg	100.00%	25.00%	100.00%	25.00%

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Parque de Famalicão - Empreendimentos Imobiliários, SA	Maia	100.00%	50.00%	100.00%	50.00%
Parque Principado, SL	Madrid (Spain)	50.00%	12.53%	50.00%	12.53%
Pátio Boavista Shopping, Ltda	São Paulo (Brazil)	100.00%	23.76%	100.00%	23.69%
2) Pátio Goiânia Shopping, Ltda	São Paulo (Brazil)	100.00%	23.76%	-	-
2) Pátio Londrina Empreendimentos e Participações, Ltda	São Paulo (Brazil)	100.00%	23.76%	-	-
Pátio Penha Shopping, Ltda	São Paulo (Brazil)	99.99%	23.76%	99.99%	23.69%
Pátio São Bernardo Shopping Ltda	São Paulo (Brazil)	100.00%	23.76%	100.00%	23.69%
Pátio Sertório Shopping Ltda	São Paulo (Brazil)	100.00%	23.76%	100.00%	23.69%
Pátio Uberlândia Shopping Ltda	São Paulo (Brazil)	100.00%	23.76%	100.00%	23.69%
Plaza Eboli - Centro Comercial, SA	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
Plaza Eboli, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Plaza Mayor Holding, SGPS, SA	Maia	100.00%	25.05%	100.00%	25.05%
Plaza Mayor Parque de Ócio, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
Plaza Mayor Parque de Ócio, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
Plaza Mayor Shopping, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Plaza Mayor Shopping, SA	Madrid (Spain)	75.00%	37.50%	75.00%	37.50%
2) Plol Mall BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
Pridelease Investments, Ltd	Cascais	100.00%	50.00%	100.00%	50.00%
Project 4, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
Project SC 1, BV	Amsterdam (The Netherlands)	50.00%	25.00%	50.00%	25.00%
Project SC 2, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Project Sierra 1 - Shopping Centre, GmbH	Viena (Áustria)	100.00%	50.00%	100.00%	50.00%
Project Sierra 2, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Project Sierra 5, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Project Sierra 6, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Project Sierra 7 BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
2) Project Sierra 8 BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
2) Project Sierra 9 BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
2) Project Sierra 10 BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
Project Sierra Brazil 1, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
3) 12) Project Sierra Four SA	Bucharest (Romania)	100.00%	50.00%	-	-
Project Sierra Germany 2 (two), Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
Project Sierra Germany 3 (three), Shopping Centre, GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
Project Sierra Germany 4 (four), Shopping Centre, GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
Project Sierra Germany Shopping Centre 1 BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Project Sierra Germany Shopping Centre 2 BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Project Sierra Holding Portugal V, SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Italy 1 - Shopping Centre, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
Project Sierra Italy 2 - Development of Shopping Centres, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
Project Sierra Italy 3 - Shopping Centre, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
Project Sierra Italy 5 - Development of Shopping Centres Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
Project Sierra One Srl	Bucharest (Romania)	100.00%	50.00%	100.00%	50.00%
Project Sierra Portugal I - C.Comercial, SA	Maia	50.00%	25.00%	50.00%	25.00%
Project Sierra Portugal II - Centro Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Portugal IV - Centro Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Portugal V - Centro Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Portugal VI - Centro Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Portugal VII - Centro Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Portugal VIII - Centro Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Spain 1, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Project Sierra Spain 2 - Centro Comercial, SA	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
Project Sierra Spain 2, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Project Sierra Spain 3 - Centro Comercial, SA	Madrid (Spain)	50.00%	25.00%	50.00%	25.00%
Project Sierra Spain 3, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
2) Project Sierra Spain 6 - Centro Comercial, SA	Madrid (Spain)	100.00%	50.00%	-	-
2) Project Sierra Spain 6, BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
2) Project Sierra Spain 7 - Centro Comercial, SA	Madrid (Spain)	100.00%	50.00%	-	-
2) Project Sierra Spain 7, BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
Project Sierra Srl	Bucharest (Romania)	100.00%	50.00%	100.00%	50.00%
Project Sierra Three Srl	Bucharest (Romania)	100.00%	50.00%	100.00%	50.00%
Project Sierra Two Srl	Bucharest (Romania)	100.00%	50.00%	100.00%	50.00%
4) Rio Sul - Centro Comercial, SA	Lisbon	25.00%	12.58%	50.00%	25.00%
River Plaza BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
River Plaza Mall, Srl	Bucharest (Romania)	100.00%	50.00%	100.00%	50.00%
S.C. Microcom Doi Srl	Bucharest (Romania)	100.00%	50.00%	100.00%	50.00%
SC Aegean, BV	Amsterdam (The Netherlands)	50.00%	25.00%	50.00%	25.00%
SC Mediterranean Cosmos, BV	Amsterdam (The Netherlands)	50.00%	12.53%	50.00%	25.00%
4) Serra Shopping - Centro Comercial, S.A.	Covilhã	25.00%	12.58%	50.00%	25.00%
Shopping Centre Colombo Holding, BV	Amsterdam (The Netherlands)	50.00%	12.53%	50.00%	12.53%
Shopping Centre Parque Principado, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
Sierra Asset Management - Gestão de Activos, SA	Maia	100.00%	50.00%	100.00%	50.00%

## 2008 CONSOLIDATED FINANCIAL STATEMENTS

Sierra Brazil 1, BV	Amsterdam (The Netherlands)	100.00%	25.00%	100.00%	25.00%
Sierra Charagionis Development of Shopping Centers, SA	Athens (Greece)	50.00%	25.00%	50.00%	25.00%
Sierra Charagionis Property Management, SA	Athens (Greece)	50.00%	25.00%	50.00%	25.00%
Sierra Corporate Services - Apoio à Gestão, SA	Lisbon	100.00%	50.00%	100.00%	50.00%
Sierra Corporate Services Holland, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Development of Shopping Centres Greece, SA	Athens (Greece)	100.00%	50.00%	100.00%	50.00%
Sierra Developments - Serviços de Promoção Imobiliária, SA	Maia	100.00%	50.00%	100.00%	50.00%
Sierra Developments Germany GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
Sierra Developments Germany Holding, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Developments Holding, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Developments Iberia 1, Promoção Imobiliária, SA	Maia	100.00%	50.00%	100.00%	50.00%
Sierra Developments Italy, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
2) 7) Sierra Developments Romania SRL	Bucharest (Romania)	100.00%	50.00%	-	-
Sierra Developments Spain - Promociones de Centros Comerciales, SL	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
Sierra Developments, SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
Sierra Enplanta, Ltda	São Paulo (Brazil)	100.00%	23.76%	100.00%	23.69%
Sierra European Retail Real Estate Assets Holdings, BV	Amsterdam (The Netherlands)	50.10%	25.05%	50.10%	25.05%
Sierra GP, Limited	Guernsey (U.K.)	100.00%	49.99%	100.00%	49.99%
Sierra Investimentos Brasil Ltda	São Paulo (Brazil)	100.00%	23.76%	100.00%	23.69%
Sierra Investments (Holland) 1, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Investments (Holland) 2, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Investments Holding, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Investments SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
Sierra Italy Holding, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Management Germany, GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
Sierra Management II - Gestão de Centros Comerciais, SA	Lisbon	100.00%	50.00%	100.00%	50.00%
Sierra Management Italy, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
Sierra Management New Tech.Bus. - Serv.Comu.CC, SA	Lisbon	100.00%	50.00%	100.00%	50.00%
Sierra Management Portugal - Gestão de Centros Comerciais, SA	Lisbon	100.00%	50.00%	100.00%	50.00%
Sierra Management Spain - Gestión de Centros Comerciales, SA	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
Sierra Management, SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
Sierra Property Management Greece, SA	Athens (Greece)	100.00%	50.00%	100.00%	50.00%
10) Sierra Property Management, Srl	Bucharest (Romania)	100.00%	50.00%	100.00%	50.00%
4) Sol Retail Park - Gestão de Galerias Comerciais, SA	Maia	25.00%	12.58%	50.00%	25.00%
Sonae Sierra Brasil, SA	São Paulo (Brazil)	94.54%	23.76%	94.54%	23.69%
Sonae Sierra Brazil, BV Sarl	Luxembourg	50.00%	25.00%	50.00%	25.00%
Sonae Sierra, SGPS, SA	Maia	50.00%	50.00%	50.00%	50.00%
9) SPF - Sierra Portugal	Luxembourg	100.00%	50.00%	100.00%	50.00%
4) 8) SPF - Sierra Portugal Real Estate	Luxembourg	42.00%	25.15%	100.00%	50.00%
SRP - Parque Comercial de Setúbal, SA	Maia	50.00%	25.00%	50.00%	25.00%
Torre Ocidente - Imobiliária, SA	Maia	50.00%	12.50%	50.00%	12.50%
Torre Oriente - Imobiliária, SA	Maia	50.00%	12.50%	50.00%	12.50%
Unishopping Administradora, Ltda	São Paulo (Brazil)	100.00%	23.76%	100.00%	23.69%
Unishopping Consultoria Imobiliária, Ltda	São Paulo (Brazil)	99.98%	23.76%	99.98%	23.69%
Valecenter, Srl	Milan (Italy)	100.00%	25.05%	100.00%	25.05%
Via Catarina - Centro Comercial, SA	Maia	50.00%	12.53%	50.00%	12.53%
Weierstadt Shopping BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Zubiarte Inversiones Inmobiliarias, SA	Madrid (Spain)	49.83%	12.48%	49.83%	12.48%
<b>Telecommunications</b>					
13) Unipress - Centro Gráfico, Lda	Vila Nova de Gaia	50.00%	26.97%	-	-
Vipu ACE	Lisbon	50.00%	26.97%	50.00%	25.26%
<b>Retail</b>					
11) Equador & Mendes - Agência de Viagens e Turismo, Lda	Lisbon	50.00%	50.00%	67.50%	67.50%
3) Geotur - Viagens e Turismo, SA	Lisbon	50.00%	50.00%	-	-
3) Marcas do Mundo - Viagens e turismo, Sociedade Unipessoal, Lda	Lisbon	50.00%	50.00%	-	-
3) Movimentos Viagens - Viagens e Turismo, Sociedade Unipessoal, Lda	Lisbon	50.00%	50.00%	-	-
11) Nova Equador Internacional, Agência de Viagens e Turismo, Lda	Lisbon	50.00%	50.00%	67.50%	67.50%
11) Nova Equador P.C.O. e Eventos, Sociedade Unipessoal, Lda	Lisbon	50.00%	50.00%	67.50%	67.50%
2) Raso SGPS, SA	Lisbon	50.00%	50.00%	-	-
11) Star - Viagens e Turismo, SA	Lisbon	50.00%	50.00%	90.00%	90.00%
3) Viagens y Turismo de Geotur España, S.L.	Madrid (Spain)	50.00%	50.00%	-	-

1) Companies merged into Larissa Development of Shopping Centres, SA;

2) Companies created in the period;

3) Company acquired in the period;

4) Due to the sale of 8.3% of the share capital of the investment fund - Sierra Portugal Real Estate (SPF) as at 28 July, the percentage of capital held by the group has reduced to 42%, being accounted from that date by the Equity method.

5) 50 % of the share capital in this subsidiaries was indirectly sold, as they were controlled by the investment fund referred in 4) above, maintaining the proportionate consolidation method of the remaining 50%.

6) Company merged into ALEXA Shopping Centre GMBH as at 1 January 2008;

7) Ex - Sierra Developments Services Srl;

8) Ex - SPF - Sierra Portugal Fund, Sarl;

9) Ex - Sierra Asset Management Luxembourg, Sarl;

10) Ex - Sierra Management Romania, Srl;

11) Companies that started being consolidated by the proportionate method (Note 5, 10))

- 12) Ex - SRP Development SA;  
13) Additional acquisition as at December 2008, that allowed the subsidiary to be consolidated by the proportionate method.

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

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

	31.December.2008	31.December.2007 Pro forma	31.December.2007
Non-current assets	4,540,862,267	4,292,172,389	4,590,187,152
Current assets	512,569,665	511,541,306	515,149,354
Non-current liabilities	1,749,706,883	1,853,540,870	1,996,914,291
Current liabilities	561,933,408	606,278,983	618,951,030
Income	184,557,267	435,039,881	444,471,226
Expenses	296,759,268	291,334,159	296,380,772

Additionally, the information related with Shopping Centres in Note 51 corresponds to the contribute to the consolidated financial statements of the companies referred above which are consolidated in accordance with proportionate method.

## 7. INVESTMENTS IN ASSOCIATED COMPANIES

Associated companies, their head offices and the percentage of share capital held as at 31 December 2008 and 2007 are as follows:

		Percentage of capital held						
		31.December.2008		31.December.2007		Book Value		
COMPANY	Head Office	Direct	Total	Direct	Total	31.December.2008	31.December.2007 pro forma	31.December.2007
<b>Retail</b>								
Fundo de Investimento Imobiliário Fechado Imosede	Maia	49.00%	49.00%	42.16%	42.16%	62,813,335	34,010,917	34,010,917
1) Mundo Vip - Operadores Turísticos, SA	Lisbon	33.33%	33.33%	33.33%	33.33%	-	2,924,947	2,924,947
Sempre a Postos - Produtos Alimentares e Utilidades, Lda	Lisbon	25.00%	25.00%	25.00%	25.00%	1,142,245	943,957	943,957
<b>Shopping Centres</b>								
2) 3) 8ª Avenida Centro Comercial, SA	Maia	100.00%	21.00%	100.00%	50.00%	-	-	-
2) 3) Arrábidasshopping - Centro Comercial, SA	Maia	50.00%	10.50%	100.00%	37.53%	-	-	-
Campo Limpo Lda	S. Paulo (Brazil)	20.00%	4.70%	20.00%	4.70%	1,136,276	1,248,144	1,248,144
2) 3) Gaishopping I - Centro Comercial, SA	Maia	50.00%	10.50%	100.00%	37.53%	-	-	-
2) 3) Gaishopping II - Centro Comercial, SA	Maia	100.00%	21.00%	100.00%	37.53%	-	-	-
2) 3) Loureshopping - Centro Comercial, SA	Maia	100.00%	21.00%	100.00%	25.00%	-	-	-
Mediterranean Cosmos Shop. Centre Investments, SA	Athens (Greece)	39.90%	5.00%	39.90%	9.98%	3,557,098	10,749,437	10,749,437
2) 3) Oeste Retail Park - Gestão de G.Comer., SA	Maia	50.00%	10.50%	50.00%	25.00%	-	-	-
2) 3) Rio Sul - Centro Comercial, SA	Lisbon	50.00%	10.50%	50.00%	25.00%	-	-	-
2) 3) Serra Shopping - Centro Comercial, S.A.	Covilhã	50.00%	10.50%	50.00%	25.00%	-	-	-
SIC Indoor - Gest. Suportes Publicitários, SA	Oeiras	35.00%	17.50%	35.00%	17.50%	-	-	-
2) 3) Sol Retail Park - Gestão de G. Comerc., SA	Maia	50.00%	10.50%	50.00%	25.00%	-	-	-
2) 4) SPF - Sierra Portugal Real Estate, Sarl	Luxemburg	42.00%	21.00%	100.00%	50.00%	38,597,922	35,271,908	-
<b>Telecommunications</b>								
6) Net Mall SGPS, SA	Maia	39.51%	21.39%	39.51%	19.96%	-	-	-
SIRS - Sociedade Independente de Radiodifusão Sonora, SA	Porto	45.00%	24.37%	45.00%	22.73%	-	168,690	168,690
5) Unipress - Centro Gráfico, Lda	Vila Nova de Gaia	40.00%	21.66%	40.00%	20.21%	-	463,429	463,429
<b>Others</b>								
Cooper Gay (Holding) Limited	U.K.	32.12%	32.12%	13.68%	13.68%	33,863,022	20,061,065	20,061,065
Lazam Corretora, Ltda	Brazil	45.00%	45.00%	45.00%	45.00%	1,553,597	2,978,054	2,978,054
<b>Total</b>						142,663,495	108,820,548	73,548,640

- 1) Associated company sold in 2009, and classified as Available for sale;  
2) Due to the sale of 8.3% of the share capital of the investment fund - Sierra Portugal Real Estate (SPF) as at 28 July, the percentage of capital held by the group has reduced to 42%, being accounted from that date by the Equity method;  
3) Nil balances result from the application of the Equity Method to Sierra Portugal Real Estate Consolidated accounts;  
4) Ex - SPF - Sierra Portugal Fund, Sarl;  
5) Additional acquisition as at December 2008, that allowed the subsidiary to be consolidated by the proportionate method;  
6) Associated company incorporated in the period;

Nil balances shown, with exception of the ones mentioned at (3), result from the reduction to acquisition cost of amounts determined by the equity method.

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

As at 31 December 2008 and 2007, aggregated values of main financial indicators of associated companies are as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
Total Assets	1,144,530,713	1,212,715,301	780,046,272
Total Liabilities	758,543,421	852,936,331	546,507,394
Income	312,438,219	365,300,560	290,802,785
Expenses	287,264,367	292,750,160	259,565,597

During the periods ended 31 December 2008 and 2007, movements in Investments in associated companies, are made up as follows:

	31.December.2008			31.December.2007		
	Proportion on equity	Goodwill	Total of investment	Proportion on equity	Goodwill	Total of investment
<b>Investments in associated companies</b>						
Initial balance as at January,1	51,468,671	22,079,969	73,548,640	28,632,906	2,958,551	31,591,457
Transfers to goodwill	-	-	-	(4,497,548)	4,497,548	-
Acquisitions during the period	-	-	-	25,457,579	-	25,457,579
Disposals during the period	(2,567,481)	-	(2,567,481)	(1,377,211)	-	(1,377,211)
Capital increase in associated companies	33,095,032	-	33,095,032	-	-	-
Capital reduction in associated companies	(4,167,889)	-	(4,167,889)	-	-	-
Change of the consolidation method	37,315,321	8,384,445	45,699,766	-	-	-
Goodwill recognised during the period	(13,701,796)	13,701,796	-	(18,050,891)	18,050,891	-
Equity method						
Effect in net income	8,952,847	-	8,952,847	2,704,264	-	2,704,264
Effect in equity	(4,338,872)	(4,151,833)	(8,490,705)	(3,501,384)	-	(3,501,384)
Investments impairment in associated companies	(168,690)	(1,765,850)	(1,934,540)	-	-	-
Demerger	-	-	-	(12,421,826)	(3,427,021)	(15,848,847)
Transfers	(484,318)	(987,857)	(1,472,175)	34,522,782	-	34,522,782
<b>Investments in associated companies</b>	<b>105,402,825</b>	<b>37,260,670</b>	<b>142,663,495</b>	<b>51,468,671</b>	<b>22,079,969</b>	<b>73,548,640</b>

Transfers, as at 31 December 2007, include 34,536,577 euro regarding to the investment in Fundo de Investimento Imobiliário Imosede that after demerger became an associate, as its only owned by 42.16%, and therefore started to be included in accordance with equity method.

The amount disclosed above related with consolidation method change relate to the sale of the companies that constitute Sierra Portugal Fund, identified in Note 2) above above, and corresponds to the historical value of its assets as at 1st July 2008, reference date to the consolidation method change.

#### 8. GROUP COMPANIES, JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES EXCLUDED FROM CONSOLIDATION AND OTHER NON CURRENT INVESTMENTS

Group companies, jointly controlled companies and associated companies excluded from consolidation, their head offices, percentage of share capital held and book value as at 31 December 2008 and 2007 are as follows:

COMPANY	Head Office	Percentage of capital held				Book Value	
		31.December.2008		31.December.2007		31.December.2008	31.December.2007
		Direct	Total	Direct	Total		
<b>Retail</b>							
Dispar - Distrib. de Participações, SGPS, SA	Lisbon	7.14%	7.14%	7.14%	7.14%	4,988	4,988
Insc - Insular de Hipermerc., SA	Ponta Delgada	10.00%	10.00%	10.00%	10.00%	748,197	748,197
Puravida - Viagens e Turismo, Lda	Lisbon	50.00%	50.00%	-	-	1,584,193	-
<b>Shopping Centres</b>							
Ercasa Cogeneracion SA	Grancasa (Spain)	10.00%	1.25%	10.00%	1.25%	23,949	23,949
<b>Telecommunications</b>							
Altitude, SGPS, SA	Lisbon	11.54%	6.23%	11.54%	5.83%	1,000,000	1,000,000
Lusa - Agên. de Notícias de Portugal, SA	Lisbon	1.38%	0.88%	1.38%	0.70%	197,344	197,344
Other investments						9,419,504	10,080,679
<b>Total (Note 15)</b>						<b>12,978,175</b>	<b>12,055,157</b>

At 31 December 2008, this caption includes 7,304,000 euro related to the recorded asset corresponding to the increase in value of Sonae Capital, S.A. shares attributed to Sonae Holding, and not derecognized as explained in Note 24. As at 31 December 2007, other investments includes 8,151,301 euro related with the advance payment made for the acquisition of an investment property named Ploiesti which was concluded during the first half of 2008.

**9. CHANGES TO THE CONSOLIDATION PERIMETER**
**9.1 Changes made to the allocation of Fair Value of concentration of company activities done on the previous period**

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 at that date. This process was concluded over the twelve months period ended 31 December 2008, reported to 31 December 2007, and is reflected in the new referentials shown in accordance with the International Financial Reporting Standards ("IFRS").

	Book Value	Acquisition Date Adjustments to Fair Value	Fair Value	Published on 31.12.2007
<b>Acquired net assets</b>				
Tangible and intangible assets	272,281,660	59,195,368	331,477,028	267,013,229
Inventories	34,475,424	(13,211,126)	21,264,298	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 tax	449,449	924,902	1,374,351	1,845,583
Loans	(83,038,919)	-	(83,038,919)	(83,038,919)
Other liabilities	(150,218,081)	(7,188,346)	(157,406,427)	(150,218,081)
	<u>81,085,731</u>	<u>39,720,798</u>	<u>120,806,529</u>	<u>77,213,434</u>
Goodwill (Note 14)		39,675,995	464,661,539	504,847,714
Minority interests (Note 25)		44,803	(149,196)	(104,393)
Acquisition price		<u>39,720,798</u>	<u>585,318,872</u>	<u>581,956,755</u>
<b>Total consideration paid (including acquisition costs)</b>			611,200,000	611,200,000
Amounts receivable as result of the price adjustment			(30,113,103)	(30,414,000)
Costs that arise from acquisition			<u>4,231,975</u>	<u>1,170,755</u>
			<u>585,318,872</u>	<u>581,956,755</u>
<b>Net cash outflow arising from acquisition</b>				
Payments made			611,200,000	611,200,000
Costs that arose from acquisition			4,231,975	1,170,755
Cash and cash equivalents acquired			(1,347,294)	(1,347,294)
Amount received as a result of a price adjustment			(30,113,103)	-
			<u>583,971,578</u>	<u>611,023,461</u>

In the consolidated statements of cash flows for the twelve months period ended 31 December 2008, the caption "Cash receipts related to Investments" includes the price adjustment in the amount of 30.113.103 euros.

**9.2 Acquisitions**

Main acquisitions of Companies over the twelve month period ended 31 December 2008 are as follows:

COMPANY	Head Office	Percentage of Capital Held	
		At acquisition date	
		Direct	Total
<b>Retail</b>			
Arat Inmuebles, SA	Madrid (Spain)	100.00%	100.00%
Azulino Imobiliária, SA	Maia	100.00%	100.00%
Worten España Distribución, S.L.	Madrid (Spain)	100.00%	100.00%
Geotur - Viagens e Turismo, SA	Lisbon	50.00%	50.00%
Marcas do Mundo - Viagens e turismo, Sociedade Unipessoal, Lda	Lisbon	50.00%	50.00%
Movimentos Viagens - Viagens e Turismo, Sociedade Unipessoal, Lda	Lisbon	50.00%	50.00%
Viagens y Turismo de Geotur España, S.L.	Madrid (Spain)	50.00%	50.00%
<b>Shopping Centres</b>			
Gli Orsi 1 Shopping Centre, Srl	Milan (Italy)	100.00%	50.00%
Project Sierra Four SA	Bucharest (Romania)	100.00%	50.00%
<b>Telecommunications</b>			
Unipress - Centro Gráfico, Lda	Vila Nova de Gaia	50.00%	26.97%



Acquisitions mentioned above, had the following impact on the consolidated financial statements for the period ended 31 December 2008:

	Acquisition Date				31. December 2008	
	Non food retail brands	Retail travel and Real Estate	Shopping Centres	Telecommunications	Total	Total
Acquired net assets						
Investment properties (Note 13)	-	-	69,120,094	-	69,120,094	68,565,658
Advance made in 2007 and recorded in Investment Properties in Progress	-	-	(23,397,730)	-	(23,397,730)	(23,397,730)
Total Investment properties acquired (Note 13)	-	-	45,722,364	-	45,722,364	45,167,928
Tangible and intangible assets (Notes 11 and 12)	41,638,634	5,481,479	2,747	3,867,252	50,990,112	48,485,940
Inventories	6,626,869	-	-	36,108	6,662,977	6,626,869
Deferred tax assets	16,544,051	-	-	-	16,544,051	16,620,706
Other assets	5,200,831	15,350,153	8,953	547,362	21,107,299	22,058,349
Cash and cash equivalents	1,256,349	66,389	815,751	7,451	2,145,940	2,371,849
Loans	(18,484,665)	(1,118,443)	-	(213,855)	(19,816,963)	(20,635,139)
Deferred tax liabilities	(6,394,977)	(241,781)	(5,757,474)	-	(12,394,232)	(13,594,193)
Other liabilities	(29,562,939)	(17,228,789)	(8,609,155)	(3,708,906)	(59,109,789)	(46,235,632)
	16,824,153	2,309,008	32,183,186	535,412	51,851,759	60,866,677
Goodwill (Note 14 and 39)	(9,864,000)	10,217,518	3,710,007	125,773	4,189,298	-
Acquisition price	6,960,153	12,526,526	35,893,193	661,185	56,041,057	-
Payments made accounted as investments	6,960,153	12,526,526	-	661,185	20,147,864	-
Payments made accounted as Investment Properties	-	-	35,893,193	-	35,893,193	-
Net cash outflow arising from acquisition	6,960,153	12,526,526	35,893,193	661,185	56,041,057	-
Cash consideration paid	6,960,153	12,526,526	35,893,193	661,185	56,041,057	-
Cash and cash equivalents acquired	(1,256,349)	(66,389)	(815,751)	(7,451)	(2,145,940)	-
	5,703,804	12,460,137	35,077,442	653,734	53,895,117	-

Additionally the impacts of the above acquisitions on the income statement can be described as follows:

	31. December 2008			
	Non food retail brands	Retail travel and Real Estate	Shopping Centres	Total
Operational income	24,737,503	12,929,251	10,455,499	48,122,253
Operational costs	-27,541,089	-13,104,536	-9,985,104	-50,630,729
Financial net income	-389,875	-31,480	6,147	-415,208
Earnings before taxes	-3,193,461	-206,765	476,542	-2,923,684
Taxes	4,867,821	23,051	-3,046,348	1,844,524
Net income	1,674,360	-183,714	-2,569,806	-1,079,160

Had the above acquisitions been reported to 1 January 2008, operational income would have increased by 131,725,247 euros.

### 9.3 Disposals

Main disposals of companies over the twelve month period ended 31 December 2008 are as follows:

COMPANY	Head Office	Percentage of capital held	
		At disposal date	
		Direct	Total
<b>Retailho</b>			
Equador & Mendes - Agência de Viagens e Turismo, Lda	Lisbon	50.00%	50.00%
Nova Equador Internacional, Agência de Viagens e Turismo, Lda	Lisbon	50.00%	50.00%
Nova Equador P.C.O. e Eventos, Sociedade Unipessoal, Lda	Lisbon	50.00%	50.00%
Star - Viagens e Turismo, SA	Lisbon	50.00%	50.00%
<b>Shopping Centres</b>			
8ª Avenida Centro Comercial, SA	Maia	100.00%	25.15%
Arrádashopping - Centro Comercial, SA	Maia	50.00%	25.10%
Gaiashopping I - Centro Comercial, SA	Maia	50.00%	25.10%
Gaiashopping II - Centro Comercial, SA	Maia	100.00%	25.10%
Loureshopping - Centro Comercial, SA	Maia	50.00%	12.58%
Oeste Retail Park - Gestão de G.Comerc., SA	Maia	50.00%	12.58%
Rio Sul - Centro Comercial, SA	Lisbon	50.00%	12.58%
Serra Shopping - Centro Comercial, S.A.	Covilhã	50.00%	12.58%
Sol Retail Park - Gestão de G. Comerc., SA	Maia	50.00%	12.58%
SPF - Sierra Portugal Real Estate, Sarl	Luxembourg	100.00%	25.15%

During the twelve month period ended 31 December 2008, occurred the sale of approximately 58% of the financial participation in the Investment fund - Sierra Portugal Fund (SPF), that reduced the participation to 42%, therefore these subsidiaries only contributed with six months for the Sonae Holding consolidated Income Statement, and from the 1<sup>st</sup> July started to be consolidated by the equity method.

**Disposals effects**

The net assets of disposal affiliated companies at the disposal date and 31 December 2007 are as follows:

	Disposal date			31 December 2007
	Retail	Shopping Centres	Total	Total
	Travel			
Disposal net assets				
Investment properties (Note 13)	-	212,961,916	212,961,916	211,148,595
Other assets	12,781,166	5,286,458	18,067,624	23,683,140
Cash and cash equivalents	122,787	4,122,097	4,244,884	2,978,446
Loans	(1,393,754)	(95,971,259)	(97,365,013)	(95,650,988)
Deferred Tax	39,616	(29,672,993)	(29,633,377)	(29,389,537)
Other liabilities	(8,670,541)	(8,953,069)	(17,623,610)	(45,355,523)
	2,879,274	87,773,150	90,652,424	67,414,133
Minority interests (Note 25)	(113,888)	(5,256,178)	(5,370,066)	(5,256,177)
Goodwill (Note 14)	5,133,479	11,230,265	16,363,744	11,866,534
Assets accounted as Available for Sale	(3,216,984)	-	(3,216,984)	-
Assets accounted by the equity method (Note 7)	-	(37,315,321)	(37,315,321)	-
	4,681,881	56,431,916	61,113,797	74,024,490
Gain/(Loss) in disposal	4,674,685	10,708,784	15,383,469	
Disposal price	9,356,566	67,140,700	76,497,266	
Amounts received	9,356,566	67,140,700	76,497,266	
Amounts to be received	-	-	-	
	9,356,566	67,140,700	76,497,266	
Net cash inflow arising from disposals				
Cash consideration received	9,356,566	67,140,700	76,497,266	
Cash and cash equivalents disposed of	(122,787)	(4,122,097)	(4,244,884)	
	9,233,779	63,018,603	72,252,382	

The impacts of these disposals on the consolidated income statement are as follows:

	Disposal Date			31 December 2007
	Retail	Shopping Centres	Total	Total
	Travel			
Turnover	47,078,789	6,453,943	53,532,732	74,297,474
Other operational income	3,301,891	(833,443)	2,468,448	29,939,887
Other operational expenses	(49,090,008)	(647,082)	(49,737,090)	(64,940,768)
Net financial expenses	(98,214)	(2,736,850)	(2,835,064)	(6,415,879)
Profit/(Loss) before taxation	1,192,458	2,236,568	3,429,026	32,880,714
Income tax	(355,210)	(766,716)	(1,121,926)	(8,601,504)
Net Profit/(Loss)	837,248	1,469,852	2,307,100	24,279,210

**10. FINANCIAL INSTRUMENTS BY CLASS**

The financial instruments classification according to policies disclosed in note 2.12, is as follows:

**Financial assets**

	Note	Assets at fair value through profit or loss (Note 28)	Loans and accounts receivable	Available for sale	Hedging derivatives (Note 28)	Sub-total	Assets not within scope of IFRS 7	Total
<b>As at 31 December 2008</b>								
<b>Non-current assets</b>								
Other investments	8 and 15	-	-	12,978,175	-	12,978,175	-	12,978,175
Other non-current assets	16	-	12,394,378	-	75,002	12,469,380	8,814,135	21,283,515
		-	12,394,378	12,978,175	75,002	25,447,555	8,814,135	34,261,690
<b>Current assets</b>								
Trade receivables	18	-	215,062,609	-	-	215,062,609	-	215,062,609
Other debtors	19	-	145,992,505	-	-	145,992,505	-	145,992,505
Investments	15	72,483	60,956,604	-	2,527,676	63,556,763	-	63,556,763
Cash and cash equivalents	23	-	184,360,904	-	-	184,360,904	-	184,360,904
		72,483	606,372,622	-	2,527,676	608,972,781	-	608,972,781
		72,483	618,767,000	12,978,175	2,602,678	634,420,336	8,814,135	643,234,471
<b>As at 31 December 2007</b>								
<b>Non-current assets</b>								
Other investments	8 and 15	-	-	12,055,157	-	12,055,157	-	12,055,157
Other non-current assets	16	-	13,158,533	-	7,346,945	20,505,478	54,111,271	74,616,749
		-	13,158,533	12,055,157	7,346,945	32,560,635	54,111,271	86,671,906
<b>Current assets</b>								
Trade receivables	18	-	229,073,319	-	-	229,073,319	-	229,073,319
Other debtors	19	-	153,721,689	-	-	153,721,689	-	153,721,689
Investments	15	2,151,335	56,093,108	-	1,825,481	60,069,924	-	60,069,924
Cash and cash equivalents	23	-	286,401,453	-	-	286,401,453	-	286,401,453
		2,151,335	725,289,569	-	1,825,481	729,266,385	-	729,266,385
		2,151,335	738,448,102	12,055,157	9,172,426	761,827,020	54,111,271	815,938,291

**Financial liabilities**

	Note	Liabilities at fair value through profit or loss (Note 28)	Hedging derivatives (Note 28)	Financial liabilities recorded at amortised cost	Sub-total	Liabilities not within scope of IFRS 7	Total
<b>As at 31 December 2008</b>							
<b>Non-current liabilities</b>							
Bank loans	26	-	-	1,281,262,524	1,281,262,524	-	1,281,262,524
Bonds	26	-	-	1,684,214,319	1,684,214,319	-	1,684,214,319
Obligations under finance leases	26	-	-	28,701,579	28,701,579	-	28,701,579
Other loans	26	-	21,646,496	628,195	22,274,691	-	22,274,691
Other non-current liabilities	29	-	-	96,875,210	96,875,210	58,588,948	155,464,158
		-	21,646,496	3,091,681,827	3,113,328,323	58,588,948	3,171,917,271
<b>Current liabilities</b>							
Bank loans	26	-	-	258,905,967	258,905,967	-	258,905,967
Bonds	26	-	-	99,930,567	99,930,567	-	99,930,567
Obligations under finance leases	26	-	-	5,829,172	5,829,172	-	5,829,172
Other loans	26	475,849	4,894,131	35,486	5,405,466	-	5,405,466
Trade creditors	31	-	-	1,050,238,562	1,050,238,562	-	1,050,238,562
Other creditors	32	-	-	233,899,872	233,899,872	-	233,899,872
		475,849	4,894,131	1,648,839,626	1,654,209,606	-	1,654,209,606
		475,849	26,540,627	4,740,521,453	4,767,537,929	58,588,948	4,826,126,877
<b>As at 31 December 2007</b>							
<b>Non-current liabilities</b>							
Bank loans	26	-	-	1,059,691,078	1,059,691,078	-	1,059,691,078
Bonds	26	-	-	1,744,850,709	1,744,850,709	-	1,744,850,709
Obligations under finance leases	26	-	-	23,470,674	23,470,674	-	23,470,674
Other loans	26	-	828,199	276,330	1,104,529	-	1,104,529
Other non-current liabilities	29	-	-	310,865,774	310,865,774	2,157,352	313,023,126
		-	828,199	3,139,154,565	3,139,982,764	2,157,352	3,142,140,116
<b>Current liabilities</b>							
Bank loans	26	-	-	129,207,708	129,207,708	-	129,207,708
Bonds	26	-	-	-	-	-	-
Obligations under finance leases	26	-	-	8,709,711	8,709,711	-	8,709,711
Other loans	26	363,463	-	36,229	399,692	-	399,692
Trade creditors	31	-	-	989,303,378	989,303,378	-	989,303,378
Other creditors	32	-	-	216,288,864	216,288,864	-	216,288,864
		363,463	-	1,343,545,890	1,343,909,353	-	1,343,909,353
		363,463	828,199	4,482,700,455	4,483,892,117	2,157,352	4,486,049,469

As at 31 December 2008 and 2007, the financial instruments at fair value through profit/loss are only the ones that do not qualify as hedging derivatives (Note 28).

**11. TANGIBLE ASSETS**

During the periods ended 31 December 2008 and 2007, movements in Tangible assets as well as depreciation and accumulated impairment losses, are made up as follows:

	Tangible assets					Tangible assets in progress	Total Tangible Assets
	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Others		
<b>Gross cost:</b>							
Opening balance as at 1 January 2007	1,541,496,347	1,352,497,051	22,316,803	246,633,859	25,656,665	125,240,759	3,313,841,484
Capital expenditure	31,455,794	14,943,970	446,956	7,094,378	192,485	380,147,801	434,281,384
Acquisitions of subsidiaries	236,609,142	45,114,178	1,655,762	8,236,973	18,401,874	57,582,766	367,600,695
Disposals	(24,002,562)	(38,334,429)	(965,536)	(10,922,160)	(465,407)	(1,897,140)	(76,587,234)
Disposals of subsidiaries	(60,776,673)	(75,000,371)	(4,767,997)	(3,202,678)	(6,829,635)	(5,133,454)	(155,710,808)
Demerger	(249,126,397)	(59,110,795)	(1,854,826)	(8,514,595)	(4,350,908)	(69,615,773)	(392,573,294)
Exchange rate effect	353,265	91,110	8,849	46,877	2,930	9,189	512,220
Transfers	73,784,970	194,131,579	1,108,495	11,071,281	3,443,707	(309,840,797)	(26,300,765)
Opening balance as at 1 January 2008	1,549,793,886	1,434,332,293	17,948,506	250,443,935	36,051,711	176,493,351	3,465,063,682
Fair Value Allocation (Note 9)	54,111,446	21,825,730	(165,822)	(1,478,767)	(3,879,838)	(11,258,515)	59,154,234
Opening balance as at 1 January 2008	1,603,905,332	1,456,158,023	17,782,684	248,965,168	32,171,873	165,234,836	3,524,217,916
Capital expenditure	16,264,040	6,464,011	208,858	15,312,439	2,534,963	455,447,110	496,231,421
Acquisitions of subsidiaries	43,991,035	15,769,030	335,931	2,063,407	306,838	1,090,768	63,557,009
Disposals	(19,832,796)	(61,558,448)	(796,515)	(15,556,162)	(1,418,448)	(2,362,161)	(101,524,530)
Disposals of subsidiaries	(348,113)	(825,536)	(620)	(1,086,418)	(131,074)	(144,083)	(2,535,844)
Exchange rate effect	(73,196)	(268,412)	(27,999)	(208,081)	(173)	-	(577,861)
Transfers	98,584,185	198,540,292	2,221,279	14,213,870	4,401,250	(335,318,433)	(17,357,557)
Closing balance as at 31 December 2008	1,742,490,487	1,614,278,960	19,723,618	263,704,223	37,865,229	283,948,037	3,962,010,554
<b>Accumulated depreciation and impairment losses</b>							
Opening balance as at 1 January 2007	299,267,901	726,645,865	18,214,743	174,380,590	19,449,419	1,307,069	1,239,265,587
Depreciation and Impairment losses	33,564,031	126,774,614	1,362,173	24,778,838	2,463,039	1,700	188,944,395
Acquisitions of subsidiaries	50,515,179	21,030,452	1,097,436	6,165,821	14,072,536	-	92,881,424
Disposals	(7,796,830)	(16,574,094)	(743,986)	(9,083,622)	(434,950)	-	(34,633,482)
Disposals of subsidiaries	(30,714,710)	(57,640,868)	(4,670,013)	(2,831,829)	(6,662,325)	(2,214,305)	(104,734,050)
Demerger	(34,411,598)	(25,108,894)	(1,335,506)	(6,450,388)	(3,007,297)	(9,138)	(70,322,821)
Exchange rate effect	13,174	19,674	2,139	7,624	5,742	-	48,353
Transfers	(512,459)	(534,032)	(13,092)	(476,146)	(34,436)	914,674	(655,491)
Opening balance as at 1 January 2008	309,924,688	774,612,717	13,913,894	186,490,888	25,851,728	-	1,310,793,915
Fair Value Allocation (Note 9)	(17,599,079)	15,488,517	(156,772)	(1,241,006)	(3,223,824)	-	(6,732,164)
Opening balance as at 1 January 2008	292,325,609	790,101,234	13,757,122	185,249,882	22,627,904	-	1,304,061,751
Depreciation and Impairment losses	35,151,938	144,352,824	1,628,180	31,095,643	5,219,204	-	217,447,789
Acquisitions of subsidiaries	2,747,299	8,502,660	224,023	1,274,273	213,158	-	12,961,413
Disposals	(6,376,485)	(54,062,247)	(680,753)	(14,758,363)	(1,313,171)	-	(77,191,019)
Disposals of subsidiaries	(177,254)	(228,724)	(620)	(704,909)	(62,731)	-	(1,174,238)
Exchange rate effect	(39,116)	(101,719)	(9,368)	(97,581)	(20)	-	(247,804)
Transfers	(3,097,892)	1,374,419	(4,050)	(45,360)	(17,491)	-	(1,790,374)
Closing balance as at 31 December 2008	320,534,099	889,938,447	14,914,534	202,013,585	26,666,853	-	1,454,067,518
<b>Carrying amount</b>							
As at 31 de December de 2007	1,311,579,723	666,056,789	4,025,562	63,715,286	9,543,969	165,234,836	2,220,156,165
As at 31 de December de 2008	1,421,956,388	724,340,513	4,809,084	61,690,638	11,198,376	283,948,037	2,507,943,036

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

	31 December 2008	31 December 2007
Refurbishment and expansion of stores in the retail segment located in Portugal	146,344,713	122,900,793
Projects of "Modelo" and "Continente" stores for which advance payments were made	45,435,160	-
Deployment of mobile network	62,159,389	32,044,146
Deployment of fixed network	19,471,996	2,594,034
Others	10,536,779	7,695,863
	<u>283,948,037</u>	<u>165,234,836</u>

**12. INTANGIBLE ASSETS**

During the period ended 31 December 2008 and 2007, movements in Intangible assets as well as amortisation and accumulated impairment losses, are made up as follows:

	Intangible assets				Total Intangible Assets
	Patents and other similar rights	Software	Others	Intangible assets in progress	
<b>Gross cost:</b>					
<b>Opening balance as at 1 January 2007</b>	235,905,652	291,477,306	20,097,773	21,733,405	569,214,136
Capital expenditure	23,346,237	878,227	57,589	35,268,412	59,550,465
Acquisitions of subsidiaries (Note 9)	14,988,405	3,790,266	-	-	18,778,671
Disposals	(10,736)	(384,344)	(44,893)	(596,788)	(1,036,761)
Disposals of subsidiaries (Note 9)	(2,475,585)	-	(642,754)	-	(3,118,339)
Demerger (Note 9)	(670,663)	(2,408,360)	(36,583)	(74,922)	(3,190,528)
Exchange rate effect	126	14,489	-	-	14,615
Transfers	3,834,357	27,731,803	3,448	(34,852,920)	(3,283,312)
<b>Opening balance as at 1 January 2008</b>	274,917,793	321,099,387	19,434,580	21,477,187	636,928,947
Fair Value Allocation (Note 8)	-	-	-	(1,422,500)	(1,422,500)
<b>Opening balance as at 1 January 2008</b>	274,917,793	321,099,387	19,434,580	20,054,687	635,506,447
Capital expenditure	99,281,740	2,813,484	168,961	42,743,396	145,007,581
Acquisitions of subsidiaries (Note 9)	922,565	998,542	5,456,647	-	7,377,754
Disposals	(188,864)	(14,813,905)	(352,472)	(913,753)	(16,268,994)
Disposals of subsidiaries (Note 9)	(364,185)	(1,282,959)	(1,067,256)	(327,837)	(3,042,237)
Exchange rate effect	(425)	(579,689)	-	(4,828)	(584,942)
Transfers	8,077,244	30,202,203	(2,568)	(29,929,545)	8,347,334
<b>Closing balance as at 31 December 2008</b>	382,645,868	338,437,063	23,637,892	31,622,120	776,342,943
<b>Accumulated depreciation and impairment losses</b>					
<b>Opening balance as at 1 January 2007</b>	38,004,148	194,376,368	15,316,135	-	247,696,651
Depreciation of the period	18,358,081	26,651,222	837,492	-	45,846,795
Acquisitions of subsidiaries (Note 9)	180,217	685,611	-	-	865,828
Disposals	(435)	(430,835)	(44,892)	-	(476,162)
Disposals of subsidiaries (Note 9)	(1,941,697)	-	(631,064)	-	(2,572,761)
Demerger (Note 9)	(372,234)	(1,954,226)	(36,281)	-	(2,362,741)
Exchange rate effect	-	12,055	-	-	12,055
Transfers	232,007	18,539	592	-	251,138
<b>Opening balance as at 1 January 2008</b>	54,460,087	219,358,734	15,441,982	-	289,260,803
Depreciation of the period	23,054,285	32,606,424	710,664	-	56,371,373
Acquisitions of subsidiaries (Note 9)	697,432	881,559	5,404,247	-	6,983,238
Disposals	(66,143)	(14,777,300)	(352,472)	-	(15,195,915)
Disposals of subsidiaries (Note 9)	(89,895)	(768,135)	(839,027)	-	(1,697,057)
Exchange rate effect	-	(181,275)	-	-	(181,275)
Transfers	499,504	115	2,996	-	502,615
<b>Closing balance as at 31 December 2008</b>	78,555,270	237,120,122	20,368,390	-	336,043,782
<b>Carrying amount</b>					
<b>As at 31 de December de 2007</b>	220,457,706	101,740,653	3,992,598	20,054,687	346,245,644
<b>As at 31 de December de 2008</b>	304,090,598	101,316,941	3,269,502	31,622,120	440,299,161

Intangible assets in progress, as at 31 December 2008, were mainly composed of software projects and software development.

At 31 December 2008 and 2007, the Group has recorded under the caption Patents and other similar rights the amounts of 197,381,992 euro and 111,732,870 euro, respectively, which correspond to the investment net of depreciations made in the development of the UMTS network, including: (i) Euro 66,006,338 euro (amount of 72,006,914 euro in 2007) related with the license; (ii) 22,055,138 euro (amount of 24,060,150 euro in 2007) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators in Portugal with UMTS licenses; (iii) 6,773,799 euro (amount of 7,389,598 euro in 2007) related with a contribution to the Information Society Fund, established in 2007, under an agreement entered into between the Ministry of Public Works, Transport and Communications ("Ministério das Obras Públicas, Transportes e Comunicações") and the three mobile telecommunication operators in Portugal; and (iv) 96,907,100 euro (2,123,896 euros in 2007) related with the "Iniciativas E" program, the last two commitments assumed by the Group in the Information Society Fund (Note 52).

Additionally, this heading also includes the fair value attributed to a group of brands with indefinite useful lives, among which the "Continente" brand, 75,000,000 euro (the same amount as at December 2007).

**13. INVESTMENT PROPERTIES**

The movement in Investment Properties during the years ended 31 December 2008 and 2007 was as follows:

	Investment Properties			
	In Operation	Fit Out	In progress	Total
<b>Opening balance as at 1 January 2007</b>	1,342,997,969	3,939,876	173,273,414	1,520,211,259
Increases	123,853,779	908,200	162,919,282	287,681,261
Increases through concentration of business activities (Note 9)	21,061,308	-	26,273,602	47,334,910
Write-offs	-	(325,000)	(2,298,036)	(2,623,036)
Reimbursements of Fit - Out	-	(1,107,546)	-	(1,107,546)
Transfers	-	-	(2,227,323)	(2,227,323)
Transfers from investment properties in progress:				
Construction and other costs	165,884,673	-	(165,884,673)	-
Adjustment to fair value (Note 38)	28,272,805	-	-	28,272,805
Change in fair value of investment properties in operation (Note 38):				
- Gains	137,338,742	543,463	-	137,882,205
- Losses	(13,440,220)	(306,200)	-	(13,746,420)
Changes in consolidation percentage in Joint Ventures	57,031,875	(268,500)	418,829	57,182,204
Disposal of joint ventures	(3,991,500)	-	-	(3,991,500)
Other	-	637,217	870,767	1,507,984
Exchange rate effect	5,625,120	-	127,003	5,752,123
<b>Opening balance as at 1 January 2008</b>	1,864,634,551	4,021,510	193,472,865	2,062,128,926
Increases	21,738,803	275,000	105,772,145	127,785,948
Write-offs	-	-	(26,518,956)	(26,518,956)
Reimbursements of Fit - Out	-	(398,689)	-	(398,689)
Transfers	419,822	870,740	(8,045,901)	(6,755,339)
Transfers from investment properties in progress:				
Construction and other costs	149,979,571	700,000	(151,855,403)	(1,175,832)
Adjustment to fair value (Note 38)	18,716,720	(64,750)	7,579,782	26,231,752
Change in fair value of investment properties in operation (Note 38):				
- Gains	16,724,908	61,052	-	16,785,960
- Losses	(158,127,074)	(696,113)	-	(158,823,187)
Business Combinations	-	-	45,722,364	45,722,364
Disposal of joint ventures	(211,934,750)	(1,003,250)	(23,916)	(212,961,916)
Other	-	-	-	-
Exchange rate effect	(22,476,530)	-	(7,541,928)	(30,018,458)
<b>Closing balance as at 31 December 2008</b>	1,679,676,021	3,765,500	158,561,052	1,842,002,573

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

In 2008, the amount reported as business combinations of activities of 45,655,096 Euro relates to the effect of the consolidation of the subsidiaries Ploiesti (16,130,717 euro) and Gli Orsi ( 29,524,379 euro). This last amount is reduced by the advance payment made in 2007 and that is already included in the opening balance (23,397,730 euro) - Note 9.

The global crisis led to a reassessment of the risk profile of the emerging markets like Romania and, consequently, to an upwards shift in the local market yields. As a consequence in the year ended in 31 December 2008 an impairment loss was recorded in the investment properties in progress "Ploiesti" and "Craiova", in the amount of 10,988,975 euro and 15,529,981 euro (Note 42).

It was transferred from Investment Properties in progress to Assets held for sale the amount of 5,782,500 euro related to the Alexa Tower, property of the company Alexa Shopping Center, GmbH. The Alexa Tower was classified as held for sale, because its future sale is highly probable.

The Increases in 2007 in the investment properties in operation include the acquisition of the shopping centre Münster Arkaden by the company Münster Arkaden BV (Ex-Project Sierra 3 BV) in Germany, for the amount of 85,614,382 euro.

As at 31 December 2008 and 2007, Investment properties in operation, including fit-outs, correspond to the fair value of the Group's share of shopping centres, which can be detailed as follows:

	31.December.2008			31.December.2007			
	10 years "discount rate"	Yields	Amount	10 anos "discount rate"	Yields	Pro Forma Amount	Published Amount
Portugal	7,30% e 9,75%	5,40% e 7,50%	790,389,750	7,15% e 9,25%	4,90% e 7,00%	828,427,137	1,038,302,637
Spain	8,70% e 12,35%	5,70% e 9,35%	413,726,365	7,70% e 9,60%	5,00% e 6,90%	454,290,823	454,290,823
Italy	8,00% e 8,70%	5,80% e 7,70%	183,216,750	8,00% e 8,15%	5,50% e 6,15%	84,255,000	84,255,000
Germany	6.50%	5,75% e 6,00%	163,875,827	5.50%	5.50%	172,792,000	172,792,000
Brazil	13,45% e 14,95%	8,25% e 9,75%	91,665,330	12,50% e 13,50%	8,50% e 10,50%	97,664,101	97,664,101
Greece	10.75%	7.00%	21,796,500	-	-	-	-
Romania	9.75%	8.00%	18,770,999	8.50%	6,75%	21,351,500	21,351,500
			1,683,441,521			1,658,780,561	1,868,656,061

The fair value of fit out contracts was determined by valuations as at December 2008 and 2007, performed by an independent specialized entity. The methodology used to compute the fair value of the fit out contracts consisted in determining the discounted estimated cash flows of each one of the fit out contracts, using a discounted marked rate, similar to the one used in determining the fair value of the investment property to which each fit out contract relates.

The valuation of these investment properties was made in accordance with the Practice Statements of the RICS Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors ("Red Book"), located in the United Kingdom.

The methodology used to compute the market value of the investment properties consists in preparing 10 year projections of income and expenses of each shopping mall which are then discounted to the balance sheet date using a discount market rate. The residual amount at the end of year 10 is computed by applying a return rate ("Exit yield" or "cap rate") on the projected net income of year 11. The market values so obtained are then tested by calculating and analysing the capitalisation yield that is implicit in those values – corresponding to the yield shown in the list above. Projections are intended to reflect the actual best estimate of the valuers regarding future revenues and costs of each shopping mall. Both the return rate and discount rate are defined in accordance to the real estate local and institutional market conditions, being the reasonability of the market value thus obtained tested in terms of initial gain.

In the valuation of investment properties some assumptions, that in accordance with the Red Book are considered to be special, were additionally considered, namely in the case of recently inaugurated shopping malls, in which the possible costs still to be incurred were not considered, as the accompanying financial statements already include a provision for them.

The open market value of the investment properties under development as at the reporting date is calculated by subtracting from the open market value at opening, calculated using the methodology described above, the investment necessary to finish the project and weighted by a risk factor defined by the valuer.

As at 31 December 2008 and 2007, Investment properties can be detailed as follows:

	31.December.2008	31.December.2007 pro forma	31.December.2007
<b>Investment Properties at cost</b>			
Portugal:			
Alverca	3,005,342	2,995,036	2,995,036
Centro Bordalo	1,430,192	1,192,538	1,192,538
Cacém Shopping	1,084,960	1,036,919	1,036,919
Setubal Retail Park	733,266	786,164	786,164
Parque de Famalicão	627,500	627,500	627,500
Arrábidas Shopping - expansão	-	1,187,506	2,375,011
Others	104,310	870,733	956,323
Germany:			
Alexa	-	7,320,992	7,320,992
Others	350,458	-	-
Brazil:			
Goiânia Shopping	2,332,966	-	-
Uberlândia Shopping	1,416,375	1,530,607	1,530,607
Pátio Boavista	646,176	-	-
Boulevard Londrina Shopping	112,582	-	-
Spain:			
Project Sierra Spain 2	9,724,204	-	-
Pulianas Shopping	6,393,375	5,746,847	5,746,847
Project Sierra Spain 6	3,201,064	-	-
Dos Mares - expansão	1,404,902	1,404,902	1,404,902
Plaza Mayor Shopping	-	17,733,934	17,733,934
Greece:			
Ioannina	12,425,240	10,395,799	10,395,799
Aegean Park	4,881,606	4,845,206	4,845,206
Galatsi Shopping	4,077,148	3,159,277	3,159,277
Pantheon Plaza	882,672	13,855,607	13,855,607
Italy:			
Caldogno	4,662,500	4,138,655	4,138,655
Le Terraze	3,817,792	1,891,179	1,891,179
Pavia	3,755,236	3,641,489	3,641,489
Freccia Rossa	-	32,263,488	32,263,488
Gli Orsi	-	23,397,730	23,397,730
Others	6,457	-	-
Romania			
Craiova Shopping	12,345,625	20,479,875	20,479,875
Ploiesti Shopping	6,726,158	-	-
	<u>86,148,106</u>	<u>160,501,983</u>	<u>161,775,078</u>
<b>Investment Properties at fair value:</b>			
Portugal:			
Leiria Shopping	5,705,415	264,231	264,231
Torres Oriente e Ocidente	3,310,285	192,426	192,426
Brazil:			
Manauara Shopping	17,942,521	5,628,846	5,628,846
Germany:			
Loop 5	45,454,725	25,612,284	25,612,284
	<u>72,412,946</u>	<u>31,697,787</u>	<u>31,697,787</u>
	<u>158,561,052</u>	<u>192,199,770</u>	<u>193,472,865</u>



Investment properties in progress include borrowing expenses incurred during the construction period. As of 31 December 2008 and 2007, total borrowing expenses capitalised amounted to Euro 8,543,570 and Euro 8,882,433, respectively.

During the years ended on 31 December 2008 and 2007, the income (fixed rents - net of possible discounts- variable rents, common spaces rents, key income and transfer fees) and the corresponding direct operating expenses (property tax, insurance expense, maintenance expense, management fee and asset management fee and other direct operating expenses), relating the investment properties of the Group, had the following detail:

	Rents			Operational direct expenses		
	31.December.2008	31.December.2007 Pro forma	31.December.2007	31.December.2008	31.December.2007 Pro forma	31.December.2007
Portugal	59,498,236	53,962,730	61,187,041	3,048,116	5,232,462	6,279,195
Spain	28,001,533	23,915,559	23,915,559	2,073,938	1,790,833	1,790,833
Brazil	9,888,944	8,530,373	8,530,373	280,120	226,833	226,833
Germany	8,831,179	3,809,647	3,809,647	370,613	1,643,312	1,643,312
Italy	7,806,619	3,319,279	3,319,279	1,182,306	(97,032)	(97,032)
Romania	1,519,603	1,028,683	1,028,683	160,022	71,217	71,217
Greece	775,489	-	-	105,051	-	-
	116,321,601	94,566,270	101,790,580	7,220,165	8,867,625	9,914,358

At 31 December 2008 the following investment properties had been given in guarantee of bank loans:

Airone	Leiria
Alexa	Loop 5
Algarveshopping	Luz del Tajo
Alverca	Madeirashopping
Arrabidashopping	Maia shopping
Avenida M40	Max Center
Cascaishopping	Munster Arkaden
Centro Colombo	Norteshopping
Centro Vasco da Gama	Parque Atlântico
Coimbrashopping	Parque Principado
Dos Mares	Plaza Éboli
El Rosal	Plaza Mayor
Estação Viana	Plaza Mayor Shopping
Freccia Rossa	River Plaza Mall
Gaiashopping	Torre Occidente
Gli Orsi	Torre Oriente
Grancasa	Valecenter
Guimarãesshopping	Valle Real
La Farga	Viacatarina
Airone	Zubiarte

At 31 December 2008 and 2007 there were no material contractual obligations to purchase, construct or develop investment properties or for repairs or maintenance, other than those referred to above.

#### 14. GOODWILL

Goodwill is allocated to each one of the business segments and within to each one of the homogeneous groups of cash generating units, as follows:

- Retail Goodwill is allocated to each one of the segment business concepts (Continente, Modelo, Worten, Sport Zone, among others) explored by Retail, being after allocated to each one business concept stores of the segment;
- Shopping Centers Goodwill was allocated to each of the own investment properties and to the management and development of investment properties business;
- Telecommunications Goodwill is allocated by each business segment type (telecommunications, Multimedia and Information Systems).
- Sonae Holding and others This segment's Goodwill is mainly related with the insurance business. Goodwill from this business segment is related to the insurance clients portfolio, which was acquired previously to the adoption of IFRS, therefore explaining the non recognition as an Intangible asset.

At 31 December 2008 and 2007, the caption "Goodwill" was as follows:

	31.December.2008	31.December.2007 Pro-forma	31.December.2007 Restated (Note 9)
Retail	583,919,974	573,038,417	573,038,417
Shopping Centers	58,703,923	59,261,402	80,985,759
telecommunications	44,091,691	32,086,988	32,086,988
Sonae Holding and others	10,551,773	11,279,214	11,279,214
	697,267,362	675,666,021	697,390,378

During the years ended 31 December 2008 and 2007, movements in goodwill, as well as in the corresponding impairment losses, are as follows:

	31.December.2008	31.December.2007 Pro-forma	31.December.2007 Restated (Note 9)
<b>Gross value:</b>			
Opening balance restated	707,303,376	198,609,930	264,411,899
New companies	14,053,298	491,656,968	491,656,968
Increases	18,714,449	30,035,581	30,035,581
Decreases (Note 9)	(16,363,744)	(34,723,460)	(12,999,103)
Transfers	(8,384,445)	-	-
Disposals	(6,310,351)		
Demerger	-	-	(65,801,969)
Closing balance	709,012,583	685,579,019	707,303,376
<b>Accumulated impairment losses:</b>			
Opening balance	9,912,998	7,545,972	13,569,244
Increases	8,142,574	2,367,026	3,659,303
Disposals	(6,310,351)	-	-
Transfers	-	-	(7,315,549)
Closing balance	11,745,221	9,912,998	9,912,998
<b>Net Value:</b>	697,267,362	675,666,021	697,390,378

The caption "Transfers" relates to the 42% goodwill of Sierra Portugal Fund (SPF) transferred to the caption "Investments in associated companies" measured in accordance with the equity method.

During the period, the increases in the percentages by investments acquisitions, mainly at Sonaecom and Star Viagens( previously to the partial sale to Raso, SGPS, SA) had generated a total goodwill of 17,034,137 euro (20,174,492 euros at 31 December 2007).

Sonae does annual impairment tests of Goodwill and whenever there are indicators of Goodwill impairment. During the reporting periods ended at 31 December 2008 and 2007, Sonae has tested the goodwill impairment, having, has a result of that analysis, recognized impairment losses as follows:

	31.December.2008	31.December.2007 Pro-forma
Retail	1,039,423	1,301,947
Shopping Centers	6,375,724	1,065,079
telecommunications	-	-
Sonae Holding and others	727,427	-
	8,142,574	2,367,026

The recoverable value of cash units generators is determined based on its value in use, which is calculated taking into consideration the last approved plans which are prepared using cash flow projections for periods of 5 years.

The main assumptions used in mentioned business plans are detailed as follows for each one of the Sonae business.

#### Retail

For this purpose the segment uses the internal valuation results of its business concepts, using annual planning methodologies, supported in business plans that considers cash flow projections for each unit which depend on detailed assumptions based properly supported. These plans take in consideration the impact of the main actions that will be carried out by each business concept as well as a study of the resources allocation of the company.

The case scenarios are elaborated with an average capital cost of 7 to 10% depending on the market and business concept. Perpetuity growth rate was considered to be between 0 and 1%.

#### Shopping Centers

The goodwill related with the Shopping Center segment is allocated to each one of the companies that owns investment properties . The impairment tests of goodwill are based on the Net Asset value (NAV), at the balance sheet date, of the financial investments.

"Net Asset Value" is measured by the investment property valuation at market values (Open Market Value), not including the deferred taxes over the gains obtained. The assumptions related with investment properties valuation are detailed in Note 13.

Telecommunications

For this purpose the segment uses the internal valuation results of its business areas, using annual planning methodologies, supported in business plans that consider cash flow projections for each unit which depend on detailed assumptions based on historical performance of each business.

The discount rates used were based on the estimated weighted average cost of capital, which depends of the business segment of each subsidiary, as indicated in the table below. In perpetuity, the Group considered a growth rate of circa 3%.

The discount rates used are:

- Telecommunications	7.90%
- Multimedia	9.60%
- Information Systems	9.30%

Sonae Holding and others

Goodwill was exclusively allocated to business insurance clients portfolio. As consequence, the impairment analysis is made using the estimated profitability of the mentioned portfolio, being the main assumptions as follows:

Insurance

Sales Increase rate during the projected period	1%
Perpetuity growth rate	1%
Discount rate used	9%

**15. OTHER INVESTMENTS**

As at 31 December 2008 and 2007, this caption is made up as follows:

	31.December.2008		31.December.2007	
	Non current	Current	Non current	Current
<u>Investments in group companies, jointly controlled companies or associated companies excluded from consolidation</u>				
Opening balance as at 1 January	9,376,193	-	12,671,340	-
Acquisitions in the period	458,596	-	28,993,045	-
Changes in consolidation perimeter	1,598,800	-	-	-
Disposals in the period	-	-	(2,319,119)	-
Demerger	-	-	(10,102,005)	-
Transfers	(8,420,952)	-	(19,867,068)	-
Closing balance as at 31 December	3,012,637	-	9,376,193	-
Accumulated impairment losses	-	-	-	-
	3,012,637	-	9,376,193	-
<u>Other Investments</u>				
Fair value (net of impairment losses) as at 1 January	2,678,964	56,093,108	229,462,747	33,212,402
Acquisitions in the period	19,750	6,029,043	11,439,982	6,444,627
Disposals in the period	(25,000)	(1,165,547)	(127,532,224)	(16,063,792)
Increase/(Decrease) in fair value	7,304,000	-	3,617,759	-
Demerger	-	-	(105,964,814)	(499)
Transfers	(12,176)	-	(8,344,486)	32,500,370
Fair value (net of impairment losses) as at 31 December	9,965,538	60,956,604	2,678,964	56,093,108
<u>Other Investments (Note 8)</u>	12,978,175	60,956,604	12,055,157	56,093,108
<u>Derivative financial instruments (Note 28)</u>				
Fair value as at 1 January	-	3,976,816	-	49,458
Acquisitions in the year	-	72,494	-	471,075
Disposals in the year	-	(296,968)	-	(49,458)
Increase/(Decrease) in fair value	-	(1,152,183)	-	3,505,741
Fair value as at 31 December	-	2,600,159	-	3,976,816
	12,978,175	63,556,763	12,055,157	60,069,924

The financial investments in group companies, jointly controlled companies or associated companies excluded from consolidation are recorded at the acquisition cost net of impairment losses. It is Sonae understanding that no reliable fair value estimate could be made as there is no market data available for these investments. The heading of Investments available for sale includes 2,661,538 euro (2,678,934 euro in 31 December 2007) of investments recorded at the cost net of impairment losses for the same reasons.

The investments available for sale are net impairment losses (Note 34) amounting 13,157 euro (26,314 euro in 31 December 2007).

Under the caption other financial investments is recorded an amount of 56,042,299 Euro (56,093,108 Euro as of 31 December 2007) related to deposited amounts on an Escrow Account which are invested in investment funds with superior rating and guarantee contractual liabilities assumed by Sonae which may arise from the sale of Sonae Distribuição Brasil, S.A. and for which provisions were recorded (Note 34).

**16. OTHER NON-CURRENT ASSETS**

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

	31.December.2008			31.December.2007		
	Gross Value	Accumulated impairment losses (Note 34)	Carrying Amount	Gross Value	Accumulated impairment losses (Note 34)	Carrying Amount
<b>Loans granted to related parties</b>						
Mundo Vip - Operadores Turísticos, SA	-	-	-	1,000,000	-	1,000,000
Cooper Gay (Holding) Limited	-	-	-	1,943,295	-	1,943,295
Others	294,089	(160,125)	133,964	346,654	(170,125)	176,529
	<u>294,089</u>	<u>(160,125)</u>	<u>133,964</u>	<u>3,289,949</u>	<u>(170,125)</u>	<u>3,119,824</u>
<b>Trade accounts receivable and other debtors</b>						
Legal deposits	634,470	-	634,470	792,644	-	792,644
Cautions	1,638,456	-	1,638,456	-	-	-
Lisbon Town Council	3,888,477	-	3,888,477	3,888,477	-	3,888,477
Malaga Town Council	512,108	-	512,108	512,108	-	512,108
Rent deposits from tenants	3,740,456	-	3,740,456	4,394,235	-	4,394,235
Others	1,977,893	(131,446)	1,846,447	582,691	(131,446)	451,245
	<u>12,391,860</u>	<u>(131,446)</u>	<u>12,260,414</u>	<u>10,170,155</u>	<u>(131,446)</u>	<u>10,038,709</u>
<b>Non-Current derivatives</b>	<u>75,002</u>	<u>-</u>	<u>75,002</u>	<u>7,346,945</u>	<u>-</u>	<u>7,346,945</u>
Total financial instruments (Note 10)	<u>12,760,951</u>	<u>(291,571)</u>	<u>12,469,380</u>	<u>20,807,049</u>	<u>(301,571)</u>	<u>20,505,478</u>
<b>Reinsurer's share of technical provisions</b>	8,763,158	-	8,763,158	54,060,294	-	54,060,294
<b>Other non-current assets</b>	<u>50,977</u>	<u>-</u>	<u>50,977</u>	<u>50,977</u>	<u>-</u>	<u>50,977</u>
	<u>21,575,086</u>	<u>(291,571)</u>	<u>21,283,515</u>	<u>74,918,320</u>	<u>(301,571)</u>	<u>74,616,749</u>

The difference between the disclosed values in the balance sheet as at 31 December 2007 and 2007 Pro-forma arises from the loans granted to the companies of Sierra PTF Fund, that are no longer eliminated as they are consolidated by the use of the equity method.

Loans granted to related parties earn interest at usual market rates and do not have a defined maturity. The fair value of these loans is estimated to be similar to its carrying amount.

The amount of 3,888,477 euro due by Lisbon Town Council, relates to works developed by a jointly controlled company of Shopping Centres segment developed on behalf of Lisbon Town Council ("CML") in accordance with protocols signed in the end of 2001. On the other hand, the caption "Other non current liabilities", as at 31 December 2008 and 2007 includes the amount of 1,621,687 euro relating to works developed by CML on behalf of the joint controlled company and licenses. A legal action against CML was presented in 2001, claiming the totality of the improvements made by Colombo on account of CML and corresponding interests and other expenses incurred. The Group believes that the legal action will be favourable to the Group and consequently did not record any impairment loss to face eventual losses on this account receivable.

The amount of 3,740,456 euro (4,394,235 as at December 2007) relates to the deposit in official entities of rents deposits received from tenants of shopping centres located in Spain. The rent deposits received from tenants are classified under "Other non current payables" and "Other payables".

The Reinsurer's share of technical provisions refer to non-life insurance ceded to reinsurance companies by a captive subsidiary. The provision can be detailed as follows: Provision for unearned premiums 3,597,343 euro (4,125,167 as at December 2007) and Provisions for outstanding claims 5,156,815 euro (49,935,127 euro as at December 2007). The disclosed change is related to a indemnity received for an insurance claim in an industrial unit. A similar change occurred in the caption Reinsurer's share of technical provisions (Note 34).

**17. INVENTORIES**

As at 31 December 2008 and 2007, Inventories are as follows:

	31.December.2008	31.December.2007 Restated
Raw materials and consumables	1,659,166	1,839,957
Goods for resale	588,557,727	491,611,548
	<u>590,216,893</u>	<u>493,451,505</u>
Accumulated impairment losses on Inventories (Note 34)	<u>(29,783,714)</u>	<u>(24,759,431)</u>
	<u>560,433,179</u>	<u>468,692,074</u>

Cost of goods sold as at 31 December 2008, 2007 and 2007 pro forma amounted to 3,303,986,732 euro, 2,622,631,645 euro and 2,699,275,192 , respectively, and may be detailed as follows:

	31.December.2008	31.December.2007 Pro-forma	31.December.2007
Opening balance	506,662,632	373,454,249	432,628,646
Exchange rate effect	-	-	14,638
Changes in consolidation perimeter	6,626,869	(12,053,833)	(71,929,832)
Purchases	3,383,129,620	2,762,565,375	2,826,485,789
Adjustments	(6,415,488)	1,032,804	7,979,995
Closing balance	<u>590,216,893</u>	<u>506,662,632</u>	<u>506,662,632</u>
	<u>3,299,786,740</u>	<u>2,618,335,963</u>	<u>2,688,516,604</u>
Impairment losses (Note 34)	<u>10,856,498</u>	<u>6,529,667</u>	<u>7,995,583</u>
Reversal of impairment losses	<u>(6,656,506)</u>	<u>(2,233,985)</u>	<u>(2,236,995)</u>
	<u>3,303,986,732</u>	<u>2,622,631,645</u>	<u>2,694,275,192</u>

**18. TRADE ACCOUNTS RECEIVABLE**

As at 31 December 2008 and 2007, Trade accounts receivable are detailed as follows:

	31.December.2008	31.December.2007
Trade accounts receivable		
Retail	44,338,911	44,010,326
Shopping Centres	24,227,509	19,258,503
Telecommunications	241,908,462	250,319,916
Sonae Holding and others	1,274,202	1,469,914
	311,749,084	315,058,659
Accumulated impairment losses on Trade Debtors (Note 34)	(96,686,475)	(85,985,340)
	215,062,609	229,073,319

The Group's exposition to credit risk is attributed to accounts receivable relating the operating activity of the Group. The amounts presented on the face of the balance sheet are net of impairment losses, which were estimated based on Sonae's past experience and on the assessment of present economic conditions. As a result, amounts disclosed in Trade Debtors are considered to reflect their fair value.

As at 31 December 2008 there is no indication that the debtors of trade accounts receivable not due will not fulfil their obligations on normal conditions, thus no impairment loss was recognised.

As at 31 of December of 2008 and 2007 pro-forma, the ageing of the trade receivables are as follows:

31.December.2008	Trade Receivables				
	Retail	Shopping Centres	Telecommunications	Others	Total
Not due	14,200,180	3,458,036	65,648,380	142,316	83,448,912
Due but not impaired					
0 - 30 days	4,049,297	4,754,801	18,043,737	320,517	27,168,352
30 - 90 days	8,892,515	4,492,848	9,460,068	202,746	23,048,177
+ 90 days	3,908,106	2,666,326	53,902,941	608,624	61,085,997
Total	16,849,918	11,913,975	81,406,746	1,131,887	111,302,526
Due and impaired					
0 - 90 days	207,531	603,977	5,444,803	-	6,256,311
90 - 180 days	394,979	473,947	4,667,974	-	5,536,900
180 - 360 days	610,004	3,082,340	4,371,782	-	8,064,126
+ 360 days	12,076,299	4,695,234	80,368,776	-	97,140,309
Total	13,288,813	8,855,498	94,853,335	-	116,997,646
	44,338,911	24,227,509	241,908,461	1,274,203	311,749,084

31.December.2007	Trade Receivables				
	Retail	Shopping Centres	Telecommunications	Others	Total
Not due	19,713,291	3,763,856	63,892,834	439,719	87,809,700
Due but not impaired					
0 - 30 days	2,160,452	2,747,637	19,066,313	797,671	24,772,073
30 - 90 days	4,670,595	2,543,334	7,179,137	-	14,393,066
+ 90 days	4,290,098	2,734,109	39,393,392	204,425	46,622,024
Total	11,121,145	8,025,080	65,638,842	1,002,096	85,787,163
Due and impaired					
0 - 90 days	77,339	402,179	35,983,219	-	36,462,737
90 - 180 days	204,254	333,372	8,845,605	-	9,383,231
180 - 360 days	660,725	1,409,557	5,997,673	-	8,067,955
+ 360 days	12,233,572	5,324,459	69,961,743	28,099	87,547,873
Total	13,175,890	7,469,567	120,788,240	28,099	141,461,796
	44,010,326	19,258,503	250,319,916	1,469,914	315,058,659

In determining the recoverability of a trade receivable, Sonae considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large. Accordingly, it is considered that the risk of not recovering the trade receivable is not higher than the allowance for doubtful debts.

Sonae considers that the maximum exposition to the credit risk is the amount presented in the consolidate balance sheet.

**19. OTHER DEBTORS**

As at 31 December 2008 and 2007, Other debtors are as follows:

	Other Debtors	
	31.December.2008	31.December.2007
Granted loans to related companies	4,269,936	21,962
Other debtors		
Trade creditors - debtor balances	65,799,273	46,822,333
Accounts receivable from the disposal of fixed assets	9,484,451	790,575
Accounts receivable on the disposal of investments	-	4,328,720
Amount receivable regarding price adjustments of acquired subsidiaries (Note 9)	-	30,414,000
Advances for the acquisition of a real estate project	7,500,000	-
Advances to suppliers	12,458,873	22,236,065
Special regime for payment of tax and social security debts	14,576,051	14,576,053
VAT recoverable on retail estate assets	7,461,293	4,776,482
Advances to agents	2,271,495	1,704,814
Reinsurance Operations	4,051,296	9,072,963
Cash Settled Equity Swap (Note 24)	3,452,800	-
Others	27,563,745	28,228,230
	154,619,277	162,950,235
Accumulated Impairment losses in receivable accounts (Note 34)	(12,896,708)	(9,250,508)
Total of Financial Instruments (Note 10)	145,992,505	153,721,689

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

The amounts disclosed as 'Trade creditors - debtor balances' relates with commercial discounts billed to suppliers to be net settled with future purchases - mainly in the Retail segment.

Granted loans to related companies earn interests at market rates and do not have defined maturity but are deemed to be received within 12 months.

At as 31 December 2008 and 2007, the ageing of other debtors are as follows:

	Other Debtors	
	31.December.2008	31.December.2007
Not due	39,499,120	65,841,332
Due but not impaired		
0 - 30 days	43,946,973	31,830,886
30 - 90 days	31,183,504	41,067,108
+ 90 days	25,284,060	14,324,487
Total	100,414,537	87,222,481
Due and impaired		
0 - 90 days	1,755,989	155,165
90 - 180 days	360,306	-
180 - 360 days	2,336,907	1,439,166
+ 360 days	10,252,416	8,292,089
Total	14,705,618	9,886,420
	154,619,275	162,950,233

As at 31 December 2008 there is no indication that the debtors not due will not fulfil their obligations on normal conditions, thus no impairment loss was recognized.

The carrying amount of other debtors is estimated to be approximately its fair value.

**20. TAXES RECOVERABLE AND TAXES AND CONTRIBUTIONS PAYABLE**

As at 31 December 2008 and 2007, Taxes recoverable and taxes and contributions payable are made up as follows:

	31.December.2008	31.December.2007
<b>Tax recoverable</b>		
Income taxation	20,949,102	22,799,822
VAT	67,366,251	61,866,750
Other taxes	1,281,813	1,848,042
	89,597,166	86,514,614
<b>Taxes and contributions payable</b>		
Income taxation	12,207,801	10,707,432
VAT	40,807,861	32,980,618
Staff income taxes withheld	3,383,806	5,247,310
Social security contributions	11,981,403	10,183,661
Other taxes	3,126,924	3,012,611
	71,507,795	62,131,632

**21. OTHER CURRENT ASSETS**

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

	31.December.2008	31.December.2007
Invoices to be issued	64,755,143	70,459,857
"Initiatives E" program (Note 52)	39,317,881	5,423,001
Commercial Discounts	19,482,183	5,887,081
Commissions to be received	1,269,874	6,260,720
Prepayments - Rents	4,206,320	3,833,921
Prepayments of external supplies and services	16,404,435	15,178,385
Other current assets	20,466,269	14,596,621
	<u>165,902,105</u>	<u>121,639,586</u>

**22. DEFERRED TAX**

Deferred tax assets and liabilities as at 31 December 2008 and 2007 are as follows, split between the different types of temporary differences:

	Deferred tax assets			Deferred tax liabilities		
	31.December.2008	31.December.2007 pro forma	31.December.2007 Restated (Note 8)	31.December.2008	31.December.2007 pro forma	31.December.2007 Restated (Note 8)
Difference between fair value and acquisition cost	4,565,926	6,418,931	6,418,931	273,169,996	282,250,690	310,542,376
Harmonisation adjustments	33,376	81,897	81,897	34,974,182	24,978,921	24,978,921
Provisions and impairment losses not accepted for tax purposes	15,593,155	12,900,045	12,900,045	-	-	-
Write off of tangible and intangible assets	64,320,965	60,114,242	60,114,242	-	-	-
Write off of deferred costs	43,052,099	41,026,618	41,026,618	1,500,154	1,373,690	2,097,786
Valuation of hedging derivatives	5,484,534	296,245	296,245	496,557	2,444,642	2,614,826
Temporary differences arising from the securitization of receivable operation	16,100,000	-	-	-	-	-
Amortization of Goodwill for tax purposes	-	-	-	6,980,016	-	-
Non taxed exchange differences	-	-	-	5,326,355	-	-
Revaluation of tangible assets	-	-	-	2,281,496	2,523,410	2,523,410
Tax losses carried forward	54,525,172	27,342,272	28,333,480	-	-	-
Reinvested capital gains/(losses)	-	-	-	2,939,833	3,428,201	3,428,201
Others	3,279,462	151,928	151,930	3,240,091	2,020,440	2,223,343
	<u>206,954,689</u>	<u>148,332,178</u>	<u>149,323,388</u>	<u>330,908,680</u>	<u>319,019,994</u>	<u>348,408,863</u>

During the periods ended 31 December 2008 and 2007, movements in Deferred tax assets and liabilities are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31.December.2008	31.December.2007 Restated (Note 8)	31.December.2008	31.December.2007 Restated (Note 8)
Opening balance	149,323,388	102,767,409	348,408,863	272,056,372
Effects in net income:				
Difference between fair value and acquisition cost	(5,044,606)	64,940	(14,246,452)	47,330,262
Amortisation and Depreciation harmonisation adjustments	(1,686,181)	(108,562)	9,869,360	1,624,367
Provisions and impairment losses not accepted for tax purposes	3,169,630	(210,845)	(70,763)	1,539,073
Write-off of tangible and intangible assets	4,242,447	34,581,204	798,102	15,971
Write-off of deferred costs	2,027,199	10,086,856	192,768	124,250
Valuation of hedging derivatives	51,602	43,746	(550,893)	556,997
Revaluation of tangible assets	-	-	(236,149)	(115,936)
Tax losses carried forward	16,718,637	(2,199,567)	-	-
Temporary differences arising from the securitization of receivable operation	16,100,000	-	-	-
Amortization of Goodwill for tax purposes	-	-	6,980,016	-
Non taxed exchange differences	-	-	6,462,069	-
Reinvested capital gains/(losses)	-	69,424	(136,246)	(1,118,666)
Changes in tax rates	-	(161,371)	107	(3,562,523)
Others	2,637,139	(722,023)	681,509	(1,855,821)
	<u>38,215,867</u>	<u>41,443,802</u>	<u>9,743,428</u>	<u>44,537,974</u>
Effects in equity:				
Difference between fair value and acquisition cost	-	-	-	-
Valuation of hedging derivatives	5,715,366	146,433	(757,317)	952,980
Exchange rate effect	(1,110,020)	215,595	(5,786,745)	483,861
Fair value allocation on the acquisition of subsidiaries (including tax losses carried forward)	-	15,113,852	-	2,052,911
Demerger of Sonae Capital	-	(10,643,996)	-	(5,846,228)
Change in tax rate	-	-	(181)	(81,553)
Others	(6,326)	(96,036)	311,384	2,390,588
	<u>4,599,020</u>	<u>4,735,848</u>	<u>(6,232,859)</u>	<u>(47,441)</u>
Changes in the percentages of jointly controlled companies	-	-	-	17,710,201
Acquisitions of subsidiaries	26,105	826,670	-	5,308,016
Disposals of subsidiaries	(1,868,508)	(450,341)	(30,792,483)	(5,345,210)
Allocation of fair value on companies acquisitions	16,658,818	-	9,781,731	14,188,951
Closing balance	<u>206,954,690</u>	<u>149,323,388</u>	<u>330,908,680</u>	<u>348,408,863</u>



In Portugal, with the approval of the Local Finances Law, the municipal tax surcharge will change from 2007 onwards to a maximum of 1.5% over Taxable Profit. In the past this tax amounted to 10% of income tax. In Spain, with the change to Corporate Income Tax Law, corporate income tax rate changed from 35% in 2006 to 32.5% in 2007 and will change to 30% in 2008.

As a consequence, Portuguese and Spanish affiliated and joint controlled companies updated their calculations of deferred tax assets and liabilities using these new income tax rates. The effect of these changes has been recorded in the consolidated income statement under the caption Income tax or in the consolidated statement of changes in equity under the caption Hedging reserve in the case of deferred taxes arising from derivatives.

The recognition of deferred tax amounting to approximately Euro 16.1 million in Telecommunications segment follows the securitization of future receivables completed in December 2008. As a result of this operation, and in accordance with the provisions of Decree law 219/2001 of 4 August, the amount of Euro 100 million from this operation was added for purposes of determining the taxable income for the year 2008, thereby generating a temporary difference between accounting and taxable amounts, having been registered deferred tax assets to the extent that its use was, with reasonable safety, likely. Until the maturity of the operation, a gradual reversion of the corresponding deferred tax assets shall occur, by deduction, in the determination of the taxable income of each year, of the revenue associated to the securitized receivables.

During 2008, deferred tax assets amounting 18,240,000 Euro were recorded related to tax losses carried forward from the subsidiary Worten España, S.A. (acquired in 2008 - Note 9) generated in the current and in past years (11,829,000 Euro were previous to the acquisition, and therefore had impact in the calculated negative goodwill). The deferred tax losses calculation is supported by the Company business plan that estimate its use in a period from 5 to 8 years (the last in a more conservative perspective).

At 31 December 2008 and 2007, the movement in temporary differences between the accounting and tax value of fixed assets resulted primarily from the sale of technological equipment of Sonaecom – Serviços de Comunicações to Be Artis. Although the results obtained in these accounting transactions have been reversed, in the consolidated financial statements, a difference between the accounting and tax value of those assets was generated.

During 2008, the fair value allocation to the acquisition of Continente Hipermercados S.A. (Note 9) was completed. In this process, and supported by Sonae's business plan, besides the tax impact created by the valuation of acquired assets and liabilities, Sonae recorded deferred tax assets (7,363,727 Euro) arising from tax losses carried forward amounting 29,454,907 Euro. The values of 2007 and 2007 Pro-Forma were reexpressed to include that effect.

As at 31 December 2008 and 2007, the tax rate used to calculate the deferred tax assets arising from tax losses carried forward was 25%. For the deferred tax assets arising from temporary differences, the considered rate was 26.5%.

As at 31 December 2008 and 2007, and in accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward and using exchange rates effective at that time, tax losses carried forward can be summarised as follows:

	31.December.2008			31.December.2007 pro forma		
	Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use						
Generated in 2002	-	-	2008	12,815,616	3,203,904	2008
Generated in 2003	1,077,065	269,266	2009	10,854,057	2,713,514	2009
Generated in 2004	2,658,095	664,524	2010	2,660,633	665,158	2010
Generated in 2005	1,508,454	377,114	2011	8,373,556	2,093,389	2011
Generated in 2006	1,138,251	284,562	2012	2,788,070	697,017	2012
Generated in 2007	23,759,138	5,939,785	2013	31,244,289	7,811,073	2013
Generated in 2008	4,651,622	1,162,908	2014	-	-	
	<u>34,792,625</u>	<u>8,698,159</u>		<u>68,736,221</u>	<u>17,184,055</u>	
Without limited time use	10,346,392	3,126,514		6,783,431	1,922,301	
With a time limit different from the above mentioned	142,929,494	42,700,499		27,620,047	8,235,914	
Arising from discontinued operations	<u>153,275,886</u>	<u>45,827,013</u>		<u>34,403,478</u>	<u>10,158,215</u>	
	<u>188,068,511</u>	<u>54,525,172</u>		<u>103,139,699</u>	<u>27,342,270</u>	

As at 31 December 2008 and 2007, deferred tax assets resulting from tax losses carried forward were re-assessed against each company's business plans, which are regularly updated, and available tax planning opportunities. Deferred tax assets have only been recorded to the extent that future taxable profits will arise which may be offset against available tax losses or against deductible temporary differences.

As at 31 December 2008, there were tax losses carried forward, amounting to 761,693,530 euro (983,795,169 euro in 2007) for which no deferred tax assets were recognized due to uncertainties of their future use. These may be summarised as follows:

	31.December.2008			31.December.2007 pro forma		
	Tax losses carried forward	Deferred tax credit	Time limit	Tax losses carried forward	Deferred tax credit	Time limit
With limited time use						
Generated in 2002	-	-	2008	433,259,735	108,315,185	2008
Generated in 2003	7,840,316	1,960,080	2009	41,896,110	10,474,030	2009
Generated in 2004	7,284,015	1,821,004	2010	23,869,128	5,967,282	2010
Generated in 2005	31,838,954	7,959,738	2011	88,713,548	22,178,386	2011
Generated in 2006	69,678,529	17,419,632	2012	68,204,804	17,051,201	2012
Generated in 2007	79,771,355	19,942,840	2013	74,094,509	18,623,626	2013
Generated in 2008	17,458,087	4,364,521	2014			
	<u>213,871,256</u>	<u>53,467,815</u>		<u>730,037,834</u>	<u>182,609,710</u>	
Without limited time use	31,496,303	8,383,429		34,124,969	10,101,615	
With a time limit different from the above mentioned	516,325,971	149,725,560		219,632,366	63,700,019	
	<u>761,693,530</u>	<u>211,576,804</u>		<u>983,795,169</u>	<u>256,411,344</u>	

**23. CASH AND CASH EQUIVALENTS**

As at 31 December 2008 and 2007, Cash and cash equivalents are as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
Cash at hand	6,243,465	6,482,418	6,482,624
Bank deposits	140,335,695	190,639,339	190,688,029
Treasury applications	37,781,744	87,281,800	89,230,800
Cash and cash equivalents on the balance sheet	184,360,904	284,403,557	286,401,453
Bank overdrafts (Note 26)	(41,394,916)	(10,775,880)	(10,775,881)
Cash and cash equivalents on the statement of cash flows	142,965,988	273,627,677	275,625,572

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

**24. SHARE CAPITAL**

As at 31 December 2008, the share capital, which is fully subscribed and paid for, is made up of 2,000,000,000 ordinary shares, which do not have the right to a fixed dividend, with a nominal value of 1 euro each.

On 15 November 2008, Sonae Holding sold, 132,856,072 Sonae Holding shares directly owned by the Company. The shares were sold in a market operation at the unit price of 2.06 euro per share and resulted on a cash inflow (net of brokerage commissions) of 273,398,877 euro.

On the same date, Sonae Investments, BV, wholly owned by Sonae Holding entered into a derivative financial instrument - Cash Settled Equity Swap - over a total of 132,800,000 Sonae Holding shares, representative of 6.64% of its capital.

This transaction has a maximum maturity of three years and a strictly financial liquidation, without any duty or right for the Company or any of its associated companies in the purchase of these shares. This transaction allows Sonae to totally maintain the economic exposure to the sold shares.

In this context, although legally all the rights and obligations inherent to these shares have been transferred to the buyer, Sonae Holding did not derecognize their own shares, recording a liability in the caption Other non-current liabilities (Note 29). According to the interpretation made by Sonae of the IAS 39, applied by analogy to own equity instruments, the derecognition of own shares is not allowed as the group maintains the risks and rewards arising on the instruments sold.

Consequently, Sonae maintains the deduction from Equity amounting to the acquisition cost of the 132,800,000 shares (138,568,275 euro), and has accounted for the consideration received for the above mentioned sale of own shares in the caption Other non-current liabilities (273,568,000 euro).

Due to the detach of Sonae Capital SGPS, SA demerger rights attributable to the 132,800,000 Sonae SGPS, SA shares subject to the above mentioned agreement, the Group recognized an asset measured at its' fair value. This asset as not been derecognized as the Group also entered into a Cash Settled Equity Swap over the Sonae Capital SGPS, SA shares, and therefore a liability was recognized. Consequently, and in relation with this operation the full liability amount can be detailed as follows: market value of Sonae SGPS, SA shares amounting to 58,149,108 Euro and market value of Sonae Capital SGPS, SA shares amounting to 7,304,000 euro.

These liabilities are adjusted at the end of each month by the effect in Sonae Holding or Sonae Capital, SGPS, S.A. share price, as applicable, being recognized an asset/liability in order to present the right/obligation related to the cash settlement of the operation that resets monthly (Notes 19, 29 and 32).

Additionally, the costs related to the "floating amount" based on Euribor 1 month are recorded in the income statement.

The receivable amount arising on dividends distributed by the Company is credited to Equity in order to offset the charge of the distribution. The dividends attributable to the Sonae SGPS, SA amounted to 3,984,000 on 31 December 2008 and were credited to Equity.

The number of shares taken into consideration to calculate earnings per share includes the shares referred to above as a deduction to the shares issued by the Company (Note 48).

At 31 December 2008, the following entities held more than 20% of the subscribed share capital:

Entity	%
Efanor Investimentos, SGPS, SA and subsidiaries	52.98

The capital structure is analysed in the Management Report section titled "Sonae Performance in 2008 - consolidated balance sheet".

**25. MINORITY INTERESTS**

Movements in minority interests during the period ended 31 December 2008 and 2007 are as follows:

	31.December.2008	31.December.2007 Restated (Note 8)
Opening balance as at 1 January	448,365,507	402,058,314
Dividends	(2,475,031)	(21,887,082)
Exchange rate effect	(890,857)	373,748
Acquisitions of subsidiaries	-	(9,632,960)
Disposals of subsidiaries	(5,370,066)	(2,171,988)
Demerger of Sonae Capital	-	9,310,396
Increase of capital and premium on subsidiaries	36,604,140	-
Increased shareholding by acquisitions	(11,887,804)	(8,454,103)
Decreased shareholding by disposals	(3,299,989)	-
Changes in hedge and fair value reserves	(7,761,789)	868,668
Others	(777,613)	5,230,470
Profit for the period attributable to minority interests	(40,957,397)	72,670,044
Closing balance as at 31 December 2008	411,549,101	448,365,507

**26. BORROWINGS**

As at 31 December 2008 and 2007, Borrowings are made up as follows:

	31.December.2008			31.December.2007		
	Outstanding amount			Outstanding amount		
	Amount limit	Current	Non current	Amount limit	Current	Non current
<b>Bank loans</b>						
Sonae, SGPS, SA - commercial paper	350,000,000	138,200,000	-	350,000,000	-	-
Sonae Distribuição, SGPS, S.A. - commercial paper	563,000,000	20,000,000	230,000,000	163,000,000	-	-
a)b) Sonae Sierra affiliated companies	471,190,318	26,844,447	382,135,505	498,624,959	16,476,410	417,635,936
a)b)c) Sonae Sierra affiliated companies	430,867,643	7,153,557	415,653,220	452,885,624	5,971,751	401,044,158
a) Sonae Sierra affiliated companies	41,097,065	13,670,597	22,516,460	-	-	-
Sonaeacom SGPS, SA commercial paper	320,000,000	-	231,000,000	320,000,000	-	225,000,000
Sonaeacom SGPS, SA	15,000,000	4,873,000	-	15,000,000	-	-
Continente Hipermarcados SA - commercial paper	80,000,000	-	-	80,000,000	80,000,000	-
Others		7,572,291	6,977,246		16,660,838	22,532,079
		218,313,892	1,288,282,431		119,108,998	1,066,212,172
Bank overdrafts (Note 23)		41,394,916	-		10,775,880	-
Up-front fees beard with the issuance of borrowings		(802,841)	(7,019,907)		(677,170)	(6,521,094)
<b>Bank loans</b>		258,905,967	1,281,262,524		129,207,708	1,059,691,078
<b>Bonds</b>						
Bonds Sonae / 05		-	100,000,000		-	100,000,000
Bonds Sonae 2006/2011		-	250,000,000		-	250,000,000
Bonds Sonae 2007/2014		-	150,000,000		-	150,000,000
Bonds Modelo Continente / 2003		-	82,000,000		-	82,000,000
Bonds Modelo Continente / 2004		100,000,000	-		-	100,000,000
Bonds Modelo Continente / 2005 / 2010		-	64,925,000		-	64,925,000
Bonds Modelo Continente / 2005 / 2012		-	150,000,000		-	150,000,000
Bonds Modelo Continente / 2007 / 2012		-	200,000,000		-	200,000,000
Bonds Sonae Distribuição / 2007 / 2015		-	200,000,000		-	200,000,000
Bonds Sonae Distribuição / 2007 / 2016		-	310,000,000		-	310,000,000
Bonds Sonaeacom / 2005		-	150,000,000		-	150,000,000
Obrigações Sonae Sierra 2008/2013		-	37,500,000		-	-
Up-front fees beard with the issuance of borrowings		(69,433)	(10,210,681)			(12,074,291)
<b>Bonds</b>		99,930,567	1,684,214,319		-	1,744,850,709
<b>Other loans</b>		35,486	628,195		36,229	276,330
Derivative instruments (Note 28)		5,369,980	21,646,496		363,463	828,199
<b>Other loans</b>		5,405,466	22,274,691		399,692	1,104,529
<b>Obligations under finance leases (Note 27)</b>		5,829,172	28,701,579		8,709,711	23,470,674
		370,071,172	3,016,453,112		138,317,111	2,829,116,990

- a) These amounts are proportionate considering the percentage held by Sonae;  
b) These loans are guaranteed by mortgages of investment properties held by these affiliated companies;  
c) These loans are guaranteed by a pledge of shares held in the those affiliated companies;

Interest rate of the bonds are equal to Euribor 6 months plus a spread between 0.25% and 1.15%.

Bank loans bear interests at market rates based on Euribor for each interest payment term, therefore the fair value of bank loans is estimated to be similar to their market value.

The difference totalling 96,624,019 euro between the financial statements as at 31 December 2007 and the financial statements pro-forma in the same date result from the exclusion of Sierra PTF Fund that started to be consolidated by the use of equity method.

The derivative instruments are recorded at fair value (Note 28).

The face value loans maturities and interests are as follows:

	31.December.2008		31.December.2007	
	Capital	Interests	Capital	Interests
N+1 <sup>a)</sup>	365,573,466	160,445,963	138,630,818	150,432,366
N+2	218,420,062	139,770,421	123,716,946	145,535,905
N+3	359,930,980	127,575,596	226,053,892	140,591,920
N+4	537,232,284	105,852,723	357,710,073	126,995,930
N+5	506,240,050	82,086,426	528,494,772	109,507,295
After N+5	1,390,213,829	154,813,311	1,610,908,493	249,664,994
	<u>3,377,610,671</u>	<u>770,544,440</u>	<u>2,985,514,994</u>	<u>922,728,410</u>

a) Includes amounts drawn under commercial paper programmes.

As of 31 December 2008 and 2007, the available credit facilities are as follows:

	31.December.2008		31.December.2007	
	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year
Unused credit facilities amounts				
Retail	341,684,549	170,000,000	317,737,441	400,000,000
Shopping Centres	53,781,154	-	88,870,955	-
Telecommunications	14,978,667	89,000,000	9,611,398	95,000,000
Sonae Holding and others	194,783,894	-	350,032,958	-
	<u>605,228,264</u>	<u>259,000,000</u>	<u>766,252,752</u>	<u>495,000,000</u>
Agreed credit facilities amounts				
Retail	371,370,074	400,000,000	401,572,344	400,000,000
Shopping Centres	70,309,185	-	98,126,784	-
Telecommunications	19,851,688	320,000,000	9,611,398	320,000,000
Sonae Holding and others	340,067,000	-	350,032,958	-
	<u>801,597,947</u>	<u>720,000,000</u>	<u>859,343,484</u>	<u>720,000,000</u>

## 27. OBLIGATIONS UNDER FINANCE LEASES:

As at 31 December 2008 and 2007, Obligations under finance leases are as follows:

Obligations under finance leases	Minimum finance lease payments		Present value of minimum finance lease payments	
	31.December.2008	31.December.2007	31.December.2008	31.December.2007
Amounts under finance leases:				
N+1	7,405,130	10,066,259	5,829,172	8,709,711
N+2	6,425,872	5,669,793	5,145,609	4,634,081
N+3	3,474,514	4,536,491	2,407,047	3,674,007
N+4	3,046,952	1,904,989	2,094,646	1,159,838
N+5	2,658,765	1,885,669	1,796,321	1,196,417
After N+5	21,298,915	16,674,909	17,257,956	12,806,331
	<u>44,310,148</u>	<u>40,738,110</u>	<u>34,530,751</u>	<u>32,180,385</u>
Interests	(9,779,397)	(8,557,725)		
	<u>34,530,751</u>	<u>32,180,385</u>		
Current obligations under finance leases			5,829,172	8,709,711
Non-current obligations under finance leases			<u>28,701,579</u>	<u>23,470,674</u>

Finance leases are contracted at market interest rates, have defined useful lives and include an option for the acquisition of the related assets at the end of the period of the contract (except for medium and long term agreements with suppliers of fibre optic network capacity).

The medium and long term agreements made with the suppliers of the fibre optic network capacity, under which Sonae has the right to use that network, which is considered as a specific asset, are recorded as finance leases in accordance with IAS 17 – "Leases" and IFRIC 4 – "Determining whether an arrangement contains a Lease". These contacts have a maturity between 15 and 20 years.

As at 31 December 2008 and 2007, the fair value of finance leases is close to its accounting value.

Obligations under finance leases are guaranteed by related assets.

As at 31 December 2008 and 2007., accounting net value of assets acquired under finance leases can be detailed as follows:

	31.December.2008	31.December.2007
<b>Assets acquired under finance leases</b>		
Lands and buildings	31,389,745	19,649,684
Plant and machinery	18,583,456	19,740,577
Vehicles	89,349	-
Tools	-	-
Fixture and Fittings	4,974,377	5,617,268
Total tangible assets	<u>55,036,927</u>	<u>45,007,529</u>
Investment properties	2,261,077	-
	<u>57,298,004</u>	<u>45,007,529</u>

As of 31 December 2008, the acquisition cost of Tangible assets amounted to 73,474,043 euro (54,747,561 euro at 31 December 2007).

## 28. DERIVATIVES

### Exchange rate derivatives

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

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

As at 31 December 2008, the fair value of exchange rate derivatives which haven't been considered hedging instruments, calculated based on present market value of equivalent financial instruments of exchange rate, is of 475,848 euro included in liabilities (281,123 euro as of 31 December 2007) and 72,494 euro on the caption Current investments (2,151,335 euro as at 31 December 2007).

From the total amount registered in Assets, 2,149,364 euro refers to derivative transactions (Non Deliverable Forwards - "NDF") entered into during 2007 in order to hedge the exchange rate exposure as consequence of the share purchase agreement with the Sonae Sierra partner in Brazil (DDR), to reinvest the amount of 300,000,000 Brazilian Real until the end of 2009. The notional of the NDF amounts to 230,039,050 Brazilian Real.

The computation of the fair value of these financial instruments was made taking into consideration the present value at balance sheet date of the forward settlement amount of the relevant NDF contract. The settlement amount considered in the valuation, is equal to the reference currency notional amount (foreign currency) multiplied by the difference between the contracted forward exchange rate and the forward exchange market rate to the settlement date as at the valuation date.

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

### Interest rate derivatives

As at 31 December 2008, derivatives used by the Group refer essentially to swaps and interest rate options ("cash flow hedges"). These were negotiated to hedge the interest rate risk of loans amounting to 1.510.850.147 euro (1,302,514,561 euro as at 31 December 2007). The fair value of these derivatives amounts to -19.091.434 euro (8,344,227 euro as at 31 December 2007), and is disclosed as assets amounting to 2.602.678 euro (9,172,426 euro as at 31 December 2007) and as liabilities 21.694.112 euro (828.199 euro as at 31 de December de 2007). As at 31 December 2007, 82,340 euro relates to derivatives on loans which no longer qualify as hedging derivatives, although continuing to hedge interest risks. As at 31 December 2006 all derivatives were considered hedging derivatives.

During 2008, and for the purpose of hedging interest rate risk, cancelable swaps (which have an interest rate lower than the market rate of an identical term swap as it includes a written put option), were negotiated. The counterparties have the right to cancel the derivatives at interest exchange date, after the payment of the first coupon, which occur half-yearly. From the cancellation no cash flow occurs. Since the derivative includes a written put option, it does not qualify for hedge accounting. Therefore the change in fair value was recorded in the consolidated income statement.

The derivatives were valued considering the estimated future cash-flows, assuming the exercise of the cancellation options by the counterparties when the forward interest rates are higher than the established fixed interest rate. Sonae intends to keep these derivatives until their expiration date, therefore, this valuation is considered to be the most appropriate to estimate the future cash flows.

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

The hedging principles generally used by the group when negotiating these financial derivatives are defined in note 3.4.1.

### Interest rate and exchange rate derivatives

As at 31 December 2008 no contracts existed related to interest rate and exchange rate derivatives.

### Fair value of derivatives

The fair value of derivatives is detailed as follows:

	Assets		Liabilities	
	31.December.2008	31.December.2007	31.December.2008	31.December.2007
Derivatives not qualified as hedging				
Exchange rate	72,494	2,151,335	475,849	281,123
Interest rate	-	-	4,846,515	82,340
Hedging derivatives				
Exchange rate	-	-	-	-
Interest rate	2,602,678	9,172,426	21,694,112	828,199
Interest and exchange rate	-	-	-	-
Other derivatives	-	-	-	-
	<u>2,675,172</u>	<u>11,323,761</u>	<u>27,016,476</u>	<u>1,191,662</u>

**29. OTHER NON-CURRENT LIABILITIES**

As at 31 December 2008 and 2007 Other non-current liabilities are made up as follows:

	31.December.2008	31.December.2007
Shareholders loans	17,409,765	24,107,894
Fixed assets suppliers	3,041,799	11,597,003
Other non-current liabilities	76,423,646	275,160,877
Financial instruments	96,875,210	310,865,774
"E-Iniciatives" Programme (Note 52)	56,772,000	-
Accruals and deferrals	1,816,948	2,157,352
Other non-current liabilities	155,464,158	313,023,126

The caption Shareholder loans relates to loans in affiliated undertakings in the Retail Shopping Centres segment. These liabilities have a defined vesting date and bear interest at variable market rates.

The caption Other non-current liabilities includes the amount of 65,453,108 euro (263,059,508 as at 31 December 2007) related to the fair value of the derivative on Sonae Holding and Sonae Capital SGPS, SA, shares referred to in Note 24.

The Board of Directors believes that the fair value of Other non-current liabilities is similar to its carrying amount.

**30. SHARE-BASED PAYMENTS**

In 2008 and in previous years, Sonae granted deferred performance bonuses to its directors and eligible employees. These are either based on shares to be acquired at nil cost, three years after they were attributed to the employee, or based on share options with the exercise price equal to the share price at the grant date, to be exercised three years later. In both cases, the acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. The company has the choice to settle in cash instead of shares. The option can only be exercised if the employee still works for the Sonae on the vesting date.

As at 31 December 2008 and 2007, the market value of total liabilities arising from share-based payments, which have not yet vested, may be summarised as follows:

	Year of grant	Vesting year	Number of participants	Fair value	
				31.December.2008	31.December.2007
<b>Shares</b>					
	2005	2008	67	-	8,956,701
	2006	2009	441	2,981,061	7,472,751
	2007	2010	472	3,102,734	7,856,374
	2008	2011	492	3,357,478	-
<b>Total</b>				9,441,273	24,285,826

As at 31 December 2008 and 2007 the financial statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan, which has not yet vested:

	31.December.2008	31.December.2007
Staff costs	(1,112,886)	12,906,145
Recorded in previous years	8,226,971	4,368,199
	7,114,085	17,274,344
Other liabilities	7,114,085	17,274,344

**31. TRADE CREDITORS**

As at 31 December 2008 and 2007, Trade creditors are as follows:

	31.December.2008	Payable to		
		up to 90 days	90 to 180 days	More than 180 days
Trade creditors - current account				
Retail	672,266,957	669,178,107	1,795,762	1,293,088
Shopping Centres	13,678,175	11,995,539	730,527	952,109
Telecommunications	130,010,572	130,010,572	-	-
Holding and others	1,164,136	940,654	52,158	171,324
	817,119,840	812,124,872	2,578,447	2,416,521
Trade creditors - Invoice Accruals	233,118,722	230,822,879	912,987	1,382,856
	1,050,238,562	1,042,947,751	3,491,434	3,799,377
	31.December.2007 Restated			
		up to 90 days	90 to 180 days	More than 180 days
Trade creditors - current account				
Retail	579,039,741	577,201,678	1,811,064	26,999
Shopping Centres	10,159,274	8,562,715	577,159	1,019,400
Telecommunications	138,110,738	138,110,738	-	-
Holding and others	620,362	563,390	10,349	46,623
	727,930,115	724,438,521	2,398,572	1,093,022
Trade creditors, Invoice Accruals	261,373,263	260,183,378	1,189,885	-
	989,303,378	984,621,899	3,588,457	1,093,022

As at 31 December 2008 and 2007, this caption relates only to trade payables due in the normal course of Group companies activities. The Board of Directors believes that the fair market value of these payables is approximately its book value.

### 32. OTHER CREDITORS

As at 31 December 2008 and 2007, Other creditors are as follows:

	31.December.2008	Payable to		
		up to 90 days	90 to 180 days	More than 180 days
Fixed asset suppliers	155,062,698	139,841,612	3,267,122	11,953,964
Other debts	71,581,443	41,733,907	10,124,094	19,723,441
	226,644,141	181,575,519	13,391,216	31,677,405
Related undertakings	7,255,731			
	<u>233,899,872</u>			

	31.December.2007 Restated	Payable to		
		up to 90 days	90 to 180 days	More than 180 days
Fixed asset suppliers	102,556,372	95,985,917	2,517,800	4,052,655
Other debts	83,116,092	67,113,555	3,940,295	12,062,242
	185,672,464	163,099,472	6,458,095	16,114,897
Related undertakings	30,616,400			
	<u>216,288,864</u>			

The caption Other debts includes:

- 11,135,042 euro (12,263,128 euro as at 31 December 2007) of attributed discounts not yet used related to loyalty card "Cartão Cliente";
- 8,235,402 euro (6,085,151 euro as of 31 December 2007) related to means of payments owned by clients, as vouchers, gift cards and discount tickets.
- 11,050,444 euro (7,944,600 euro as at 31 December 2007) related to payable amounts to Sonae Distribuição Brasil, S.A. buyer as a result of responsibilities assumed with that entity. These amounts were fully provided for (Note 34);
- 10,508,492 euro relating to the commitment assumed on the monthly cash settlement of the derivative which underlying is Sonae Holding shares (Note 24). As at 31 December 2008 it was recognized as an account receivable.

As at 31 December 2008 and 2007, this caption includes payables amounts to other creditors and fixed assets suppliers that do not bear interest. The Board of Directors believes that the fair value of these payables is approximately its book value.

### 33. OTHER CURRENT LIABILITIES

As at 31 December 2008 and 2007, Other current liabilities are made up as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
Property investments accruals	17,195,145	23,892,172	27,231,695
Accrual for tangible assets	52,666,464	23,507,992	23,507,992
Holiday pay and bonuses	116,989,003	103,767,265	103,767,265
Interest payable	39,631,328	33,293,669	33,975,996
Invoices to be issued (a)	52,237,364	67,830,234	67,830,234
Commissions	7,352,747	7,922,541	7,922,541
Marketing expenses	14,265,989	27,152,426	27,152,426
Information society	25,702,090	-	-
Other external supplies and services	49,814,557	49,556,488	49,632,490
Accrued income - trade debtors (a)	40,552,618	29,528,642	29,509,612
Deferred income - rents	4,931,720	4,293,106	5,260,081
Subsidies	63,298	424,961	424,961
Others	34,244,730	43,160,575	44,894,822
	<u>455,647,053</u>	<u>414,330,071</u>	<u>421,110,115</u>

a) Essentially from Telecommunications segment

### 34. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in Provisions and impairment losses over the period ended 31 December 2008 and 2007 are as follows:

Caption	Balance as at 31.December.2007	Allocation of Fair Value	Balance as at 31.December.2007	Increase	Decrease	Changes in consolidation perimeter	Balance as at 31.December.2008
Accumulated impairment losses on investments (Note 15)	26,314	-	26,314	-	-	(13,157)	13,157
Accumulated impairment losses on other non-current assets (Note 16)	301,571	-	301,571	-	(10,000)	-	291,571
Accumulated impairment losses on trade account receivables (Note 18)	85,985,340	-	85,985,340	23,115,177	(12,226,277)	(187,765)	96,686,475
Accumulated impairment losses on other debtors (Note 19)	9,250,508	-	9,250,508	3,884,296	(866,539)	628,443	12,896,708
Accumulated impairment losses on inventories (Note 17)	24,759,431	-	24,759,431	11,512,101	(7,312,110)	824,292	29,783,714
Non-current provisions	107,984,226	1,321,769	109,305,995	5,344,758	(60,739,295)	3,175,517	57,086,975
Current provisions	2,295,457	256,500	2,551,957	-	(113,252)	(69,551)	2,369,154
	<u>230,602,847</u>	<u>1,578,269</u>	<u>232,181,116</u>	<u>43,856,332</u>	<u>(81,267,473)</u>	<u>4,357,779</u>	<u>199,127,754</u>



Caption	Balance as at 1.January.2007	Increase	Decrease	Demerger	Changes in consolidation perimeter	Balance as at 31.December.2007
Accumulated impairment losses on investments (Note 15)	11,817,808	20,663,277	(3,659,227)	(28,720,051)	(75,493)	26,314
Accumulated impairment losses on other non-current assets (Note 16)	991,815	170,125	(69,529)	(790,840)	-	301,571
Accumulated impairment losses on trade account receivables (Note 18)	87,481,138	9,438,959	(10,366,016)	(7,589,772)	7,021,031	85,985,340
Accumulated impairment losses on other debtors (Note 19)	10,634,714	21,741,496	(452,344)	(23,532,708)	859,350	9,250,508
Accumulated impairment losses on inventories (Note 17)	25,098,215	7,995,583	(2,242,798)	(7,350,716)	1,259,147	24,759,431
Non-current provisions	63,234,735	10,885,777	(13,124,031)	(20,494,949)	67,482,694	107,984,226
Current provisions	2,464,091	33,595	(1,210,260)	(1,321,793)	2,329,824	2,295,457
	<u>201,722,516</u>	<u>70,928,812</u>	<u>(31,124,205)</u>	<u>(89,800,829)</u>	<u>78,876,553</u>	<u>230,602,847</u>

Changes in consolidation perimeter, in provisions and impairment losses, during 2008 and 2007 are as follows:

	31.December.2008	31.December.2007
Disposal of companies	(1,047,849)	(3,643,177)
Acquisition of companies	5,405,628	20,969,918
Consolidation of Sonae RE	-	61,137,164
Others	-	412,648
	<u>4,357,779</u>	<u>78,876,553</u>

As at 31 December 2008 and 2007 increases in Provisions and impairment losses are as follows:

	31.December.2008	31.December.2007
Provisions and impairment losses	35,512,894	17,460,444
Impairment losses not included in this note		
Goodwill (Note 14)	(8,142,574)	(3,659,303)
Investment Properties	(1,820,992)	
Tangible assets (Note 11)	-	(160,940)
Provisions for losses in investments (b)	-	23,333,402
Account receivables, Impairment Losses	1,428,904	-
Provisions for an account receivable related to the sale of investments (b)	-	19,794,479
Provisions for dismantling telecommunication sites (a)	2,091,500	3,857,160
Provision for inventories impairments		
Recorded in cost of goods sold (Note 17)	10,856,498	7,995,583
Others	3,930,102	2,307,987
	<u>43,856,332</u>	<u>70,928,812</u>

(a) These costs are capitalised in tangible assets and are amortised according to the corresponding assets useful life;

(b) As at 31 December 2007, these amounts were recorded in the income statement as a deduction on the capital gain arising on the sale of investments.

As at 31 December 2008 and 2007, the provisions detail is as follows:

	31.December.2008	31.December.2007
Technical provisions on reinsurance	12,008,857	61,137,164
Expenses to be incurred with the sale of the Brazilian subsidiaries	6,016,688	14,628,032
Dismantling telecommunications sites	20,591,640	18,888,140
Judicial claims	17,942,992	2,749,949
Others	2,895,952	12,876,398
	<u>59,456,129</u>	<u>110,279,683</u>

Amounts included in "Technical provisions on reinsurance" relate to a group captive company that operates in the non-life re-insurance industry. The provision amount can be detailed as follows: 4,799,050 euro (5,650,956 euro as at 31 December 2007) related to provisions for non-acquired insurance premiums and 7,209,807 euro (55,486,208 euro as at 31 December 2007) related to provisions for claims outstanding. The amount to be recovered from the reinsurance companies is recorded in the caption Reinsurer's share of technical provisions (Note 16).

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

### 35. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2008 and 2007, major Contingent liabilities were guarantees given are as follows::

	31.December.2008	31.December.2007
Guarantees given:		
on tax claims	129,494,243	92,198,572
on judicial claims	2,021,086	1,907,032
on municipal claims	23,255,089	11,687,093
Others	69,834,195	71,897,604

Others include the following guarantees:

- 15,904,712 euro (23,861,474 Euro as of 31 December 2007) to guarantee part of the debt of Sonae Sierra affiliates related with the purchase, sale and exchange of Land;
- 10,576,961 euro (35,800,646 euro as at 31 December 2007) related to VAT reimbursement requests.

During the period ended 31 December 2008, a Retail segment company in Brazil granted a guarantee of approximately 21,856,170 euro (70,892,539 Brazilian real) on a tax claim, which is being judged by tax courts (25,255,265 euro equivalent to 65,570,840 Brazilian real as at 31 December 2007).

As a consequence of the sale of a subsidiary company in Brazil, the Group guaranteed the buyer all the losses incurred by that company arising on unfavourable decisions not open for appeal, concerning tax lawsuits on transactions that took place before the sale date (13 December 2005) and that exceed 40 million euro. As at 31 December 2008, the amount claimed by the Brazilian Tax Authorities concerning the tax lawsuits still in progress, which the company's lawyers assess as having a high probability of loss, amount to near 2,3 million euro. Furthermore, there are other tax lawsuits totalling 65 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.

Furthermore, there are other tax lawsuits totalling 65 million Euro for which the Board of Directors, based on the lawyers' assessment, understands will not imply future losses to the sold subsidiary above the referred 40 million Euro.

No provision has been registered to face risks arising from events related to guarantees given, as the Board of Directors considers that no liabilities will result for Sonae.

### 36. OPERATIONAL LEASES

Minimum lease payments (fixed income) arising from operational leases, in which the Group acts as a lessor, recognised as income during the period ended 31 December 2008, 31 December 2007 pro forma and 2007 amounted to 105,702,189 euro, 82,648,498 euro and 91,675,182 euro, respectively.

Additionally, as at 31 December 2008 and 2007, Sonae had operational lease contracts, as a lessor, fundamentally in the Shopping Centres segment, whose minimum lease payments (fixed income) had the following payment schedule:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
Due in:			
N+1 automatically renewal	982,169	839,808	839,808
N+1	101,354,687	103,498,232	114,508,782
N+2	90,091,077	96,154,658	106,284,524
N+3	79,011,410	81,058,271	90,730,915
N+4	68,789,212	68,884,581	78,048,090
N+5	56,516,724	54,329,162	61,710,768
After N+5	43,177,561	45,258,431	50,619,065
	<u>439,922,840</u>	<u>450,023,143</u>	<u>502,741,952</u>

Rents arising from operational leases, in which the Sonae acts as a lessee, during the period ended 31 December 2008 amounted to 104,297,554 euro (50,768,053 euro as at 31 December 2007).

Additionally, as at 31 December 2008 and 2007, Sonae had operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

	31.December.2008	31.December.2007
Due in:		
N+1 automatically renewal	19,266,686	18,031,480
N+1	78,793,722	32,647,680
N+2	74,801,157	28,034,530
N+3	67,661,514	23,737,448
N+4	61,321,705	21,166,777
N+5	55,431,819	14,225,551
After N+5	144,126,354	64,903,797
	<u>501,402,957</u>	<u>202,747,263</u>

### 37. TURNOVER

As at 31 December 2008 and 2007, Turnover is made up as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
Sale of goods	4,149,749,990	3,291,037,122	3,305,597,738
Sale of products	18,812,342	18,868,127	122,711,398
	<u>4,168,562,332</u>	<u>3,309,905,249</u>	<u>3,428,309,136</u>
Services rendered	1,184,541,613	1,107,395,651	1,199,416,024
Turnover	<u>5,353,103,945</u>	<u>4,417,300,900</u>	<u>4,627,725,160</u>

**38. VALUE CREATED ON INVESTMENT PROPERTIES**

As at 31 December 2008 and 2007, Value created on investment properties is made up as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
Properties previously under development and opened during the period (Note 13)	18,716,720	28,036,069	28,035,542
Changes in fair value of investment properties in operation (Note 13)	7,579,782	-	-
Variation in fair value on "fit-out" contracts (Note 13)	(699,811)	216,458	237,263
Variation in fair value in investment properties in operation			
Gains	18,024,012	141,329,566	137,882,205
Losses	(159,426,178)	(12,693,132)	(13,746,420)
	<u>(115,805,475)</u>	<u>156,888,961</u>	<u>152,408,590</u>

**39. OTHER OPERATIONAL INCOME**

As at 31 December 2008 and 2007, Other operational income are as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
Supplementary income	373,451,675	289,713,481	291,096,801
Own work capitalised	25,652,913	20,237,352	114,001,145
Gains on sales of assets	19,162,839	11,863,888	12,771,231
Negative Goodwill (Note 9)	9,864,000	76,642	76,642
Impairment losses reversals	3,605,668	2,983,458	3,361,967
Key money	2,498,222	3,943,874	3,916,290
Subsidies	398,525	190,430	453,326
Taxes refunded	123,500	526,881	526,921
Others	21,031,828	8,638,367	10,846,206
	<u>455,789,170</u>	<u>338,174,373</u>	<u>437,050,529</u>

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

**40. EXTERNAL SUPPLIES AND SERVICES**

As at 31 December 2008 and 2007, External supplies and services are as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
Subcontracts	447,159,905	421,066,567	574,869,161
Services	119,553,347	97,447,884	105,400,625
Publicity	153,166,000	130,619,432	131,546,247
Rents	105,143,717	79,165,604	82,362,225
Commissions	45,847,951	54,206,486	55,596,027
Transports	46,097,161	36,907,002	41,650,000
Electricity	57,486,013	45,901,835	50,913,917
Maintenance	35,899,576	27,088,806	30,669,721
Security	27,373,830	19,383,267	20,333,227
Cleaning up services	24,698,728	18,313,335	13,305,585
Insurances	10,109,386	8,841,132	11,077,353
Communications	11,100,082	7,797,915	8,248,354
Travel expenses	8,978,656	6,803,919	8,146,052
Others	84,627,186	57,252,048	66,143,494
	<u>1,177,241,538</u>	<u>1,010,795,232</u>	<u>1,200,261,988</u>

**41. STAFF COSTS**

As at 31 December 2008 and 2007, Staff costs are as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
Salaries	486,458,558	409,404,068	459,199,332
Social security contributions	97,417,066	78,224,445	86,720,148
Insurance	10,173,927	8,810,172	9,553,996
Welfare	2,404,497	1,665,640	2,158,726
Other staff costs	15,950,343	10,676,003	12,178,524
	<u>612,404,391</u>	<u>508,780,328</u>	<u>569,810,726</u>

**42. OTHER OPERATIONAL EXPENSES**

As at 31 December 2008 and 2007, Other operational expenses are as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
ATM expenses	23,842,612	20,086,989	20,163,174
Other taxes	19,501,934	16,457,493	19,365,725
Write-off of investment properties	26,518,956	858,180	858,180
Losses on the sale of assets	6,375,143	5,856,736	7,528,622
Municipal Property tax	6,285,854	5,465,636	6,430,846
Donations	6,473,836	6,161,226	6,192,597
Doubtful debts written-off	1,587,256	939,768	1,011,116
Others	24,404,437	20,697,805	22,221,205
	<u>114,990,028</u>	<u>76,523,833</u>	<u>83,771,465</u>

**43. NET FINANCIAL EXPENSES**

As at 31 December 2008 and 2007, net financial expenses are as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
<b>Expenses</b>			
Interest payable			
related with bank loans and overdrafts	(75,234,793)	(48,934,098)	(52,408,752)
related with non convertible bonds	(97,512,565)	(74,014,087)	(74,115,643)
related with financial leases	(1,566,000)	(1,829,875)	(2,068,316)
related with hedge derivatives	(93,535)	(195,730)	(195,730)
others	(11,699,999)	(16,233,172)	(16,019,195)
	<u>(186,106,892)</u>	<u>(141,206,962)</u>	<u>(144,807,636)</u>
Exchange losses	(9,031,784)	(3,547,299)	(3,564,906)
Payment discounts given	-	-	(65,712)
Fair value adjustment of investments registered at fair value on the income statement	(8,341,676)	(131,724)	(131,724)
Losses on fair value of hedge derivatives	(814,941)	(26,630)	(26,630)
Up front fees and commissions related to loans	(4,595,046)	(13,931,761)	(13,931,761)
Others	(7,921,576)	(8,023,987)	(10,451,061)
	<u>(216,811,915)</u>	<u>(166,868,363)</u>	<u>(172,979,430)</u>
<b>Income</b>			
Interest receivable			
related with bank deposits	3,388,712	16,741,390	16,969,592
others	24,423,197	26,953,174	22,305,789
	<u>27,811,909</u>	<u>43,694,564</u>	<u>39,275,381</u>
Exchange gains	11,034,644	3,126,618	3,364,509
Payments discounts received	161,171	180,204	248,469
Fair value adjustment of investments registered at fair value on the income statement	1,428,137	5,024,376	5,024,376
Hedge inefficiency	814,941	134,091	134,091
Other financial income	1,850,421	579,686	739,475
	<u>43,101,223</u>	<u>52,739,539</u>	<u>48,786,301</u>
<b>Net financial expenses</b>	<u>(173,710,692)</u>	<u>(114,128,824)</u>	<u>(124,193,129)</u>

**44. INVESTMENT INCOME**

As at 31 December 2008 and 2007 investment income are as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
<b>Dividends</b>	375,121	43,670	1,538,075
Partial sale or participating units on Sierra PTF	10,708,784	-	-
Sale of 50 % of travel business	4,674,685	-	-
Sale of shares in Sonaecom	651,721	27,478,036	27,478,036
Sale of Safira	-	-	2,493,061
Partial sale of Loureshopping	-	-	3,117,745
Others	765,455	8,993,427	(439,863)
<b>Gains / (losses) on the sale of investments in subsidiaries</b>	<u>16,800,645</u>	<u>36,471,463</u>	<u>32,648,979</u>
Partial sale of ba Vidro	-	-	8,744,475
Sale of PT	-	2,473,445	2,473,445
Sale of Despegar	-	3,017,071	3,017,071
Others	810,746	-	269,117
<b>Gains / (losses) on the sale of investments on available for sale</b>	<u>810,746</u>	<u>5,490,516</u>	<u>14,504,108</u>
Impairment losses on investments at subsidiaries	4,809	(10,000)	-
Impairment losses on investments at associated companies	(168,689)	(160,125)	-
Impairment losses on investments available for sale	(1,765,850)	-	(210,125)
<b>Impairment reversal/(losses) on investments</b>	<u>(1,929,730)</u>	<u>(170,125)</u>	<u>(210,125)</u>
	<u>16,056,782</u>	<u>41,835,524</u>	<u>48,481,037</u>

**45. TAXATION**

As at 31 December 2008 and 2007, Taxation is as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
Current tax	24,656,511	22,934,669	26,023,270
Deferred tax (Note 22)	(37,302,951)	5,436,514	752,018
	<u>(12,646,440)</u>	<u>28,371,183</u>	<u>26,775,288</u>

At December 2008 and 2007 deferred taxation includes 8,830,512 euro and 2,342,342 euro, respectively, relating to a withholding tax credit on income received from participation units in the Real Estate Investment Trusts.

The reconciliation between the profit before taxation and the tax charge for the periods ended 31 December 2008 and 2007 is summarised as follows:

	31.December.2008	31.December.2007 Pro forma
Profit before income tax	26,431,832	383,400,446
Difference between capital (losses)/gains for accounting and tax purposes	(19,444,825)	(36,776,049)
Results of associated undertakings	(9,419,371)	(5,552,394)
Impairment of goodwill	7,806,839	-
Provisions and impairment losses not accepted for tax purposes	(2,084,940)	3,349,231
Permanent differences	(16,773,306)	59,209,391
Taxable Profit	(13,483,771)	403,630,625
Use of tax losses that have not originated deferred tax assets	(168,348,265)	(149,678,825)
Recognition of tax losses that have not originated deferred tax assets	308,106,748	32,110,942
	<u>126,274,712</u>	<u>286,062,742</u>
Income tax rate in Portugal	25.00%	25.00%
	<u>31,568,678</u>	<u>71,515,686</u>
Effect of different income tax rates in other countries	(1,022,148)	3,019,084
Effect of change in tax income rate in the calculation of deferred taxes	(1,923,964)	(3,401,152)
Effect of increases or decreases in deferred taxes	(39,403,313)	(44,242,716)
Under/(over) taxation estimates	(3,306,940)	(1,590,256)
Autonomous taxes and tax benefits	(2,647,246)	908,938
Municipality surcharge	4,088,493	2,161,599
Income tax	<u>(12,646,440)</u>	<u>28,371,183</u>

**46. RECONCILIATION OF CONSOLIDATED NET PROFIT**

As at 31 December 2008 and 2007, the reconciliation of consolidated net profit is as follows:

	31.December.2008	31.December.2007 Pro forma	31.December.2007
Aggregate net profit	326,656,822	1,430,262,587	1,350,534,682
Use of the proportionate method	3,781,170	(516,295,006)	(486,508,666)
Harmonisation adjustments	156,359,114	18,739,759	19,634,169
Elimination of intragroup dividends	(478,520,374)	(243,058,926)	(249,707,922)
Elimination of intragroup capital gains and losses	(116,562,876)	(442,012,268)	(445,059,238)
Elimination of intragroup provisions	120,638,760	43,440,006	38,035,172
Equity method	9,600,021	5,370,895	2,276,964
Consolidation adjustments to gains on sales of investments	16,502,915	66,303,045	133,843,298
Others	622,720	(7,720,829)	(6,334,377)
Consolidated net profit for the year	<u>39,078,272</u>	<u>355,029,263</u>	<u>356,714,082</u>

**47. RELATED PARTIES**

Balances and transactions with related parties during the periods ended 31 December 2008 and 2007 are as follows:

<b>Transactions</b>	Sales and services rendered			Purchases and services obtained		
	31.December.2008	31.December.2007 Pro forma	31.December.2007	31.December.2008	31.December.2007 Pro forma	31.December.2007
Parent company and group companies	53,583,046	51,753,173	55,970,999	1,502,269	1,680,992	57,574
Jointly controlled companies	12,514,431	14,175,145	30,058,485	16,724,063	16,562,573	17,587,580
Associated companies	19,975,645	1,986,105	1,738,332	12,746,169	4,639,426	21,762,420
Other partners in Group companies	10,766,319	10,637,652	36,114,271	45,901,542	38,007,187	11,930,393
	<u>96,839,441</u>	<u>78,552,075</u>	<u>123,882,087</u>	<u>76,874,043</u>	<u>60,890,178</u>	<u>51,337,967</u>

## 2008 CONSOLIDATED FINANCIAL STATEMENTS

Transactions	Interest income			Interest expenses		
	31.December.2008	31.December.2007 Pro forma	31.December.2007	31.December.2008	31.December.2007 Pro forma	31.December.2007
Parent company and group companies	-	-	-	-	-	-
Jointly controlled companies	268,731	308,301	541,120	3,215	1,171,081	1,229,175
Associated companies	-	559,166	3,863	138,531	-	-
Other partners in Group companies	78,816	8,810,133	45,950	1,794,312	3,819,537	2,994,997
	<u>347,547</u>	<u>9,677,600</u>	<u>590,933</u>	<u>1,936,058</u>	<u>4,990,618</u>	<u>4,224,172</u>
Balances	Accounts receivable			Accounts payable		
	31.December.2008	31.December.2007 Pro forma	31.December.2007	31.December.2008	31.December.2007 Pro forma	31.December.2007
Parent company and group companies	10,870,567	11,928,847	11,915,663	182,140	772,191	18,659
Jointly controlled companies	2,287,227	2,726,396	2,744,092	15,458,421	5,120,325	5,300,970
Associated companies	7,105,542	1,662,571	1,856,039	2,459,698	1,289,753	2,231,505
Other partners in Group companies	4,480,756	5,935,785	5,787,280	19,787,855	27,460,298	28,092,208
	<u>24,744,092</u>	<u>22,253,599</u>	<u>22,303,074</u>	<u>37,888,114</u>	<u>34,642,567</u>	<u>35,643,342</u>
Balances	Loans					
	31.December.2008	31.December.2007 Pro forma	31.December.2007	31.December.2008	31.December.2007 Pro forma	31.December.2007
Parent company and group companies	-	-	-	-	-	-
Jointly controlled companies	125,997	-	-	4,259,844	3,755,497	63,427
Associated companies	-	-	-	-	9,500,000	-
Other partners in Group companies	13,230,852	43,734,875	44,297,395	-	15,475	15,475
	<u>13,356,849</u>	<u>43,734,875</u>	<u>44,297,395</u>	<u>4,259,844</u>	<u>13,270,972</u>	<u>78,902</u>

The caption other partners in Group companies include Sonae Indústria, 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, as well as other affiliated companies of the parent company Efanor Investimentos, SGPS, SA.

Members of the Board of Directors were attributed the following remuneration in 2008 and 2007:

	31.December.2008	31.December.2007
Fixed remuneration	2,250,550	2,140,414
Variable remuneration	1,992,200	2,582,100
	<u>4,242,750</u>	<u>4,722,514</u>

Remunerations attributed in 2008 to key management staff of main companies of the Sonae Group (excluding members of Sonae SGPS, SA Board of Directors) amounted to 10,026,311 euro (12,599,050 euro at 2007), of which 5,463,640 euro (5,736,256 euro at 2007) are fixed remunerations and 4,562,671 euro (6,862,794 euro at 2007) are performance bonuses.

### 48. EARNINGS PER SHARE

Earning per share for the periods ended 31 December 2008 and 2007, excluding the effect of discontinued operations, were calculated taking into consideration the following amounts:

	31.December.2008	31.December.2007 Pro-forma	31.December.2008
<b>Net profit</b>			
Net profit taken into consideration to calculate basic earnings per share (consolidated profit for the year)	80,035,669	275,002,806	284,044,038
Effect of dilutive potential shares	-	-	-
Interest related to convertible bonds (net of tax)	-	-	-
Net profit taken into consideration to calculate diluted earnings per share	<u>80,035,669</u>	<u>275,002,806</u>	<u>284,044,038</u>
<b>Number of shares</b>			
Weighted average number of shares used to calculated basic earnings per share	1,867,200,000	1,866,824,215	1,866,824,215
Effect of dilutive potential ordinary shares from convertible bonds	-	-	-
Weighted average number of shares used to calculated diluted earnings per share	<u>1,867,200,000</u>	<u>1,866,824,215</u>	<u>1,866,824,215</u>
<b>Earnings per share (basic and diluted)</b>	<u>0.042864</u>	<u>0.147310</u>	<u>0.152154</u>

There are no convertible instruments included in Sonae Holding shares thereby, dilutive effect is reported. The calculation of 2008 average number of shares considered the effect of 132,800,000 Sonae Holding shares underlying the derivative in Note 24 as own shares.

**49. CASH RECEIPTS/PAYMENTS RELATED TO INVESTMENTS**

As at 31 December 2008 and 2007, cash receipts and cash payments related to investments are as follows:

<u>Receipts</u>	31.December.2008	31.December.2007 Pro-forma	31.December.2007
Sale of 58% Sierra Portugal Real Estate	67,140,700	-	-
Price adjustment of Continente Hipermercados	30,113,103	-	-
Sale of 50% of travel Business	15,700,000	-	-
Sale of PT shares		108,461,473	108,461,473
Sale of Sonaecom shares		23,150,000	23,150,000
Sale of Agloma Investments		15,454,999	15,454,999
Sale of Safira		-	5,000,000
Sale of 50% of Loureshopping		14,991,339	14,991,339
Partial sale of Barbaridade Glass		-	12,056,590
Others	10,136,834	54,492,481	42,678,113
	<u>123,090,637</u>	<u>216,550,292</u>	<u>221,792,514</u>

<u>Payments</u>	31.December.2008	31.December.2007 Pro-forma	31.December.2007
Acquisition of Sonaecom Shares	28,731,527	-	-
Imosede Capital Increase	14,878,381	21,011,577	21,011,577
Acquisition of Geotur	12,028,500	-	-
Acquisition of Continente Hipermercados	-	612,370,755	612,370,755
Acquisition of insurance operations acquired to Sonae Capital	-	70,052,475	70,052,475
Acquisition of 50% of Arrabidashopping	-	24,529,683	24,529,683
Acquisition of 50% of GaiaShopping	-	27,040,663	27,040,663
Acquisition of Cape Technologies	-	18,569,144	18,569,144
Acquisition of DMJB	-	-	22,000,000
Acquisition of Arbiword	-	-	9,986,500
Acquisition of Tele 2	-	14,506,136	14,506,136
Acquisition of Riverplz	-	11,610,461	11,610,461
Acquisition of Craiova	-	16,016,566	16,016,566
Others	21,347,999	62,800,930	69,208,683
	<u>76,986,407</u>	<u>878,508,390</u>	<u>916,902,643</u>

**50. DIVIDENDS**

In the Shareholders Annual General Meeting held on 21 April 2008, the payment of a gross dividend of 0.03 euro per share (0.03 euro per share in 2007) corresponding to a total of 60,000,000.00 euro (55,997,442.84 euro at 2007) was approved. On the 21 April 2008 the value of the dividends of the derivatives' underlying shares mentioned in Note 24, amounted 3,984,000 euro and were credited in the caption equity.

For 2008, the Board of Directors will propose a gross dividend of 0.03 euro per share corresponding to a total of 60,000,000 euro. This dividend is subject to approval by shareholders in the Shareholders Annual Meeting.

**51. SEGMENT INFORMATION**

In 2008 and 2007, the following were identified as primary business segments:

- Retail
- Shopping Centres
- Telecommunications
- Sonae Holding and Others

The geographic segments (secondary) identified in 2008 and 2007 are listed as follows:

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



## 2008 CONSOLIDATED FINANCIAL STATEMENTS

The contribution of the business segments to the income statement for the periods ended on 31 December 2008 and 2007 is as follows:

31.December.2008						
	Retail	Shopping Centres	Telecommunications	Sonae Holding and Others	Consolidation Adjustments	Consolidated
Operational income						
Sales	4,074,293,436	-	94,268,896	-	-	4,168,562,332
Services rendered	136,388,111	168,772,870	859,411,784	19,968,848	-	1,184,541,613
Value created on investments properties	-	(115,805,475)	-	-	-	(115,805,475)
Other operational income	402,870,469	21,878,213	29,967,008	968,394	102,086	455,786,170
	4,613,552,016	74,845,608	983,647,688	20,937,242	102,086	5,693,084,640
Inter-segment income	35,262,876	2,030,205	12,102,989	1,985,438	(51,381,508)	-
	4,648,814,892	76,875,813	995,750,677	22,922,680	(51,279,422)	5,693,084,640
Depreciation and amortisation	114,581,749	1,184,431	152,524,582	420,418	5,107,982	273,819,162
Provisions and impairment losses	5,185,021	7,946,122	20,264,271	555,242	1,562,238	35,512,894
Operational profit (EBIT)	246,624,773	(65,581,652)	5,835,965	(6,313,737)	(5,432,454)	175,132,895
Net financial expenses	(72,012,415)	(43,891,966)	(17,782,066)	(38,598,234)	(1,426,011)	(173,710,692)
Share of results of associated undertakings	-	-	-	-	8,952,847	8,952,847
Investment income	3,078,933	10,941,494	(744,990)	99,395,725	(96,614,380)	16,056,782
Profit before taxation	177,691,291	(98,532,124)	(12,691,091)	54,483,754	(94,519,998)	26,431,832
Income tax	(10,742,371)	3,087,765	20,181,800	754,371	(635,125)	12,646,440
Net profit for the period	166,948,920	(95,444,359)	7,490,709	55,238,125	(95,155,123)	39,078,272
- attributable to equity holders of Sonae						80,035,669
- attributable to minority interests						(40,957,397)

31.December.2007						
	Retail	Shopping Centres	Telecommunications	Sonae Holding and Others	Consolidation Adjustments	Consolidated Pro forma
Operational income						
Sales	3,238,944,891	-	70,960,358	-	-	3,309,905,249
Services rendered	137,012,504	145,142,178	806,004,561	19,236,408	-	1,107,395,651
Value created on investments properties	-	156,888,961	-	-	-	156,888,961
Other operational income	297,554,957	19,463,187	22,080,826	1,393,010	(2,317,607)	338,174,373
	3,673,512,352	321,494,326	899,045,745	20,629,418	(2,317,607)	4,912,364,234
Inter-segment income	31,267,428	4,581,070	8,226,798	1,255,394	(45,330,690)	-
	3,704,779,780	326,075,396	907,272,543	21,884,812	(47,648,297)	4,912,364,234
Depreciation and amortisation	87,177,693	1,014,849	138,757,031	437,589	810,452	228,197,614
Provisions and impairment losses	1,737,549	1,542,796	9,634,720	3,348	2,375,817	15,294,230
Operational profit (EBIT)	214,011,002	222,110,671	23,197,641	(5,835,382)	(3,342,580)	450,141,352
Net financial expenses	(34,416,395)	(22,663,181)	(27,274,567)	(29,753,695)	(20,986)	(114,128,824)
Share of results of associated undertakings	-	-	-	-	5,552,394	5,552,394
Investment income	326,663	8,615,338	5,387,986	81,030,844	(53,525,307)	41,835,524
Profit before taxation	179,921,270	208,062,828	1,311,060	45,441,767	(51,336,479)	383,400,446
Income tax	(7,655,557)	(56,238,942)	36,635,014	(1,446,305)	334,607	(28,371,183)
Net profit for the period	172,265,713	151,823,886	37,946,074	43,995,462	(51,001,872)	355,029,263
- attributable to equity holders of Sonae						275,002,806
- attributable to minority interests						80,026,457

31.December.2007							
	Retail	Shopping Centres	Telecommunications	Services	Sonae Holding and Others	Consolidation Adjustments	Consolidated
Operational income							
Sales	3,238,716,184	-	70,768,384	113,611,608	5,212,960	-	3,428,309,136
Services rendered	135,818,958	148,168,873	805,204,646	94,950,944	18,944,973	(3,672,370)	1,199,416,024
Value created on investments properties	-	161,317,713	-	-	-	(8,909,123)	152,408,590
Other operational income	276,351,717	18,407,145	22,124,087	122,144,933	601,053	(2,578,406)	437,050,529
	3,650,886,859	327,893,731	898,097,117	330,707,485	24,758,986	(15,159,899)	5,217,184,279
Inter-segment income	53,892,921	4,581,070	9,175,426	4,397,265	14,789,448	(86,836,130)	-
	3,704,779,780	332,474,801	907,272,543	335,104,750	39,548,434	(101,996,029)	5,217,184,279
Depreciation and amortisation	87,177,693	1,014,849	138,757,031	6,461,804	1,479,345	61,408	234,952,130
Provisions and impairment losses	1,737,549	1,551,796	9,634,719	864,618	3,348	3,668,414	17,460,444
Operational profit (EBIT)	214,011,002	230,190,112	23,197,641	11,928,174	(5,414,042)	(17,415,689)	456,497,198
Net financial expenses	(34,416,395)	(24,783,308)	(27,274,567)	(8,939,303)	(29,777,723)	998,167	(124,193,129)
Share of results of associated undertakings	-	-	-	-	-	2,704,264	2,704,264
Investment income	(4,650,171)	8,615,338	5,387,986	12,917,603	98,120,757	(71,910,476)	48,481,037
Profit before taxation	174,944,436	214,022,142	1,311,060	15,906,474	62,928,992	(85,623,734)	383,489,370
Income tax	(7,655,557)	(57,818,912)	36,635,014	326,479	(1,635,518)	3,373,206	(26,775,288)
Net profit for the period	167,288,879	156,203,230	37,946,074	16,232,953	61,293,474	(82,250,528)	356,714,082
- attributable to equity holders of Sonae							284,044,038
- attributable to minority interests							72,670,044

The contribution of the business segments to the balance sheets as at 31 December 2008 and 2007 is as follows:

31. December.2008						
	Retail	Shopping Centres	Telecommunications	Sonae Holding and Others	Consolidation Adjustments	Consolidated
<b>Fixed Assets</b>						
Intangible	164,289,357	3,009,221	281,717,045	207,480	(8,923,942)	440,299,161
Tangible	1,909,424,274	1,578,889	585,740,992	1,449,325	9,749,556	2,507,943,036
Investment properties	-	1,845,379,929	-	-	(3,377,356)	1,842,002,573
Goodwill <sup>1</sup>	-	-	-	-	697,267,362	697,267,362
Investments	57,266,432	45,967,503	5,844,034	48,356,831	(1,793,130)	155,641,670
Deferred tax assets	67,426,816	14,693,600	124,862,171	19,233	(47,131)	206,954,689
Other assets	747,482,532	88,873,065	356,772,301	33,550,449	(18,514,092)	1,208,164,255
Cash, Cash Equivalents and Current Investments	177,924,802	55,093,511	105,719,328	8,640,440	(99,460,414)	247,917,667
<b>Total assets</b>	<b>3,123,814,213</b>	<b>2,054,595,718</b>	<b>1,460,655,871</b>	<b>92,223,758</b>	<b>574,900,853</b>	<b>7,306,190,413</b>
<b>Non-current liabilities</b>						
Borrowings	1,243,067,911	874,645,638	399,257,484	502,465,955	(2,983,875)	3,016,453,113
Deferred tax liabilities	76,369,332	252,385,172	605,414	2,030,552	(481,790)	330,908,680
Other non-current liabilities	26,267,148	14,788,642	172,439,218	67,805,609	(68,749,484)	212,551,133
<b>Current liabilities</b>						
Borrowings	152,913,562	56,223,229	6,571,550	154,379,919	(17,087)	370,071,173
Other current liabilities	1,242,718,617	118,183,412	465,433,499	126,377,893	(139,050,986)	1,813,662,435
<b>Total liabilities</b>	<b>2,741,336,570</b>	<b>1,316,226,093</b>	<b>1,044,307,165</b>	<b>853,059,928</b>	<b>(211,283,222)</b>	<b>5,743,646,534</b>
<b>Total investment</b>	<b>387,535,547</b>	<b>184,789,552</b>	<b>299,042,265</b>	<b>30,451,457</b>		<b>901,818,821</b>
<b>Gross Debt</b>	<b>1,395,981,473</b>	<b>930,868,867</b>	<b>405,829,034</b>	<b>656,845,866</b>	<b>(3,000,955)</b>	<b>3,386,524,285</b>
<b>Net Debt</b>	<b>1,218,056,671</b>	<b>875,775,356</b>	<b>300,109,706</b>	<b>648,205,425</b>	<b>96,459,460</b>	<b>3,138,606,618</b>
31. December.2007						
	Retail	Shopping Centres	Telecommunications	Sonae Holding and Others	Consolidation Adjustments	Consolidated Pro forma
<b>Fixed Assets</b>						
Intangible	153,136,765	3,553,684	192,416,571	118,561	(2,979,937)	346,245,644
Tangible	1,674,779,965	1,176,095	533,165,965	1,391,131	9,643,012	2,220,156,168
Investment properties	-	1,851,525,009	-	-	(544,678)	1,850,980,331
Goodwill <sup>1</sup>	-	-	-	-	675,666,021	675,666,021
Investments	43,887,151	20,359,968	7,102,202	22,141,003	27,385,380	120,875,704
Deferred tax assets	36,003,939	11,221,491	101,118,096	37,213	(48,560)	148,332,179
Other assets	683,568,652	82,380,853	320,676,431	78,948,664	(9,884,850)	1,155,689,750
Cash, Cash Equivalents and Current Investments	125,062,227	32,996,687	83,851,612	101,744,777	818,178	344,473,481
<b>Total assets</b>	<b>2,716,438,699</b>	<b>2,003,213,787</b>	<b>1,238,330,877</b>	<b>204,381,349</b>	<b>700,054,566</b>	<b>6,862,419,278</b>
<b>Non-current liabilities</b>						
Borrowings	1,106,503,697	741,829,177	391,596,174	497,000,804	(2,246,197)	2,734,683,655
Deferred tax liabilities	46,554,841	269,691,571	284,402	2,416,071	73,109	319,019,994
Other non-current liabilities	30,302,969	29,927,254	30,393,470	328,573,323	2,569,585	421,766,601
<b>Current liabilities</b>						
Borrowings	90,935,924	36,242,778	2,550,499	6,411,526	(14,300)	136,126,427
Other current liabilities	1,121,420,669	140,501,006	396,728,752	35,201,242	(11,482,835)	1,682,368,834
<b>Total liabilities</b>	<b>2,395,718,100</b>	<b>1,218,191,786</b>	<b>821,553,297</b>	<b>869,602,966</b>	<b>(11,100,638)</b>	<b>5,293,965,511</b>
<b>Total investment</b>	<b>800,086,030</b>	<b>417,279,028</b>	<b>235,657,425</b>	<b>549,302</b>	<b>-</b>	<b>1,453,571,785</b>
<b>Gross Debt</b>	<b>1,197,439,621</b>	<b>778,071,955</b>	<b>394,146,673</b>	<b>503,412,330</b>	<b>(2,260,496)</b>	<b>2,870,810,083</b>
<b>Net Debt</b>	<b>1,072,377,395</b>	<b>745,080,744</b>	<b>310,295,061</b>	<b>401,667,554</b>	<b>(3,084,153)</b>	<b>2,526,336,601</b>

## 2008 CONSOLIDATED FINANCIAL STATEMENTS

31. December.2007

	Retail	Shopping Centres	Telecommunications	Sonae Holding and Others	Consolidation Adjustments	Consolidated
<b>Fixed Assets</b>						
Intangible	153,136,765	3,553,684	192,416,571	118,561	(2,979,937)	346,245,644
Tangible	1,674,779,963	1,176,095	533,165,965	1,391,131	9,643,011	2,220,156,165
Investment properties	-	2,062,673,604	-	-	(544,678)	2,062,128,926
Goodwill <sup>1</sup>	-	-	-	-	697,390,378	697,390,378
Investments	43,887,151	20,359,968	7,102,202	22,861,867	(8,607,391)	85,603,797
Deferred tax assets	36,003,939	12,212,701	101,118,096	37,213	(48,561)	149,323,388
Other assets	637,723,327	77,482,995	320,676,431	78,948,664	25,433,194	1,140,264,611
Cash, Cash Equivalents and Current Investments	125,062,227	34,994,583	83,851,612	101,744,777	818,178	346,471,377
<b>Total assets</b>	<b>2,670,593,372</b>	<b>2,212,453,630</b>	<b>1,238,330,877</b>	<b>205,102,213</b>	<b>721,104,194</b>	<b>7,047,584,286</b>
<b>Non-current liabilities</b>						
Borrowings	1,106,503,697	836,262,512	391,596,174	497,000,804	(2,246,197)	2,829,116,990
Deferred tax liabilities	46,554,841	299,080,440	284,402	2,416,071	73,109	348,408,863
Other non-current liabilities	30,302,968	32,739,640	30,393,470	328,573,323	319,720	422,329,121
<b>Current liabilities</b>						
Borrowings	90,935,924	38,433,460	2,550,499	6,411,526	(14,298)	138,317,111
Other current liabilities	1,121,420,674	149,590,790	396,728,752	35,201,242	(11,555,512)	1,691,385,946
<b>Total liabilities</b>	<b>2,395,718,104</b>	<b>1,356,106,842</b>	<b>821,553,297</b>	<b>869,602,966</b>	<b>(13,423,178)</b>	<b>5,429,558,031</b>
<b>Total investment</b>	<b>800,086,030</b>	<b>411,103,512</b>	<b>235,657,425</b>	<b>124,438,780</b>	<b>-</b>	<b>1,571,285,747</b>
<b>Gross Debt</b>	<b>1,197,439,621</b>	<b>874,695,972</b>	<b>394,146,673</b>	<b>503,412,330</b>	<b>(2,260,495)</b>	<b>2,967,434,101</b>
<b>Net Debt</b>	<b>1,072,377,395</b>	<b>839,706,865</b>	<b>310,295,061</b>	<b>401,667,553</b>	<b>(3,084,150)</b>	<b>2,620,962,724</b>

1) The allocation of the goodwill is detailed in Note 14.

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

	31. December.2008	31. December.2007
<b>Inflows</b>		
Bank debt	656,845,874	503,412,330
Cash and cash equivalents and current investments	(8,640,440)	(101,744,777)
<b>Net bank debt</b>	<b>648,205,434</b>	<b>401,667,553</b>
Sonae Distribuição	-	-
Sonae Sierra	-	-
SonaeCom	-	-
Others	-	5,723
Intercompany short term loans obtained	-	5,723
<b>Total inflows</b>	<b>648,205,434</b>	<b>401,673,276</b>
<b>Outflows</b>		
Sonae Capital	-	-
Others	-	1,943,295
Intercompany loans granted	-	1,943,295

The contribution of the business segments to the cash flow statements for the periods ended on 31 December 2008 and 2007 is as follows:

31. December.2008

	Retail	Shopping Centres	Telecommunications	Sonae Holding and Others	Consolidated
Operating activities	307,684,066	65,633,780	94,635,907	(1,728,861)	466,224,892
Investment activities	(258,455,469)	(111,206,848)	(163,112,138)	(41,792,513)	(574,566,968)
Financing activities	80,738,836	90,842,209	(22,171,509)	(170,249,525)	(20,839,989)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>129,967,433</b>	<b>45,269,141</b>	<b>(90,647,740)</b>	<b>(213,770,899)</b>	<b>(129,182,065)</b>

31. December.2007 Pro Forma

	Retail	Shopping Centres	Telecommunications	Sonae Holding and Others	Consolidated
Operating activities	315,399,836	54,349,086	127,702,339	(4,049,074)	493,402,187
Investment activities	(818,401,212)	(311,403,158)	(58,431,702)	69,865,521	(1,118,370,551)
Financing activities	292,680,496	144,137,702	(131,032,550)	(48,271,546)	257,514,102
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(210,320,880)</b>	<b>(112,916,370)</b>	<b>(61,761,913)</b>	<b>17,544,901</b>	<b>(367,454,262)</b>

## 2008 CONSOLIDATED FINANCIAL STATEMENTS

31.December.2007						
	Retail	Shopping Centres	Telecomm.	Services	Sonae Holding and Others	Consolidated
Operating activities	336,247,887	57,320,142	145,444,653	(13,046,436)	(8,304,090)	517,662,156
Investment activities	(826,850,091)	(326,526,133)	(58,652,280)	(96,038,286)	211,554,572	(1,096,512,218)
Financing activities	303,187,681	160,971,979	(132,688,800)	(69,475,534)	(23,943,759)	238,051,567
Net increase/(decrease) in cash and cash equivalents	(187,414,523)	(108,234,012)	(45,896,427)	(178,560,256)	179,306,723	(340,798,495)

Turnover and operational profit by geographic segment are as follows:

	31.December.2008		31.December.2007 Pro forma		31.December.2007	
	Turnover by destination market	Operational profit	Turnover by destination market	Operational profit	Turnover by destination market	Operational profit
Portugal	5,136,445,409	216,225,965	4,262,626,613	362,812,071	4,378,916,324	362,310,424
Spain	82,349,160	(66,923,455)	47,765,909	24,203,293	58,401,633	24,266,961
France	14,827,603	-	20,259,131	-	71,278,479	6,250,198
United Kingdom	13,729,924	(3,472,414)	10,107,463	(1,488,504)	12,183,366	(1,490,883)
Germany	16,092,023	(5,574,550)	9,355,127	14,899,716	10,762,297	14,899,716
Brazil	19,786,228	39,311,509	17,151,739	28,663,270	18,727,233	28,663,857
Italy	12,105,508	1,536,002	5,996,078	4,709,757	11,937,153	4,709,757
Other European countries	35,397,009	(6,088,103)	33,722,391	16,290,937	53,908,504	16,237,593
Rest of the world	22,371,081	117,941	10,316,449	50,812	11,610,171	649,575
	5,353,103,945	175,132,895	4,417,300,900	450,141,352	4,627,725,160	456,497,198

Total assets and liabilities by geographic segment are as follows:

	31.December.2008		31.December.2007 Pro forma		31.December.2007	
	Total assets	Total liabilities	Total assets	Total liabilities	Total assets	Total liabilities
Portugal	6,092,286,140	4,961,460,264	5,753,040,076	4,623,489,377	5,959,621,033	4,780,459,289
Spain	484,981,007	373,202,953	485,190,338	336,685,859	485,190,338	336,685,859
United Kingdom	1,856,671	4,341,477	4,060,999	2,875,664	4,060,999	2,875,664
Germany	223,436,771	150,865,907	209,739,846	140,508,256	209,739,846	140,508,256
Brazil	203,077,544	57,537,405	183,525,327	48,626,837	183,525,327	48,626,837
Italy	163,181,716	160,617,660	113,923,755	105,584,308	113,923,755	105,584,308
Hungary	116,046,107	1,246,983	92,332,714	1,791,088	92,332,714	1,791,988
Other European countries	21,181,244	34,273,709	20,618,255	34,358,704	(797,693)	12,980,412
Rest of the world	143,211	100,176	(12,032)	45,418	(12,033)	45,418
	7,306,190,411	5,743,646,534	6,862,419,278	5,293,965,511	7,047,584,286	5,429,558,031

Headcount are as follows:

	31.December.2008	31.December.2007
Retail	28,895	23,273
Shopping Centres	856	761
Telecommunications	1,983	2,054
Sonae Holding and Others	166	163
	31,900	26,251

## 52. COMMITMENTS ASSOCIATED TO "INFORMATION SOCIETY"

Upon being given the UMTS Licence, Optimus (now Sonaecom – Serviços de Comunicações) assumed commitments in the area of promotion of the Information Society, totalling 274 million euro, to be complied with up to the end of the licence period (2015).

In accordance with the Agreement established on 5 June 2007 with the Ministry of Public Works, Transport and Communications ( "MOPTC"), part of these commitments, up to 159 million euro will be realised through own projects which qualify as contributions to the Information Society and incurred under the normal activities of Sonaecom – Serviços de Comunicações, S.A. (investment in the network and technology not resulting from the need to comply with the obligations assumed when the UMTS Licence was granted, and activities relating to research, development and promotion of services, contents and applications) which must be recognised by the MOPTC and by entities created especially for that purpose. At the date of approval of these financial statements, Euro 130 million (Euro 64 million in 2007) were already incurred in previous years and were validated by the above referred entities. The remaining amount is currently under evaluation or not yet realized. These charges will be recorded in the financial statements at the moment the projects are carried out and the estimated costs are known.

The remaining commitments, up to the amount of around 116 million euro, will be realised as agreed between Sonaecom- Serviços de Comunicações and MOPTC, through contributions to the "Iniciativas E" project (offer of modems, discounts on tariffs, cash contributions, among others, relating to the widespread use of broadband internet by students and teachers), the contributions being made through an Open fund called Information Society Fund (Fundo para a Sociedade de Informação), to be created by the three mobile operators operating in Portugal. Contributions under this project will be recorded, at their present value, as intangible fixed assets, as an additional cost of the UMTS licence, and will be amortised on a straight-line basis over the remaining period of the licence. Success of the project, which was initiated at the end of 2007, depends on participation of the beneficiaries in the various initiatives (e-opportunities, e-school and e-teacher) and will determine the possible need for a revision of the current conditions of the project, to a new model of contributions, to be determined at least 12 months after the beginning of the project.

The success of this project, initiated in the end of 2007, depended on the beneficiaries' participation to the various initiatives (e-opportunities, e-school and e-teacher) and could have been subject to revision during the a period of 12 months, i.e., until June 2008. Due to these facts, it was not possible, at 31 December 2007, to estimate in a reliable way the success of this project, and therefore, at that date it was not possible to produce a secure and reliable estimate of the responsibilities to be recognised.

Taking into consideration the success of the project during the first semester of 2008, Sonaecom considered that conditions to produce a reliable estimate of the total responsibilities associated with "Initiatives E" project were in place. Therefore, such responsibilities were recorded, at 30 June 2008, as an added cost of the UMTS license, against an entry in the captions 'Other non-current liabilities' and 'Other current liabilities' (Note 12).

During the third quarter of 2008, taking into account important facts occurred in recent months, namely that: incumbent operators weren't allowed to take part in the 4<sup>th</sup> license tendering process; and current national and international practice of extension, without costs, of GSM licenses and the renewal of UMTS licenses; the Group's Board of Directors decided to revise the useful life of the UMTS license, extending the amortisation period until 2030, given the high probability of its renewal and the high probability of such renewal being granted without significant costs. Therefore, in accordance with IAS 8, the impacts of the estimated useful life revision were recorded prospectively and amounted to minus 4 million Euros.

#### 53. COMMITMENTS ARISING ON THE SALE OF ASSETS REGARDING CONTINGENT SALE PRICES ADJUSTMENTS

Following the sale of 49.9% of the share capital of Sierra Holdings BV to a group of Investors, Sonae Sierra has agreed to revise the sale price of such shares if certain of the shopping malls are sold by any of the participating companies of Sierra Holdings BV. The price revision can occur whether with a sale of the asset (investment property in the case) or with a sale of the shares of the company that is directly or indirectly the owner of such asset. The price revision shall occur if either the sale is made for a lower price than the Market Value or Net Asset Value of the shares of the company that owns the asset ("price difference").

In that case, the price revision will correspond to the maximum potential income tax on the profit that would arise if, instead of the contribution or sale of the shares of the company that owns the asset of Sierra Holdings BV, the contribution or sale of the asset had occurred.

The price revision shall be computed considering the Investors' ownership percentage of the asset and is limited to:

- (i) in the case of the asset sale, to a maximum amount of 119,341,000 euro (59,670,000 attributable to Sonae);
- (ii) in the case of a sale of shares of the company that directly or indirectly owns the asset, to a maximum amount of 59,670,000 euro (29,835,000 Euro attributable to Sonae); the price revision will only take place if the price difference will can not be attributed to other reason than deferred income taxes;
- (iii) in either case, the price revision cannot result in a new price that is greater than the Market Value or the Net Asset Value, as applicable, of the transfer of the asset or of the shares respectively.

These guarantees are valid while the current agreements with the other shareholders of Sierra BV maintained.

Furthermore, Sonae Sierra has the right to make a proposal for the acquisition of the asset or the shares in stake before the same are offered for purchase to a third party.

The Group believes that the direct sale of the asset is not an attractive solution for this kind of operations as it is subject to certain encumbrances which do not exist in the sale of the shares of the asset's owner.

#### 54. PRESENTATION OF CONSOLIDATED INCOME STATEMENT

In the Management Report, and for the purposes of calculating financial indicators as EBITDA, the income statement is divided between Direct Income and Indirect Income, according to common practice in the Shopping Centre business.

The Indirect Income includes the contribution of the Shopping Centre business to the consolidated income statement, net of taxes, that results from: (i) valuation of investment properties; (ii) gains (losses) with the sale of financial investments, joint ventures or associates; (iii) impairment losses (including goodwill) and provisions for "Development Funds at Risk".

## 2008 CONSOLIDATED FINANCIAL STATEMENTS

The values for 2007 were also reexpressed in order to allow the comparison with 2008, being the EBITDA calculated only in the Direct Income, excluding the indirect contributions.

	31.December.2008			31.December.2007 Pro-Forma		
	Consolidated	Indirect income	Direct income	Consolidated	Indirect income	Direct income
Operational income						
Sales	4,168,562,332	-	4,168,562,332	3,309,905,249	-	3,309,905,249
Services rendered	1,184,541,613	-	1,184,541,613	1,107,395,651	-	1,107,395,651
Value created on investment properties	(115,805,475)	(115,805,475)	-	156,888,961	156,888,961	-
Other operational income						
Negative goodwill (Note 42)	9,864,000	-	9,864,000	-	-	-
Reversion of impairment losses (Note 42)	3,605,668	-	3,605,668	2,983,458	-	2,983,458
Other	442,319,502	-	442,319,502	335,190,915	-	335,190,915
Total operational income	5,693,087,640	(115,805,475)	5,808,893,115	4,912,364,234	156,888,961	4,755,475,273
Total operational cost (a)	5,517,954,745	37,178,747	5,480,775,998	4,462,222,882	4,570,776	4,457,652,106
Depreciation and amortisation	273,819,162	-	273,819,162	228,197,614	-	228,197,614
Provisions and impairment losses	35,512,894	7,218,486	28,294,408	15,294,230	1,935,817	13,358,413
Operational profit/(loss)	175,132,895	(152,984,222)	328,117,117	450,141,352	152,318,185	297,823,167
Financial profit/(loss)	(173,710,692)	-	(173,710,692)	(114,128,824)	-	(114,128,824)
Share of results of associated undertakings	8,952,847	(5,588,408)	14,541,255	5,552,394	1,301,483	4,250,911
Investment income	16,056,782	12,180,521	3,876,261	41,835,524	7,537,600	34,297,924
Profit before income tax	26,431,832	(146,392,109)	172,823,941	383,400,446	161,157,268	222,243,178
Income tax	12,646,440	14,530,359	(1,883,919)	(28,371,183)	(44,402,850)	16,031,667
Net profit for the period	39,078,272	(131,861,750)	170,940,022	355,029,263	116,754,418	238,274,845
- attributable to equity holders of Sonae	80,035,669	(79,067,142)	159,102,811	275,002,806	76,139,527	198,863,279
- attributable to minority interests	(40,957,397)	(52,794,608)	11,837,211	80,026,457	40,614,892	39,411,565
Cash-flow operacional (EBITDA) (b)			616,761,019			536,395,736

(a) The amount recorded in Direct income relates mainly to the reduction of investment properties value (Note 42), accruals for "Development Funds at Risk" and recognized impairment losses.

(b) EBITDA is computed as Operational income + Depreciation and amortisation + Provisions and impairment losses - Negative goodwill - Reversal of impairment losses.

### 55. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors on 17 March 2009, nevertheless they are still subject to approval at the Shareholders Annual General Meeting.

The Board of Directors

Belmiro de Azevedo

Álvaro Cuervo Garcia

Michel Marie Bon

José Neves Adelino

Duarte Paulo Teixeira de Azevedo

Álvaro Carmona e Costa Portela

Ângelo Gabriel Ribeirinho dos Santos Paupério

Nuno Manuel Moniz Trigo Jordão

# INDIVIDUAL FINANCIAL STATEMENTS





SONAE, SGPS, SA

COMPANY BALANCE SHEETS AS AT 31 DECEMBER 2008 AND 2007

(Translation of the individual financial statements originally issued in Portuguese.  
In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

ASSETS	Notes	31.December.2008	31.December.2007
<b>NON-CURRENT ASSETS:</b>			
Tangible assets	6	181,497	94,573
Intangible assets	7	1,242	-
Investments in affiliated companies	8	3,070,652,704	2,567,891,338
Other investments	9	100,049,880	49,880
Other non-current assets	10	598,542,161	1,086,871,182
<b>Total Non-Current Assets</b>		<b>3,769,427,484</b>	<b>3,654,906,973</b>
<b>CURRENT ASSETS:</b>			
Trade account receivables	11	1,626,676	1,392,495
Other debtors	12	31,391,881	93,347,279
Taxes recoverable	13	2,263,726	2,066,250
Other current assets	14	237,082	521,229
Investments held for trading	15	576,934	242,719
Cash and cash equivalents	16	418,450	88,356,998
<b>Total Current Assets</b>		<b>36,514,749</b>	<b>185,926,970</b>
<b>TOTAL ASSETS</b>		<b>3,805,942,233</b>	<b>3,840,833,943</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Share capital	17	2,000,000,000	2,000,000,000
Legal reserves	18	161,705,974	160,880,817
Fair value reserve, hedging reserve and other reserves	19	962,614,622	1,155,390,776
Retained earnings		322,737	322,737
Profit for the year		30,472,155	16,503,135
<b>TOTAL EQUITY</b>		<b>3,155,115,488</b>	<b>3,333,097,465</b>
<b>LIABILITIES:</b>			
<b>NON-CURRENT LIABILITIES:</b>			
Bonds	20.1	497,619,441	497,000,804
Other loans	20.2	4,846,515	-
<b>Total Non-Current Liabilities</b>		<b>502,465,956</b>	<b>497,000,804</b>
<b>CURRENT LIABILITIES:</b>			
Bank loans	20.3	138,209,277	1,660,856
Trade accounts payable		1,116,009	476,418
Other creditors	21	171,430	47,534
Taxes payable	22	603,578	1,588,469
Other current liabilities	23	8,260,495	6,962,397
<b>Total Current Liabilities</b>		<b>148,360,789</b>	<b>10,735,674</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,805,942,233</b>	<b>3,840,833,943</b>

The accompanying notes are part of these financial statements.

The Board of Directors



SONAE, SGPS, SA

COMPANY INCOME STATEMENTS BY NATURE  
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Translation of the individual financial statements originally issued in Portuguese.  
In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

	Notes	4 <sup>th</sup> Quarter 2008 (Unaudited)	31.December.2008	4 <sup>th</sup> Quarter 2007 (Unaudited)	31.December.2007
Operational income					
Services rendered	27	383,839	2,273,584	1,204,944	2,305,141
Other operational income	28	(4,985)	56,774	47,569	409,235
Total operational income		<u>378,854</u>	<u>2,330,358</u>	<u>1,252,513</u>	<u>2,714,376</u>
Operational expenses					
External supplies and services	29	(1,182,690)	(3,692,492)	(1,083,146)	(3,694,440)
Staff costs	30	(955,090)	(4,194,547)	(2,467,378)	(6,642,538)
Depreciation and amortisation	6	(14,926)	(45,437)	(23,556)	(91,112)
Other operational expenses	31	(94,508)	(263,330)	(72,624)	(621,927)
Total operational expenses		<u>(2,247,214)</u>	<u>(8,195,806)</u>	<u>(3,646,704)</u>	<u>(11,050,017)</u>
Operational profit/(loss)		<u>(1,868,360)</u>	<u>(5,865,448)</u>	<u>(2,394,191)</u>	<u>(8,335,641)</u>
Financial Expenses	32	(15,590,947)	(38,334,504)	(9,188,666)	(41,745,792)
Financial Income	32	11,664,922	67,426,621	17,978,224	71,696,285
Investment loss/income	33	(87,275,000)	7,691,335	(2,156,000)	(4,848,835)
Profit/(Loss) before taxation		<u>(93,069,385)</u>	<u>30,918,004</u>	<u>4,239,367</u>	<u>16,766,017</u>
Income tax	34	(445,849)	(445,849)	(262,878)	(262,882)
Profit/(Loss) for the year		<u>(93,515,234)</u>	<u>30,472,155</u>	<u>3,976,489</u>	<u>16,503,135</u>
Profit/(Loss) per share					
Basic	35	(0.046758)	0.015236	0.002074	0.008761
Diluted	35	<u>(0.046758)</u>	<u>0.015236</u>	<u>0.002074</u>	<u>0.008761</u>

The accompanying notes are part of these financial statements.

The Board of Directors



SONAE, SGPS, SA

COMPANY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Translation of the individual financial statements originally issued in Portuguese.  
In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

Notes	Share Capital	Own Shares	Legal Reserve	Fair value Reserve	Hedging Reserve	Other Reserves	Retained Earnings	Net Profit/(Loss)	Total
Balance as at 1 January 2007	2,000,000,000	(138,044,363)	157,623,915	540,120,826	-	666,206,004	322,737	65,138,044	3,291,367,163
Appropriation of profit of 2006:									
Transfer to legal reserves	18	-	3,256,902	-	-	-	-	(3,256,902)	-
Dividends distributed		-	-	-	-	-	-	(55,997,443)	(55,997,443)
Transfer to /(from) retained earnings		-	-	-	-	5,883,699	-	(5,883,699)	-
(Purchase)/Sale of own shares		-	138,044,363	-	-	135,248,516	-	-	273,292,879
Increase / (Decrease) in fair value of derivative hedges, net of taxes		-	-	-	162,774	-	-	-	162,774
Increase / (Decrease) in fair value of available for sale investments		-	-	111,465,823	-	-	-	-	111,465,823
Transfer to profit/(loss) of the period		-	-	78,941,388	-	-	-	-	78,941,388
Profit/(Loss) for the period ended 31 December 2007		-	-	-	-	-	-	16,503,135	16,503,135
Demerger Sonae Capital, SGPS, SA		-	-	-	-	(382,638,254)	-	-	(382,638,254)
Others		-	-	-	-	-	-	-	-
Balance as at 31 December 2007	2,000,000,000	-	160,880,817	730,528,037	162,774	424,699,965	322,737	16,503,135	3,333,097,465
Balance as at 1 January 2008	2,000,000,000	-	160,880,817	730,528,037	162,774	424,699,965	322,737	16,503,135	3,333,097,465
Appropriation of profit of 2007:									
Transfer to legal reserves	18	-	825,157	-	-	-	-	(825,157)	-
Dividends distributed		-	-	-	-	(44,322,022)	-	(15,677,978)	(60,000,000)
Transfer to /(from) retained earnings		-	-	-	-	-	-	-	-
(Purchase)/Sale of own shares		-	-	-	-	-	-	-	-
Increase / (Decrease) in fair value of derivative hedges, net of taxes		-	-	-	144,296	-	-	-	144,296
Increase / (Decrease) in fair value of available for sale investments		-	-	(148,598,428)	-	-	-	-	(148,598,428)
Transfer to profit/(loss) of the period		-	-	-	-	-	-	-	-
Profit/(Loss) for the period ended 31 December 2008		-	-	-	-	-	-	30,472,155	30,472,155
Others		-	-	-	-	-	-	-	-
Balance as at 31 December 2008	2,000,000,000	-	161,705,974	581,929,609	307,070	380,377,943	322,737	30,472,155	3,155,115,488

The accompanying notes are part of these financial statements.

The Board of Directors



SONAE, SGPS, SA

COMPANY CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Translation of the individual financial statements originally issued in Portuguese.  
In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

	Notes	31.December.2008	31.December.2007
<b>OPERATING ACTIVITIES</b>			
Cash receipts from trade debtors		2,039,760	1,710,885
Cash paid to trade creditors		(3,113,120)	(3,536,358)
Cash paid to employees		(5,136,990)	(7,309,718)
Cash flow generated by operations		(6,210,350)	(9,135,191)
Income taxes (paid) / received		(343,865)	(872,442)
Other cash receipts and (payments) relating to operating activities		(784,741)	(24,211)
Net cash flow from operating activities (1)		(7,338,956)	(10,031,844)
<b>INVESTMENT ACTIVITIES</b>			
Cash receipts arising from:			
Investments	36	3,579,042	248,076,285
Tangible assets		-	1,140
Dividends	33	94,979,579	76,848,426
Interest and similar income		73,527,427	60,135,420
Others		-	400,000
Loans granted		1,314,820,280	2,835,208,146
		1,486,906,328	3,220,669,417
Cash payments arising from:			
Investments	36	(842,085,478)	(20,000,500)
Tangible assets		(585,135)	(90,053)
Intangible assets		(399)	-
Loans granted		(771,561,000)	(3,112,236,085)
		(1,614,232,012)	(3,132,326,638)
Net cash used in investment activities (2)		(127,325,684)	88,342,779
<b>FINANCING ACTIVITIES</b>			
Cash receipts arising from:			
Loans obtained		1,015,221,000	5,234,410,085
Sale of own shares		-	273,398,877
Others		-	150,000
		1,015,221,000	5,507,958,962
Cash payments arising from:			
Loans obtained		(877,021,000)	(5,533,225,184)
Interest and similar charges		(29,829,089)	(40,764,345)
Dividends	38	(59,993,240)	(55,992,318)
Purchase of own shares		-	(106,000)
		(966,843,329)	(5,630,087,847)
Net cash used in financing activities (3)		48,377,671	(122,128,885)
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		(86,286,969)	(43,817,950)
Cash and cash equivalents at the beginning of the period	16	86,696,142	130,514,092
Cash and cash equivalents at the end of the period	16	409,173	86,696,142

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, S.A.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(Translation of the individual financial statements originally issued in Portuguese.  
In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

**1. INTRODUCTION**

SONAE, SGPS, SA ("the Company" or "Sonae"), has its head-office at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal.

The company financial statements are presented as required by Commercial Companies Code. According to Decree-Law 35/2005 of 17 February 2008, the company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

**2. PRINCIPAL ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union effective as at 1 January 2008. This standards were issued by the International Accounting Standards Board ("IASB") and interpretations issued by International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), that have been adopted by the European Union.

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

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

New accounting standards and their impact in the financial statements

Up to the financial statements approval date, the following Standards and Interpretations, some of which have become effective during the year 2008, have been endorsed by European Union:

With mandatory application in 2008

Effective Date

IAS 39/IFRS 7 - Amendments: Reclassification of Financial Instruments	01/07/2008
IFRIC 14/IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01/01/2008

With mandatory application after 2008

IFRS 8 – Operating Segments	01/01/2009
IFRS 2 - Amendments: Share-based Payment	01/01/2009
IAS 1 - Amendments: First-time Adoption of International Financial Reporting Standards	01/01/2009
IAS 23 - Amendments: Borrowing Costs	01/01/2009
IAS 32/IAS 1 - Amendments: Puttable Financial Instruments and Obligations Arising on Liquidation	01/01/2009
Amendments to International Financial Reporting Standards (2007)	01/01/2009
IFRS 1/IAS 27 - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	01/01/2009
IFRIC 13 - Customer Loyalty Programmes	01/07/2008

The adoption of these Standards has not led to any relevant changes in the Company's financial statements.

It is not expected for material impacts to arise to the company financial statements of Sonae from the application of the above mentioned standards, with the exception of presentation and disclosure improvements as a result of the application of IAS 1 and IFRS 8.

As at this date, the following standards and interpretations have already been issued by the IASB/IFRIC but have not yet been endorsed by the European Union:

	<u>Effective Date</u>
Amendments to IFRS 3 – Business Combinations	01/07/2009
Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards	01/07/2009
Amendments to IAS 27 - Consolidated and Separate Financial Statements	01/07/2009
Amendments to IAS 39 – Qualifying hedging instruments.	01/07/2009
Amendments to IAS 39 – Reclassification of Financial Assets	01/07/2009
Amendments to IFRS 7 – Financial Instruments: Disclosures	01/01/2009
IFRIC 12 - Service Concession Arrangements	01/01/2009
IFRIC 15 – Agreements for the Construction of Real Estate	01/01/2009
IFRIC 16 – Hedges of a Net Investments in a Foreign Operation	01/10/2008
IFRIC 17 – Distributions of Non-cash Assets to Owners	01/07/2009
IFRIC 18 – Transfer of Assets from Customers	01/07/2009

The future application of the standards mentioned above, which have not been yet endorsed by the European Union, is not expected to produce material impacts to the company's financial statements.

## 2.2 Tangible assets

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

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

The impairment losses in the realisable value of tangible assets are recorded in the year they arise in the caption of the Income Statement - "Impairment losses".

## 2.3 Intangible assets

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

## 2.4 Borrowing costs

Borrowing costs are usually recognised as an expense in the period in which they are incurred on an accruals basis in accordance with effective interest rate method.

## 2.5 Non-current assets held for sale

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

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

## 2.6 Financial instruments

The Company classifies the financial instruments in the categories presented and conciliated with the Balance Sheet disclosed in Note 4.

### a) Investments

Investments are classified into the following categories:

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

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

Equity Investments in subsidiaries and associates are classified as Available for sale.

The investments measured at fair value through profit or loss include the investments held for trading that the company acquires for sale in a short period of time, and are classified in the balance sheet as current assets.

The Company classifies as available for sale those investments that are neither included as investments measured at fair value through profit or loss nor as investments held to maturity. These assets are classified as non-current assets, except if the sale is expected to occur within 12 months from the date of classification.

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

Investments are initially measured at fair value, which is considered to be the fair value of the consideration paid for them, including transaction costs, in the case of available for sale investments.

Available for sale investments and investments measured at fair value through profit or loss are subsequently measured at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price or independent valuation at the balance sheet date. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, are stated at cost, less impairment losses.

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

Gains or losses arising from a change in fair value of investments measured at fair value through profit or loss are recorded in the Income statement captions Financial expenses or Financial income.

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

### b) Loans and accounts receivable

Loans and accounts receivable are recorded at amortised cost using the effective rate method net of accumulated impairment losses, in order to reflect its realisable value.

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

These financial investments arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.



Loans and receivables are recorded as current assets, except when its maturity is greater than 12 months from the balance sheet date, situations when they are classified as non-current assets. Loans and receivables are included in the captions presented in Note 4.

c) Trade accounts receivable

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

Impairment is recognised if there is objective and measurable evidence that, as a result of one or more events that occurred, the balance will not be fully received.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the receipt of the full amount is expected to be within one year the discount is considered null as it is immaterial.

d) Classification as Equity or Liability

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

e) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments.

Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.8. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

f) Trade accounts payable

Trade accounts payable are stated at their nominal value.

g) Derivatives

The Company uses derivatives in the management of its financial risks to hedge such risks and/or in order to optimise funding costs, in accordance with Management interest rate risk policy described in point 3.4.1.

Derivatives classified as cash flow hedge instruments are used by the Company mainly to hedge interest rate risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. The gain or loss relating to the ineffective portion of the hedge, if any, is recorded in the Income Statement under Financial Income or Expenses.

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

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

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

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption Hedging reserve, are transferred to profit or loss of the period or to the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the income statement.

Derivatives entered into in accordance with Interest rate risk management policy described in point 3.4.1 and not eligible for hedge accounting (mainly interest rate option or cancelable swaps), are initially recorded at cost, which corresponds to fair value at inception, and then, are remeasured at fair value through profit and loss under financial income or expenses.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host instruments, and this is not stated at fair value through profit or loss.

The Company may agree to become part of a derivative transaction in order to fair value hedge some interest rate exposure. In these cases, derivatives are recorded at fair value through profit or loss and the effective portion of the hedging relationship is adjusted in the carrying amount of the hedged instrument, if not stated at fair value (namely loans recorded at amortised cost), through profit or loss.

h) Own shares

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

i) Cash and cash equivalents

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

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

j) Effective Interest Rate Method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period.

l) Impairment

Financial assets, other than Investments measured at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For non-quoted equity instruments determining whether the investment is impaired requires an estimation of the value in use of the investment. The value in use calculation requires the entity to estimate the future cash flows expected to arise for the entity and a suitable discount rate in order to calculate present value.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For investments of non-quoted subsidiaries, which are measured at acquisition cost less impairment (equity investments and loans granted) the impairment analysis is based on the fair value estimate of its net assets, mainly equity investments in other Company's subsidiaries (some of them listed).

The above mentioned estimate is based on the fair value computation of the value in use of its holdings by means of discounted cash flow models. The results of the fair value estimates of the Company's subholdings is annually approved by the Executive Committee of each subholding and of Sonae.

It is the Board of Directors understanding that the use of the above mentioned methodology is adequate to conclude on the eventual existence of financial investments impairment as it incorporates the best available information as at the date of the financial statements.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of equity available for sale securities, impairment losses previously recognised through profit or loss are not reversed. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

## 2.7 Contingent assets and liabilities

Contingent liabilities are not recorded in the financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the financial statements but disclosed when future economic benefits are probable.

## 2.8 Revenue recognition and accrual basis

Revenue from services rendered is recognised in the income statement in the period they are performed.

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

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and Other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but that correspond to income or expenses of future years, when they will be recognised in the income statement.

## 2.9 Subsequent events

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material.

## 2.10 Judgements and estimates

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

- a) Record of adjustments to the value of assets and provisions
- b) Impairment analysis of financial investments and loans granted to affiliated and associated companies

Estimates used are based on the best information available during the preparation of these financial statements and are based on the best knowledge of past and present events. Although future events, are not controlled by the Company are not foreseeable, some could occur and have impact on the estimates. Changes to the estimates used by management that occur after the approval date of these consolidated financial statements, will be recognised in net income prospectively, in accordance with IAS 8.

The main estimates and assumptions in relation to future events included in the preparation of these financial statements are disclosed in the correspondent notes, if applicable.

### 2.11 Share-based payments

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

Share-based payment liabilities are measured at fair value on the date they are granted (usually in March of each year) and are subsequently remeasured at the end of each reporting period, based on the number of shares granted and the corresponding fair value at the closing date. These obligations are stated as Staff costs and Other current liabilities, and are recorded on a straight-line basis, between the date the shares are granted and their vesting date, taking into consideration the time elapsed between these dates.

### 2.12 Income tax

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

Deferred taxes are calculated using the balance sheet liability method. Deferred tax assets are recognised only when its use is probable.

## 3. FINANCIAL RISK MANAGEMENT

### 3.1 Introduction

The ultimate purpose of financial risk management is to support the Company in the achievement of its strategy by reducing unwanted financial risk and volatility and mitigate any negative impacts in the profit or loss statement arising from such risks.

The Group's attitude towards financial risk management is conservative and cautious. Derivatives are used to hedge certain exposures related to its operating business and, as a rule, Sonae does not enter into derivatives or other financial instruments that are unrelated to its operating business or for speculative purposes.

Financial risk management policies are approved by the Sonae Executive Committee. Exposures are identified and monitored by the Finance Department. Exposures are also monitored by the Finance Committee as noted in the Corporate Governance Report.

### 3.2 Credit Risk

Credit risk is defined as the probability of a counterparty defaulting on its payment contractual obligations resulting in a financial loss. Sonae is a Holding company without any relevant commercial or trade activity, other than the normal activities of a portfolio manager. As such, it is only exposed, on a regular basis, to credit risk resulting from its investing activities (holding cash and cash equivalent instruments, deposits with banks and financial institutions or resulting from derivative financial instruments entered into in the normal course of its hedging activities) or from its lending activities to subsidiaries.

Additionally, Sonae may sometimes also be exposed to credit risk as a result of its portfolio management activities (buying or selling investments), but in those exceptional situations risk reducing mechanisms and actions are implemented on a case by case basis under the supervision of the Executive Committee. In order to reduce the probability of counterparties default Sonae transactions (short term investments and derivatives) are only concluded in accordance with the following principles:

- Only carry out transactions (short term investments and derivatives) with counterparties that have at least a credit rating of BBB from Standard & Poor's and/or Baa2 from Moody's or equivalent (this information is supplied through independent information systems);
- temporary excess of funds or derivatives, was made with a conservative approach (essentially consisting in short term monetary instruments, in what excess of funds is concerned and instruments that can be split into components and that can be properly fair valued, with a loss cap);
- In relation to excess funds: i) those are preferentially used, whenever possible and when more efficient to repay debt, or invested preferably in instruments issued by relationship banks in order to reduce exposure on a net basis, and ii) may only be applied on pre approved instruments;
- Any departure from the above mentioned policies needs to be pre-approved by the Executive Committee.

Given the above mentioned policies and the minimum credit ratings management does not expect any material failure in contractual obligations from its external counterparties. Nevertheless, exposure to individual counterparties resulting from financial instruments and the credit rating of potential counterparties is regularly monitored by the Financial Department and any departure is promptly reported to the Executive Committee and Finance Committee.

Settlement risk is also a risk faced by Sonae, which is managed through the rigorous selection of its brokers which must be highly rated counterparties.

In relation to credit risk resulting from loans granted to subsidiaries, there is no specific risk management policy as the financing of its subsidiaries is part of the main operations of a holding company.

### 3.3 Liquidity risk

Sonae needs to raise external funds to finance its activities and investing plans. It holds a diversified loan portfolio, essentially made up of long term bond financing, but which also includes a variety of other short-term financing facilities in the form of commercial paper and credit lines. As at 31 December 2008 the total gross debt was 641 million euro (498 million euro as at 31 December 2007).

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

Given the dynamic nature of its activities, Sonae needs a flexible financial structure and therefore uses a combination of:

- Maintaining, with its relationship banks, a combination of short and medium term committed credit facilities, commercial paper programme with sufficiently comfortable previous notice cancellation periods within a range between 30 and 360 days;
- Maintenance of commercial paper with different periods, that allow, in some cases, to place the debt directly in institutional investors;
- Detailed rolling annual financial planning, with monthly, weekly and daily cash adjustments in order to forecast cash requirements;
- Diversification of financing sources and counterparties;
- Ensuring an adequate debt average maturity, by issuing long term debt and avoiding excessive concentration of scheduled repayments. As at 31 December 2008 Sonae debt average life maturity was 3 years (4.7 years in 31 December 2007);
- Negotiating contractual terms which reduce the possibility of the lenders being able to demand an early termination;
- Where possible, by prefinancing forecasted liquidity needs;
- Management procedures of short term applications, assuring that the maturity of the applications will match with foreseen liquidity needs, including a margin to hedge forecasting deviations. The reliability of the treasury forecasts are an important variable to determine the amounts and the periods of the market applications/borrowings.

Sonae maintains a liquidity reserve in the form of credit lines with its relationship banks, to ensure the ability to meet its commitments without having to refinance itself on unfavourable terms. Sonae has a total of 276 million euro committed credit facilities, of which only 15% are cancellable with a notice period of 6 months and the remainder with no less than a 360 days notice period (147 million euro in 2007). Sonae expects to meet all its obligations by means of its operating cash flows and from its financial assets as well as from drawing existing available credit lines, if needed.

### 3.4 Interest rate risk

#### 3.4.1 Policy

Sonae is exposed to cash flow interest rate risk in respect of items in the balance sheet (Loans and Short Term Investments) and to fair value interest rate risk as a result of interest rate derivatives (swaps, FRA's and options). All Sonae debt bears variable interest rates, and interest rate derivatives may be entered into to convert part of the variable rate debt into fixed rate (usually through interest rate swaps or Forward Rate agreements), or to limit the maximum rate payable (usually through zero cost collars or the purchased caps).

Sonae mitigates interest rate risk by adjusting the proportion of its debt that bears fixed interest to that which bears floating interest although without a fixed goal or percentage to achieve since hedging interest rate risk usually has an opportunity cost associated. Therefore a more flexible approach is considered preferable to a more strict traditional approach. Part of the risk is also mitigated by the fact that Sonae grants loans to its subsidiaries as part of its usual activities and thus there may be some degree of natural hedging on a company basis, since if interest rates increase the additional interest paid would be partially offset by additional interest received.

Sonae hedging activities do not constitute a profit-making activity and derivatives are deemed to be entered into without any speculation purpose. Strict rules are observed in relation to any derivative transaction entered into:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be the same as the settlement dates of the hedging instrument to avoid any mismatch and hedging inefficiency;
- Perfect match between the base rates (the base rate used in the derivative or hedging instrument should be the same as that of the hedged facility / transaction);
- The maximum cost of the hedging operation is known and limited, even in scenarios of extreme change in market interest rates, so that the resulting interest rates are within the cost of the funds considered in Sonae's business plans (or in extreme scenarios are not worse than the underlying cost of the floating rate);
- The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, as described in 3.2. above - Credit Risk Management. It is Group policy that, when contracting such instruments, preference should be given to financial institutions that form part of Sonae's existing relationships, whilst at the same time obtaining quotes from a sufficient large sample of banks to ensure optimum conditions;
- In determining the fair value of hedging operations Sonae uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates, foreign exchange rates, volatility among others prevailing at the balance sheet date. Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the valuation;
- All transactions are documented under ISDA's Agreements;
- All transactions which do not follow the Rules above have to be individually approved by the Executive Committee, and reported to the Financial Committee, namely transactions entered into with the purpose of optimising the cost of debt when deemed appropriate according to prevailing financial market conditions.

#### 3.4.2 Sensitivity analysis

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments (the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks). As a consequence, they are included in the calculation of income-related sensitivities;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortised cost are not subject to interest rate risk as defined in IFRS 7;

- In the case of fair value hedges designed for hedging interest rate risks, when the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements are offset almost completely in the income statement in the same period, these financial instruments are also not exposed to interest rate risk;
- Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the equity-related sensitivity calculations;
- Changes in the market interest rate of interest rate derivatives that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations;
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end, and assuming a parallel shift in interest rate curves;
- For the purposes of sensitivity analysis, such analysis is performed based on all financial instruments outstanding during the year.

Under the previously mentioned assumptions, if interest rates of euro denominated financial instruments had been 75 bp higher, the company net profit before tax at 31 December 2008 would increase by approximately 10 million euro (at 31 December 2007 would increase 4.9 million euro), of which, about 4.4 million euro would result from the Cancelable Swaps fair value booked in net income, being higher; if interest rates of euro denominated financial instruments had been 75 bp lower, the company net profit before tax at 31 December 2008 would decrease by approximately 13 million euro (at 31 December 2007 would decrease 4.9 million euro) of which, about 4.4 million euro would result from the Cancelable Swaps fair value booked in net income being lower. The impact in equity is immaterial in 2008 and 2007.

### 3.5 Foreign Exchange Risk

Due to its nature of Holding company, Sonae, has very limited transaction exposure to foreign exchange risk. Normally, when such exposures arise Foreign exchange risk management seeks to minimise the volatility of such transactions made in foreign currency and to reduce the impact on the income statement of exchange rate fluctuations. When significant material exposures occur with a high degree of certainty, Sonae hedges such exposures mainly through forward exchange rate contracts. For uncertain exposures, options may be considered, subject to pre-approval from the company's Executive Committee.

Sonae does not have any material foreign exchange rate exposure at holding level, since almost all equity and loans to subsidiaries are denominated in Euros.

### 3.6 Price Risk and Market Risk

The Group is exposed to equity price risks arising from equity investments, recorded for strategic rather than for trading purposes as the group does not actively trade these investments. These investments are presented in Notes 8.



#### 4. FINANCIAL INSTRUMENTS BY CLASS

The accounting policies disclosed in note 2.6 have been applied to the line items below:

##### Financial Assets

31.December.2008							
Notes	Loans and accounts receivable	Available for sale	Assets at fair value through profit or loss	Derivatives used for cash flow hedging	Sub Total	Assets not within scope of IFRS 7	Total
<b>Non-Current Assets</b>							
Investments in affiliated companies	8	-	3,070,652,704	-	3,070,652,704	-	3,070,652,704
Other available for sale investments	9	-	100,049,880	-	100,049,880	-	100,049,880
Other non-current assets	10	598,542,161	-	-	598,542,161	-	598,542,161
		598,542,161	3,170,702,584	-	3,769,244,745	-	3,769,244,745
<b>Current Assets</b>							
Trade Accounts Receivables	11	1,626,676	-	-	1,626,676	-	1,626,676
Other debtors	12	31,391,881	-	-	31,391,881	-	31,391,881
Investments	15	-	-	576,934	576,934	-	576,934
Cash and cash equivalents	16	418,450	-	-	418,450	-	418,450
		33,437,007	-	576,934	34,013,941	-	34,013,941
		631,979,168	3,170,702,584	576,934	3,803,258,686	-	3,803,258,686

31.December.2007							
Notes	Loans and accounts receivable	Available for sale	Assets at fair value through profit or loss	Derivatives used for cash flow hedging	Sub Total	Assets not within scope of IFRS 7	Total
<b>Non-Current Assets</b>							
Investments in affiliated companies	8	-	2,567,891,338	-	2,567,891,338	-	2,567,891,338
Other available for sale investments	9	-	49,880	-	49,880	-	49,880
Other non-current assets	10	1,086,871,182	-	-	1,086,871,182	-	1,086,871,182
		1,086,871,182	2,567,941,218	-	3,654,812,400	-	3,654,812,400
<b>Current Assets</b>							
Trade Accounts Receivables	11	1,392,495	-	-	1,392,495	-	1,392,495
Other debtors	12	93,347,279	-	-	93,347,279	-	93,347,279
Investments	15	-	-	242,719	242,719	-	242,719
Cash and cash equivalents	16	88,356,998	-	-	88,356,998	-	88,356,998
		183,096,772	-	242,719	183,339,491	-	183,339,491
		1,269,967,954	2,567,941,218	242,719	3,838,151,891	-	3,838,151,891

##### Financial Liabilities

31.December.2008						
Notes	Liabilities at fair value through profit or loss	Derivatives used for cash flow hedging	Other financial liabilities	Sub Total	Liabilities not within scope of IFRS 7	Total
<b>Non-Current Liabilities</b>						
Bonds	20.1	-	497,619,441	497,619,441	-	497,619,441
Other loans	20.2	4,846,515	-	4,846,515	-	4,846,515
		4,846,515	497,619,441	502,465,956	-	502,465,956
<b>Current Liability</b>						
Bank loans	20.3	-	138,209,277	138,209,277	-	138,209,277
Trade accounts payable	-	-	1,116,009	1,116,009	-	1,116,009
Other payables accounts	21	-	171,430	171,430	-	171,430
Other current liabilities	23	-	6,884,750	6,884,750	1,375,745	8,260,495
		-	146,381,466	146,381,466	1,375,745	147,757,211
		4,846,515	644,000,907	648,847,422	1,375,745	650,223,167

31.December.2007							
	Notes	Liabilities at fair value through profit or loss	Derivatives used for cash flow hedging	Other financial liabilities	Sub Total	Liabilities not within scope of IFRS 7	Total
Non-Current Liabilities							
Bonds	20.1	-	-	497,000,804	497,000,804	-	497,000,804
		-	-	497,000,804	497,000,804	-	497,000,804
Current Liability							
Bank loans	20.3	-	-	1,660,856	1,660,856	-	1,660,856
Trade Accounts payable	-	-	-	476,418	476,418	-	476,418
Other payables accounts	21	-	-	47,534	47,534	-	47,534
Other current liabilities	23	82,340	-	5,190,369	5,272,709	1,689,688	6,962,397
		82,340	-	7,375,177	7,457,517	1,689,688	9,147,205
		82,340	-	504,375,981	504,458,321	1,689,688	506,148,009

## 5. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

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

## 6. TANGIBLE ASSETS

As at 31 December 2008 and 2007 tangible assets movements are as follows:

31.December.2008					
Tangible Assets:	Opening balance	Increase	Decrease	Transfers and write-offs	Closing balance
Plant and machinery	17,352	-	-	-	17,352
Vehicles	194,768	-	-	-	194,768
Fixtures and fittings	2,404,297	-	5,046	113,646	2,512,897
Others	723	-	-	-	723
In progress	-	696,865	563,757	(114,659)	18,449
<b>Total</b>	<b>2,617,140</b>	<b>696,865</b>	<b>568,803</b>	<b>(1,013)</b>	<b>2,744,189</b>

31.December.2007					
Tangible Assets:	Opening balance	Increase	Decrease	Transfers and write-offs	Closing balance
Plant and machinery	17,352	-	-	-	17,352
Vehicles	195,863	-	1,095	-	194,768
Fixtures and fittings	2,329,462	89,553	14,718	-	2,404,297
Others	723	-	-	-	723
<b>Total</b>	<b>2,543,400</b>	<b>89,553</b>	<b>15,813</b>	<b>-</b>	<b>2,617,140</b>

31.December.2008					
Accumulated depreciation	Opening balance	Increase	Decrease	Transfers and write-offs	Closing balance
Plant and machinery	17,352	-	-	-	17,352
Vehicles	194,768	-	-	-	194,768
Fixtures and fittings	2,309,839	45,241	5,046	(98)	2,349,936
Others	608	28	-	-	636
<b>Total</b>	<b>2,522,567</b>	<b>45,269</b>	<b>5,046</b>	<b>(98)</b>	<b>2,562,692</b>

31.December.2007					
Accumulated depreciation	Opening balance	Increase	Decrease	Transfers and write-offs	Closing balance
Plant and machinery	17,352	-	-	-	17,352
Vehicles	195,864	-	1,096	-	194,768
Fixtures and fittings	2,225,963	91,085	7,209	-	2,309,839
Others	581	27	-	-	608
<b>Total</b>	<b>2,439,760</b>	<b>91,112</b>	<b>8,305</b>	<b>-</b>	<b>2,522,567</b>

## 7. INTANGIBLE ASSETS

As at 31 December 2008 intangible assets movements are as follows:

Intangible Assets:	31.December.2008				
	Opening balance	Increase	Decrease	Transfers and write-offs	Closing balance
Software	-	-	-	1,410	1,410
In progress	-	399	-	(399)	-
<b>Total</b>	-	399	-	1,011	1,410

Accumulated depreciation	31.December.2008				
	Opening balance	Increase	Decrease	Transfers and write-offs	Closing balance
Software	-	168	-	-	168
<b>Total</b>	-	168	-	-	168

## 8. INVESTMENTS IN SUBSIDIARIES

As at 31 December 2008 and 2007, the Company held investments in the following subsidiaries:

Companies	% Held	31.December.2008					
		Opening balance	Increase	Decrease	Changes in fair value	Transfers / demerger	Closing balance
Interlog, SGPS, SA	1.02%	106,686	-	-	-	-	106,686
MDS, SGPS, SA (a)	89.00%	20,000,000	-	2,200,000	-	-	17,800,000
Sonae Distribuição, SGPS, SA (b)	82.48%	1,690,800,661	-	-	-	-	1,690,800,661
Sonae Investimentos America Latina	-	25,684	-	25,684	-	-	-
Sonae Investments, BV	100.00%	18,151	549,981,849	-	-	-	550,000,000
Sonae RE, SA	0.04%	500	-	-	-	-	500
Sonae Sierra SGPS, SA (c)	50.00%	856,602,000	-	-	(148,551,000)	-	708,051,000
Sonaecom, SGPS, SA	0.23%	78,041	812,229	-	(47,428)	-	842,842
Sonaegest, SA	20.00%	159,615	-	-	-	-	159,615
Sonaecenter Serviços, SA	100.00%	-	50,000	-	-	-	50,000
Sontel, BV	42.86%	100,000	191,241,400	-	-	-	191,341,400
<b>Total</b>		2,567,891,338	742,085,478	2,225,684	(148,598,428)	-	3,159,152,704
<b>Impairment</b>		-	88,500,000	-	-	-	88,500,000
<b>Total</b>		2,567,891,338	653,585,478	2,225,684	(148,598,428)	-	3,070,652,704

Companies	% Held	31.December.2007					
		Opening balance	Increase	Decrease	Changes in fair value	Transfers / demerger	Closing balance
Agloma Investimentos, SGPS, SA	-	11,589,141	-	11,589,141	-	-	-
Espmen - Investimentos Imobiliários, SA	-	6,152,894	-	-	-	(6,152,894)	-
Interlog, SGPS, SA	1.02%	106,686	-	-	-	-	106,686
Investalentejo, SGPS, SA	-	2,205,000	-	2,205,000	-	-	-
MDS, SGPS, SA (a)	100.00%	-	20,000,000	-	-	-	20,000,000
Saúde Atlântica, SA	-	-	250,000	250,000	-	-	-
SC, SGPS, SA (d)	-	382,638,254	-	-	-	(382,638,254)	-
Sonae Distribuição, SGPS, SA (b)	74.98%	1,690,800,661	-	-	-	-	1,690,800,661
Sonae Investimentos America Latina	99.99%	25,684	-	-	-	-	25,684
Sonae Investments, BV	100.00%	18,151	-	-	-	-	18,151
Sonae RE, SA	0.04%	-	500	-	-	-	500
Sonae Sierra SGPS, SA (c)	50.00%	744,950,500	-	-	111,651,500	-	856,602,000
Sonaecom, SGPS, SA	0.01%	233,796,451	-	314,409,120	80,690,710	-	78,041
Sonaegest, SA	20.00%	159,615	-	-	-	-	159,615
Sontel, BV	100.00%	100,000	-	-	-	-	100,000
<b>Total</b>		3,072,543,037	20,250,500	328,453,261	192,342,210	(388,791,148)	2,567,891,338

(a) Former Resolução, SGPS, SA

(b) - Fair value of this investment is considered to be the price paid in the public tender offer for de-listing occurred in 2006.

(c) - Market value was determined based on an independent valuation as at 31 December 2008 of assets held by this affiliated company, after deduction of associated net debt and of the share attributable to minority interests.

(d) - Former Sonae Capital, SGPS, SA

During the year ended 31 December 2008, the Company recorded an impairment loss over the financial investment held in Sontel B.V. amounting to 88,500,000 euro (Note 33) by the application of accounting policy mentioned in 2.6 I) and according to a valuation made by the use of discounted cash flow models, allowing de estimation of the value in use of that investment. The assumptions used are consistent with the ones described in the Note 14 of the Notes to the Consolidated Financial Statements and used for goodwill impairment tests.

During the year ended 31 December 2007, the undertaking in SC, SGPS, S.A. (formerly named Sonae Capital SGPS, S.A.) was demerged. Total shareholding in SC, SGPS, S.A. representative of 100% of its share capital was transferred at book value, 382,638,254 euro, to a new company (Sonae Capital, SGPS, S.A.) in exchange for the issue of shares totally attributed to Sonae shareholders, in accordance with a ratio of 0.125 Sonae Capital, SGPS, S.A. shares for one Sonae's share.

## 9. OTHER INVESTMENTS AVAILABLE FOR SALE

As at 31 December 2008 and 2007 other investments available for sale are as follows:

Companies	% Held	31.December.2008					Closing balance
		Opening balance	Increase	Decrease	Changes in fair value	Transfers	
Associação Escola Gestão Porto	-	49,880	-	-	-	-	49,880
Magma No. 1 Securitisation Notes	-	-	100,000,000	-	-	-	100,000,000
<b>Total</b>		<b>49,880</b>	<b>100,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,049,880</b>

Companies	% Held	31.December.2007					Closing balance
		Opening balance	Increase	Decrease	Changes in fair value	Transfers	
Associação Escola Gestão Porto	-	49,880	-	-	-	-	49,880
<b>Total</b>		<b>49,880</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,880</b>

At December 2008, the Company has completed the subscription of securitized Assets, through a private offering, in the amount of approximately 100 million euro, issued by Tagus - Sociedade de Titularização de Créditos, SA named "MAGMA N° 1 Securitisation Notes".

These bonds have a maturity of 5 years (2009/2013), and are amortized in quarterly equal instalments, having as underlying asset the future receivables to be generated under a portfolio of existing corporate customer contracts of Sonaecom - Serviços de Comunicações, SA, with a comfortable over colateralization, which strongly minimize this investment credit risk.

## 10. OTHER NON-CURRENT ASSETS

As at 31 December 2008 and 2007 other non-current assets are as follows:

	31.December.2008	31.December.2007
Loans granted to group companies:		
MDS, SGPS, SA	69,410,000	-
Sonae Investments, BV	495,856,978	881,826,699
Sontel, BV	33,271,000	205,040,300
	<u>598,537,978</u>	<u>1,086,866,999</u>
Guarantee deposits	4,183	4,183
	<u>598,542,161</u>	<u>1,086,871,182</u>

Loans granted to group companies earn interest at market rates and do not mature within one year.

There are no past due or impaired receivable balances as at 31 December 2008 and 2007. The eventual impairment of loans granted to group companies is assessed in accordance with note 2.6.I). The fair value of loans granted to group companies is considered to be similar to its carrying amount.

#### 11. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable amounted to 1,626,676 euro and 1,392,495 euro as at 31 December 2008 and 2007 respectively, and include balances arising solely from services rendered to group companies.

As at the balance sheet dates there is no accounts receivable past due, and no impairment loss was recorded, as there are no indications as of the reporting date that the debtors will not meet their payment obligations.

#### 12. OTHER DEBTORS

As at 31 December 2008 and 2007 other debtors are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Group companies - Short term loans:		
MDS, SGPS, SA	7,510,000	63,177,260
Sonaecenter, Serviços, SA	<u>737,000</u>	<u>-</u>
	8,247,000	63,177,260
Group companies - Interest:		
MDS, SGPS, SA	1,660,159	-
Sonae Investments, BV	19,218,665	23,560,064
Sontel, BV	<u>1,027,220</u>	<u>5,872,627</u>
	30,153,044	92,609,951
Other debtors		
Others	<u>1,238,837</u>	<u>737,328</u>
	<u><u>31,391,881</u></u>	<u><u>93,347,279</u></u>

Loans granted to group companies return interest at market rates and have a maturity less than one year.

There were no assets impaired or past due. The fair value of loans granted is similar to its carrying amount.

#### 13. TAXES RECOVERABLE

As at 31 December 2008 and 2007 taxes recoverable are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Advance payments	23,958	59,348
Taxes withheld	2,175,667	2,006,902
Recoverable VAT	<u>64,101</u>	<u>-</u>
	<u><u>2,263,726</u></u>	<u><u>2,066,250</u></u>

#### 14. OTHER CURRENT ASSETS

As at 31 December 2008 and 2007 other current assets are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Accrued income	82,075	275,983
Prepayments	<u>155,007</u>	<u>245,246</u>
	<u><u>237,082</u></u>	<u><u>521,229</u></u>

**15. INVESTMENTS**

As at 31 December 2008 and 2007 investments are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Cash flow hedge derivatives	576,934	242,719
	<u>576,934</u>	<u>242,719</u>

**16. CASH AND CASH EQUIVALENTS**

As at 31 December 2008 and 31 December 2007 cash and cash equivalents are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Cash in hand	4,300	2,500
Bank deposits	414,150	88,354,498
Cash and cash equivalents on the balance sheet	<u>418,450</u>	<u>88,356,998</u>
Bank overdrafts (Note 20.3)	9,277	1,660,856
Cash and cash equivalents on the cash flow statement	<u>409,173</u>	<u>86,696,142</u>

As at 31 December 2008 bank deposits include short term deposits amounting to 378,000 euro (88,330,000 euro as at 31 December 2007) withdrawn at beginning of 2009 (2008).

**17. SHARE CAPITAL**

As at 31 December 2008 and 2007 share capital consisted of 2,000,000,000 ordinary shares of 1 euro each.

As at 31 December 2008 Efanor Investimentos, SGPS, SA and affiliated companies held 52.983% of Sonae's share capital.

**18. LEGAL RESERVE**

The company has set up legal reserves in accordance with Commercial Companies Code. In 2008 and 2007, respectively, 825,157 euro and 3,256,902 euro has been transferred from profit for the year to legal reserves.

**19. FAIR VALUE RESERVE, HEDGING RESERVE AND OTHER RESERVES**

As at 31 December 2008 and 2007 reserves are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Free reserves	380,377,943	424,699,965
Hedging reserve	307,070	162,774
Fair value reserve	581,929,609	730,528,037
	<u>962,614,622</u>	<u>1,155,390,776</u>

Movements occurring in 2008 and 2007 in these reserves are detailed in the Company Statement of changes in equity.

Hedging Reserves corresponds to the efficient portion of changes in fair value of derivatives that qualify for cash flow hedge accounting.

Fair value reserves correspond to changes in the fair value of the financial instruments classified as available for sale investments.

**20. BORROWINGS**
**20.1 Bonds**

As at 31 December 2008 and 2007 this caption included the following loans:

Bonds SONAE /05 amounting to 100,000,000 euro, repayable after 8 years, in one instalment, on 31 March 2013. Interest rate equal to Euribor 6 months plus 0.875%, with interest paid half-yearly.

Bonds Sonae 2006/2011 amounting to 250,000,000 euro, repayable after 5 years, in one instalment, on 10 May 2011. Interest rate equal to Euribor 6 months plus 0.65%, with interest paid half-yearly. The company has the option to make whole or partial reimbursements, with no extra cost, on the date of the 6th and 8th coupons.

Bonds Sonae 2007/2014 amounting to 150,000,000 euro, repayable after 7 years, in one instalment, on 11 April 2014. Interest rate equal to Euribor 6 months plus 0.6%, with interest paid half-yearly. The company has the option to make whole or partial reimbursements, with no extra cost, on the date of the 10th and 12th coupons.

	<u>31.December.2008</u>	<u>31.December.2007</u>
Bonds	500,000,000	500,000,000
Up-front fees not yet charged to income statement	(2,380,559)	(2,999,196)
	<u>497,619,441</u>	<u>497,000,804</u>

The above mentioned loans are unsecured and its estimated fair value is considered to be near its carrying amount, as they bear interests at variable market rates.

**20.2 Other loans**

As at 31 December 2008 and 31 December 2007, derivatives are made up as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Derivatives qualified as hedging		
Current Investments		
Interest-rate swaps	<u>576,934</u>	<u>242,719</u>
Derivatives not qualified as hedging		
Other loans - Non current		
Interest-rate cancelable swaps	<u>(4,846,515)</u>	<u>-</u>
Other current liabilities		
Interest rate floor	<u>-</u>	<u>(82,340)</u>
Net Exposure	<u>(4,269,581)</u>	<u>160,379</u>

The derivatives accounted under hedge accounting rules refer to instruments which swap a fixed interest rate for a variable interest rate and that comply with the principles defined by the Company to be qualified as hedging accounting (Note 3.4.1). Those instruments have a notional value of 125 million euro. They were at-the money when the transaction was settled.

The interest rate hedging instruments are stated at fair value at the balance sheet date, in accordance with a valuation made by a derivatives software. The fair value of swaps was calculated, as at the balance sheet, based on the discounted cash flow of the difference between the fixed interest rate of the fixed leg and the indexed variable interest rate inherent to the variable leg.

During 2008, and for the purpose of hedging the interest rate risk, cancelable swaps (which have an interest rate lower than the market rate of an identical term swap as it includes a written put option), were negotiated. The counterparties have the right to cancel the derivatives at the exchange date, after the payment of the first coupon, which occur half-yearly. From the cancellation no cash flow will occur. Since the derivative includes a written put option, it does not qualify for hedge accounting, therefore, the change in fair value was recorded in the consolidated income statement.

The derivatives were valued considering the estimated future cash-flows, assuming the exercise of the cancellation options by the counterparties when the forward interest rates are higher than the established fixed interest rate. Sonae intends to keep these derivatives until their expiration date, therefore, this valuation is considered to be the most appropriate to estimate the future cash flows.

As at 31 December 2008, derivatives with negative fair value have the following estimated cash flows:

	<u>31.December.2008</u>
N+1	221,084
N+2	(3,433,695)
N+3	(1,020,834)
N+4	(611,221)
N+5	(289,458)
N+6	(35,212)

### 20.3 Current bank loans.

As at 31 December 2008 and 2007 this caption included the following loans:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Commercial paper (a)	138,200,000	-
Bank overdrafts (Note 16)	<u>9,277</u>	<u>1,660,856</u>
	<u>138,209,277</u>	<u>1,660,856</u>

(a) Short term commercial paper programme, privately placed, launched on 23 August 2004, valid for a ten year period, which may be extended at the option of the company, with a maximum limit of 350,000,000 euro.

The above mentioned loans are unsecured and its estimated fair value is considered to be near its carrying amount, as they bear interests at variable market rates.

### 20.4 Maturity of Borrowings

As at 31 December 2008 and 2007 the analysis of the maturity of loans are as follows:

	<u>31.December.2008</u>		<u>31.December.2007</u>	
	Nominal value	Interests	Nominal value	Interests
N+1	138,209,277	31,356,675	1,660,856	27,201,742
N+2	-	28,885,188	-	27,029,926
N+3	250,000,000	22,111,688	-	27,029,926
N+4	-	15,456,700	250,000,000	20,365,465
N+5	100,000,000	12,297,625	-	13,794,400
after N+5	150,000,000	4,586,400	250,000,000	14,944,175

(The interest amount was calculated considering the applied rates for each loan at 31 December 2008)

## 21. OTHER CREDITORS

As at 31 December 2008 and 2007 other creditors are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Shareholders - dividends not yet paid	47,622	40,862
Other creditors	<u>123,808</u>	<u>6,672</u>
	<u>171,430</u>	<u>47,534</u>



**22. TAXES PAYABLE**

As at 31 December 2008 and 2007 taxes payable are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Income tax charge for the year	445,849	262,878
Taxes withheld		
Staff	50,130	717,673
Services	197	30,840
Capital	52,192	419,043
Other	-	1,047
Value added tax	8,876	107,241
Social security contributions	46,279	49,687
Stamp duty	55	60
	<u>603,578</u>	<u>1,588,469</u>

**23. OTHER CURRENT LIABILITIES**

As at 31 December 2008 and 2007, other current liabilities were made up as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Accruals:		
Salaries	1,364,550	1,637,700
Interest	6,884,750	5,190,369
Others	11,195	134,328
	<u>8,260,495</u>	<u>6,962,397</u>

**24. CONTINGENT ASSETS AND LIABILITIES**

	<u>31.December.2008</u>	<u>31.December.2007</u>
Guarantees given:		
on tax claims	1,776,135	1,776,135
on judicial claims	425,965	355,199

**25. OPERATIONAL LEASES**

As at 31 December 2008 and 2007, the company had operational lease contracts, as a lessee, whose minimum lease payments had the following schedule:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Due in		
2008 automatically renewable	-	282,021
2009 automatically renewable	261,978	-
2008	-	106,455
2009	155,174	87,728
2010	131,309	70,190
2011	41,995	21,113
2012	6,046	-
	<u>596,502</u>	<u>567,507</u>

**26. RELATED PARTIES**

As at 31 December 2008 and 2007 balances and transactions with related parties are as follows:

	Subsidiaries and associates	
	<u>31.December.2008</u>	<u>31.December.2007</u>
<b><u>Transactions</u></b>		
Services rendered	2,273,584	2,305,141
Purchases and services obtained	1,615,722	1,991,785
Interest income	64,527,232	70,650,831
Interest expenses	665,365	5,546,866
Dividend income (Note 33)	94,979,579	76,848,426
Disposal of investments	3,437,439	224,823,745
Acquisition of investments	700,000	50,500
<b><u>Balance</u></b>		
Accounts receivable	24,170,347	31,266,265
Accounts payable	551,937	255,568
Loans granted (Note 39)	606,784,978	1,150,044,259

All Sonae, SGPS, S.A. subsidiaries, associates and joint ventures are considered related parties and are identified in Consolidated Financial Statements. All Efanor Investimentos, SGPS, SA, subsidiaries, including the ones of Sonae Indústria, SGPS, SA and of Sonae Capital, SGPS, SA. are also considered related parties.

In 2008 and 2007, there were no transactions with the Company's Directors and no loans were granted to the Company's Directors.

As at 31 December 2008 and 2007 no balances existed with the Company's Directors.

**27. SERVICES RENDERED**

Services rendered amounted to 2,273,584 euro and 2,305,141 euro, in 31 December 2008 and 2007, respectively. Services rendered include management fees over subsidiaries in accordance with Holding companies law.

**28. OTHER OPERATIONAL INCOME**

As at 31 December 2008 and 2007 other operational income are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Supplementary income	31,144	175,269
Others	25,630	233,966
	<u>56,774</u>	<u>409,235</u>

**29. EXTERNAL SUPPLIES AND SERVICES**

As at 31 December 2008 and 2007 external supplies and services are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Subcontracts	479,364	1,024,665
Fuel	47,772	36,450
Books	10,838	10,725
Office material	14,198	26,548
Operational rents	640,903	403,246
Entertainment expenses	9,587	57,794
Communication	117,571	244,065
Insurance	155,515	187,797
Travelling	212,065	178,155
Fees	25,243	198,997
Legal expenses	2,055	7,853
Maintenance	54,184	36,555
Marketing	156,422	8,058
Cleaning up services	1,026	14,134
Services obtained	1,607,581	949,464
Others	<u>158,168</u>	<u>309,934</u>
	<u><u>3,692,492</u></u>	<u><u>3,694,440</u></u>

**30. STAFF COSTS**

As at 31 December 2008 and 2007 staff costs are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Directors salaries (a)	1,368,360	3,101,581
Staff salaries	2,089,087	2,822,923
Social costs	431,134	509,057
Other staff costs	<u>305,966</u>	<u>208,977</u>
	<u><u>4,194,547</u></u>	<u><u>6,642,538</u></u>

(a) Includes non recurring costs regarding share based deferred performance bonuses paid in advance.

As at 31 December 2008 and 2007, the number of employees were 55 and 62, respectively.

**31. OTHER OPERATIONAL EXPENSES**

As at 31 December 2008 and 2007 other operational expenses can be detailed as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Donations	95,000	25,060
Taxes	17,258	441,920
Losses on sale of fixed assets	-	278
Other operational expenses	<u>151,072</u>	<u>154,669</u>
	<u><u>263,330</u></u>	<u><u>621,927</u></u>

**32. NET FINANCIAL EXPENSES**

As at 31 December 2008 and 2007 net financial expenses are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Interest payable and similar expenses		
Interest arising from:		
Bank loans	(2,532,611)	(70,241)
Bonds	(27,929,993)	(25,564,393)
Other	(675,462)	(14,772,621)
Exchange losses	(107)	(844)
Hedge inefficiency	-	-
Changes in fair value	(6,192,312)	(14,062)
Up front fees on the issuance of debt	(618,636)	(633,265)
Other financial expenses	<u>(385,383)</u>	<u>(690,366)</u>
	<u>(38,334,504)</u>	<u>(41,745,792)</u>
Interest receivable and similar income		
Interest income	65,497,493	71,614,358
Changes in fair value	1,428,137	81,722
Exchange gains	991	205
Others	<u>500,000</u>	<u>-</u>
	<u>67,426,621</u>	<u>71,696,285</u>
Net financial expenses	<u>29,092,117</u>	<u>29,950,493</u>

**33. INVESTMENT INCOME**

As at 31 December 2008 and 2007 investment income are as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Dividends received (Note 26)	94,979,579	76,848,426
Gains/(Losses) on sale of investments	1,211,756	(81,697,261)
Impairment losses (Note 8)	<u>(88,500,000)</u>	<u>-</u>
	<u>7,691,335</u>	<u>(4,848,835)</u>

Dividends were received from Sonae Sierra, SGPS, SA (24,873,210 euro) and Sonae Distribuição, SGPS, SA (70,106,369 euro).

Gains and losses on sale of investments relate mainly to the sale of 11% of MDS, SGPS, SA (1,225,000 euro) to a subsidiary. In 2007, includes losses arising on the sale of 12.7% of Sonaecom, SGPS, S.A. (82,188,375 euro).

**34. INCOME TAX**

Income tax charge for the year was 445,849 euro and 262,882 euro, in 31 December 2008 and 2007, respectively.

**34.1 Reconciliation of effective tax rate**

The reconciliation between the profit before taxation and the tax charge for the years ended 31 December 2008 and 2007 are summarised as follows:

	<u>31.December.2008</u>	<u>31.December.2007</u>
Profit before taxes	30,918,004	16,766,017
(Decrease) / Increase to net income for tax purposes	<u>(2,797,671)</u>	<u>(359,980)</u>
Taxable income	28,120,333	16,406,037
Use of carried forward tax losses	<u>(28,120,333)</u>	<u>(16,406,037)</u>
Net taxable income	-	-
Tax charge @ 25%	-	-
Autonomous taxation	24,044	16,791
Municipal surcharge	<u>421,805</u>	<u>246,091</u>
Tax charge	<u>445,849</u>	<u>262,882</u>
Effective average tax rate	<u>1.442%</u>	<u>1.568%</u>

**34.2 Carried forward tax losses**

	<u>31.December.2008</u>		<u>31.December.2007</u>	
	Carried forward tax loss	Limit for use	Carried forward tax loss	Limit for use
Generated in 2002	-		318,627,117	2008
	<u>-</u>		<u>318,627,117</u>	

**35. EARNINGS PER SHARE**

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

<b>Net profit</b>	<u>31.December.2008</u>	<u>31.December.2007</u>
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	30,472,155	16,503,135
Effect of dilutive potential shares		
Interest related to convertible bonds (net of tax)	-	-
Net profit taken into consideration to calculate diluted earnings per share:	<u>30,472,155</u>	<u>16,503,135</u>
<b>Number of shares</b>		
Weighted average number of shares used to calculated basic earnings	2,000,000,000	1,883,606,633
Effect of dilutive potential ordinary shares from convertible bonds	-	-
Weighted average number of shares used to calculated diluted earnings per share	<u>2,000,000,000</u>	<u>1,883,606,633</u>
<b>Profit/(Loss) per share (basic and diluted)</b>	<u>0.015236</u>	<u>0.008761</u>

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

**36. ACQUISITIONS AND DISPOSAL OF INVESTMENTS**

During 2008 and 2007, the following acquisitions and disposals occurred:

		31.December.2008	
Companies	Disposals	Acquisitions	
	Total price    Amount received	Total price    Amount paid	
Sonaecom, SGPS, SA	-                      -	812,229                      812,229	
Sonae Investments, BV	-                      -	549,981,849                      549,981,849	
Sontel, BV	-                      -	191,241,400                      191,241,400	
Sonaecenter, Serviços, SA	-                      -	50,000                      50,000	
Magma No. 1 Securitisation Notes	-                      -	100,000,000                      100,000,000	
MDS, SGPS, SA (a)	3,425,000                      3,425,000	-                      -	
Sonae Investimentos America Latina	12,439                      12,439	-                      -	
	<u>3,437,439                      3,437,439</u>	<u>842,085,478                      842,085,478</u>	

		31.December.2007	
Companies	Disposals	Acquisitions	
	Total price    Amount received	Total price    Amount paid	
Sonaecom, SGPS, SA	232,220,745                      232,220,745	-                      -	
Agloma Investimentos, SGPS, SA	15,454,000                      15,454,000	-                      -	
Investalentejo, SGPS, SA	49,000                      49,000	-                      -	
Saúde Atlântica, SA	250,000                      250,000	-                      -	
MDS, SGPS, SA (a)	-                      -	20,000,000                      20,000,000	
Sonae RE, SA	-                      -	500                      500	
	<u>247,973,745                      247,973,745</u>	<u>20,000,500                      20,000,500</u>	

(a) Former Resolução, SGPS, SA

Amounts received on disposals of investments disclosed in the cash flow statement include 141,603 euro (102,504 euro in 2007) relating to disposals in prior years.

**37. DIVIDENDS**

In the Shareholders Annual Meeting held on 21 April 2008, payment of a gross dividend of 0.03 euro per share was approved. This was paid on 21 May 2008, the total amount paid being 60,000,000 euro.

For 2008, the Board of Directors proposed a gross dividend of 0.03 euro per share, total amount of dividends is estimated to be 60,000,000 euro. This dividend is subject to approval by shareholders in the Shareholders Annual Meeting.

**38. APPROVAL OF THE FINANCIAL STATEMENTS**

The accompanying financial statements were approved by the Board of Directors on 17 March 2009. These financial statements will be presented to the Shareholders' General Meeting for final approval.

**39. INFORMATION REQUIRED BY LAW**

Decree-Law nr 318/94 art 5 nr 4

In the twelve months ended 31 December 2008 shareholders' loan contracts were entered into with the following companies:

MDS, SGPS, SA  
Sontel, BV  
Sonae Investments, BV

In the twelve months ended 31 December 2008 short-term loan contracts were entered into with the following companies:

Edições Book.It, SA  
 Equador e Mendes - Agência de Viagens e Turismo, Lda  
 Fozmassimo - Sociedade Imobiliária, SA  
 MDS - Corretor de Seguros, SA  
 MDS, SGPS, SA  
 Modelo Continente - Operações de Retalho, SGPS, SA  
 Nova Equador Internacional, Lda  
 Sonae Distribuição, SGPS, SA  
 Sonaecenter, Serviços, SA  
 SA  
 Star Viagens e Turismo, SA  
 Tlantic Portugal - Sistemas de Informação, SA  
 Todos os Dias - Com.a Retalho e Expl. De Centros Comerciais, SA  
 Valor N, SA

As at 31 December 2008 amounts owed by affiliated undertakings can be detailed as follows:

Loans granted

Companies	Closing Balance
MDS, SGPS, SA	76,920,000
Sonae Investments, BV	495,856,978
Sonaecenter, Serviços, SA	737,000
Sontel, BV	33,271,000
	<u>606,784,978</u>

As at 31 December 2008 there was no amounts owed to affiliated undertakings.

The Board of Directors

Belmiro de Azevedo

Álvaro Cuervo Garcia

Michel Marie Bon

José Neves Adelino

Duarte Paulo Teixeira de Azevedo

Álvaro Carmona e Costa Portela

Ângelo Gabriel Ribeirinho dos Santos Paupério

Nuno Manuel Moniz Trigos Jordão

# STATUTORY AUDITOR AND AUDITORS' REPORT



## STATUTORY AUDIT AND AUDITORS' REPORT

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

### **Introduction**

1. In compliance with applicable legislation we hereby present our Statutory Audit and Auditors' Report on the consolidated and individual financial information contained in the Report of the Board of Directors, and the consolidated and individual financial statements of Sonae, S.G.P.S., S.A. ("Company") for the year ended 31 December 2008, which comprise the consolidated and individual balance sheets (that present a total of 7,306,190,411 Euro and 3,805,942,233 Euro, respectively, and consolidated and individual equity of 1,562,543,877 Euro and 3,155,115,488 Euro, respectively, including consolidated net profit attributable to the Company's Equity Holders of 80,035,669 Euro and an individual net profit of 30,472,155 Euro), the consolidated and individual statements of profit and loss by nature, of cash flows and changes in equity for the year then ended and the corresponding notes.

### **Responsibilities**

2. The Board of Directors is responsible for: (i) the preparation of consolidated and individual financial statements that present a true and fair view of the financial position of the Company and of the companies included in the consolidation, the consolidated and individual results of their operations and their consolidated and individual cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of an appropriate system of internal control; and (iv) informing any significant facts that have influenced the operations of the Company and companies included in the consolidation, their financial position and results of operations.
3. Our responsibility is to examine the financial information contained in the documents referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our examination.

## **Scope**

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

## **Opinion**

5. In our opinion, the consolidated and individual financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated and individual financial position of Sonae, S.G.P.S., S.A. as of 31 December 2008, the consolidated and individual results of its operations and its consolidated and individual cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the information contained therein is, in terms of the definitions included in the auditing standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Porto, 17 March 2009

DELOITTE & ASSOCIADOS, SROC S.A.  
Represented by Luís Augusto Gonçalves Magalhães

REPORT AND OPINION  
OF THE STATUTORY  
AUDIT BOARD

## REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

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

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

### **1 – Report**

#### **1.1 - Introduction**

In compliance with the applicable legislation, the Statutory Audit Board issues its Report and Opinion which covers the Management Report and remainder consolidated and individual financial statements of Sonae SGPS, S.A. (“Company”) for the year ended 31 December 2008, presented by the Company’s Board of Directors.

#### **1.2 – Supervision**

During the year under analysis, the Statutory Audit Board accompanied in detail the management of the Company on matters that are within the scope of its competencies. The Statutory Audit Board has also oversaw, with the scope considered adequate under the circumstances, the evolution of the operations, having met, with the periodicity considered adequate, with the managers responsible for finance, accounting, internal audit and risk management issues, as well as with the External Auditor who is also the Statutory Auditor of the Company. These entities have always contributed for the proper exercise by the Statutory Audit Board of its competencies as defined in article 420º of the Portuguese Companies Act (“*Código das Sociedades Comerciais*”).

In furtherance of its functions, the Statutory Audit Board examined the consolidated and individual Balance sheets as at 31 December 2008, the consolidated and individual Statements of profit and loss by nature, of cash flows and of changes in equity for the year then ended and the related notes. Additionally, the Statutory Audit Board examined the Management Report for the year under analysis and the Statutory Audit and Auditors’ Report issued by the Statutory Auditor and agreed with their content.

By the end of the year, the Statutory Audit Board examined, with special attention the accounting treatment of all circumstances of patrimonial nature that had material economic or financial impacts in the development of operations reflected in the financial statements under analysis. For the examination of those circumstances, the Statutory Audit Board relied on the collaboration of the services of the Company as well as on the Statutory Auditor, namely, in what respects the consolidated Balance sheet and the consolidated Income statement, having obtained explanations considered to be fully satisfactory.

Considering the above, the Statutory Audit Board is of the opinion that the information presented on the financial statements under analysis, was prepared in accordance with the applicable accounting standards and give a true and fair view, of the assets and liabilities, financial position and results of Sonae, S.G.P.S., S.A. and the companies

included in consolidation perimeter and that the Management report faithfully describes the business performance and position of the Company, both individually and consolidated, and contains a description of the major risks and uncertainties that they face.

## **2 - Opinion**

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

## **3 – Responsibility Statement**

In accordance with paragraph a), number 1 of article 8º of the Regulation of CMVM nr. 5/2008 (“Disclosure Duties”), the members of the Statutory Audit Board declare that, to their knowledge, the information contained in the Management Report and the financial statements were prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and the results of the Company and companies included in the consolidation perimeter. Also it is their understanding that the Management Report faithfully describes the business evolution, performance and financial position of the Company and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

Maia, 17 March 2009

The Statutory Audit Board

Daniel Bessa Fernandes Coelho

Arlindo Dias Duarte Silva

Jorge Manuel Felizes Morgado

## **SAFE HARBOUR**

This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that are not historical facts.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, the industry and economic conditions; and the effects of competition. Forward-looking statements may be identified by words such as "believes," "expects," "anticipates," "projects," "intends," "should," "seeks," "estimates," "future" or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors and analysts are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. You are cautioned not to put undue reliance on any forward-looking information or statements. We do not undertake any obligation to update any forward-looking information or statements.

Report available in Sonae's institutional website  
[www.sonae.pt](http://www.sonae.pt)

### **Media and Investor Contacts**

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Sonae is listed on the Euronext Stock Exchange.  
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SONP.IN and on Bloomberg under the symbol SONPL.

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