

**Consolidated management report and
financial statements
December 2002**

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

Consolidated management report and financial statements December 2002

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I. CONSOLIDATED MANAGEMENT REPORT

1. Letter from Paulo Azevedo, CEO of SonaeCom

Dear shareholders,

When planning for 2002, and despite the operational improvements in 2001, SonaeCom was confronted with the need to reduce cash consumption significantly, at a stage where most of its projects were within the first three years of existence and when we were involved in the deployment of nationwide infrastructures. Swinging equity market views had turned attention from growth to FCF generation, and debt markets found themselves overexposed to telecoms and facing significant industry problems themselves. Additionally, it was very clear to us that achievements in improving FCF would be unsatisfactory, if they jeopardized growth, and above all future growth options.

The results we achieved in 2002 exceeded our best scenarios. FCF ⁽¹⁾ improved from a negative value of 268 million euros in 2001 to a negative value of 56 million euros in 2002, with a constant quarterly improvement which include turning FCF positive in the last quarter. These results were only possible with a substantial improvement of operational FCF profitability across all our business units, resulting in positive consolidated cash EBITDA of 114 million euros versus a negative value of 7 million euros the previous year. CAPEX reduction also provided a significant contribution, which was partially expected, following the conclusion of our national backbone and urban rings, and was achieved whilst sustaining our leadership in mobile access quality.

The improvements in operational profitability were obtained through growth (less visible at Optimus due to its relative size and the reduction in interconnection tariffs), efficiency gains and portfolio rationalisation. One very important source of efficiency gains was our capacity to profit from our position as a global telecommunications provider in Portugal, integrating many functions beyond the back-office support that we had begun in 2001. Most notable during 2002, were the total integration of IS and IT services, the full transfer of backbone traffic to own assets and also the first transfers of traffic to our own access infrastructure. The portfolio alterations included abandoning long pay-back Internet projects and vortals and the closure of our “Ventures” division, which contained corporate venturing and joint ventures. The cost to the company of this restructuring process in relation to financial investments provisions and asset impairment amounted to 15 million euros in 2002. A positive outcome of these changes was that a number of profitable and growth businesses in the software and systems integration business are now grouped into a new division and under a common management umbrella.

However, the year was not only dedicated to improving profitability. We launched important growth initiatives in the mobile data and fixed wireless access arenas and we developed innovative new approaches to our core mobile and fixed voice business.

¹ FCF (post debt service costs)

The handing back of the 4th Portuguese UMTS license was also an extremely important clarification for the mobile market. The concern surrounding the possible launch of a company whose economic viability was seriously doubted by the market in addition to the questions surrounding the legitimacy of a GSM/GRPS only operation, had cast a shadow of doubt and gloom over the sector. The solution that was reached late 2002, was one that SonaeCom had been advocating for over a year and had made public in a proposal to OniWay in July 2002. Given the radical swing in sector environment since the UMTS licensing process first began, and commitments made to date, the final outcome was perhaps the least painful for all parties involved. At approximately the same time, the national regulatory authority (ANACOM) approved a second 12-month postponement of UMTS launch obligations. SonaeCom strongly supports this decision as many barriers and doubts persist regarding technology available and consumer take-up of 3G technology. In addition, the advances in terms of GRPS deployment and the support it is receiving from both operators and equipment manufacturers are creating very good conditions for market participants to develop new offers to test consumer needs and demand. Under these circumstances, we believe it is not in the public interest to push for early deployment of UMTS and risk industry failure at such a critical stage and, as such, regulators should aim to be as flexible as possible in their approach.

During 2002, there was a vacuum in regulatory developments mainly due to the change in government and in the Board of Directors of ANACOM. The new Board only began to address issues that are critical to the development of the sector nine months into the year. Of the few decisions that were actually taken during that period, most of them produced negative effects for the development of the sector. Issues that are essential to the development of healthy and viable competition to the incumbent still remain to be addressed by the regulator and, as a result, Portugal has fallen even further behind Europe. These issues include the incumbent's ownership of both the fixed access networks (copper and cable), the need for effective enforcement of regulatory decisions and the monitoring of anti-competitive practices.

Tackling these important problems is clearly a priority for the Government and this position has been reinforced in the programme announced by the Ministry of the Economy. Both Government and ANACOM representatives have repeatedly stated the importance and urgency of these issues and have vowed to take action. The implementation of fair and effective regulation and anti-trust measures are a pre-condition to success for many of SonaeCom's investment and innovation plans.

SonaeCom shares underperformed the PSI20 index by 23% and the Dow Jones Eurostoxx Telco index by 13%. The main events affecting our share price during the year were the share capital increase and speculation surrounding possible market consolidation. We did not succeed in communicating effectively on both counts. The share capital increase was placed at a 25% discount to market prices and together with the improved operating performance in all SonaeCom companies, permitted a significant improvement in our financial position (net debt/Cash EBITDA increased from negative values to 3.3). This in itself should have helped to reduce perceived risk. Concerning sector consolidation, SonaeCom made its views public on fixed line consolidation and actively participated in discussions that ultimately led to the reduction in the number of UMTS licenses. We believe that any kind of consolidation in the Portuguese mobile sector is not feasible in the foreseeable future and are not actively pursuing this possibility.

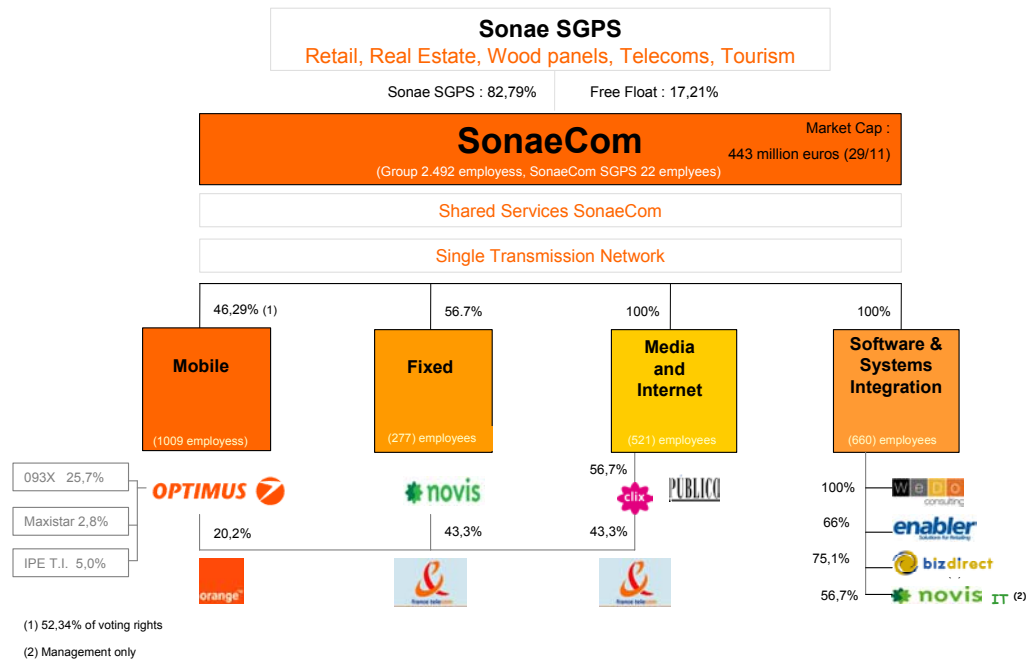
We will strive to improve communication to the market and proactively address some of the areas that have been pointed out to us. Aware of the benefits in terms of financial communication of using more widespread accounting standards, we are considering a move to reporting under IAS (International Accounting Standards) during the course of 2003.

The difficult challenges that we faced and the ambitious management targets that we set in 2002 have made our team even stronger and more confident than before. SonaeCom implemented a reduction in the number of employees in 2002 by 7% to 2,492. On balance, we have come through these challenges as a more coherent team and with increased ability to work together across all business units. I am grateful to each and every one of our team for their spirit, talent and ability to repeatedly place SonaeCom's interest above their individual objectives.

I would also like to extend my sincere gratitude to our business partners, our auditors and all members of the company's statutory bodies in particular to my colleagues of the executive committee and to our non-executive directors, whose wisdom and knowledgeable challenging have been of enormous value to the company and to my personal development.

Paulo Azevedo

2. Group structure and shareholders



3. Board of Directors' Report

3.1. Review of businesses

3.1.1. Mobile

For the Portuguese mobile telecommunications sector, the greater part of 2002 was marked by uncertainties regarding two critical factors, the launch of a fourth mobile operator and the possible delay of UMTS license obligations, perhaps the greatest being the uncertainty as to whether a fourth GSM operator would enter the market as an MVNO. Given the high level of penetration already felt in the Portuguese mobile market (circa 90% at the end of 3Q02) and the continued delay of UMTS availability, the immediate risk associated with the entrance of a fourth GSM operator would be the destruction of value for the sector as a whole with little added value to the consumer and a low probability of survival for the new entrant. Fortunately for the sector, the fourth operator decided to cancel the launch of operations towards the end of 2002 and hand back license and spectrum to the Regulator.

The second uncertainty related to the potential for further delay in UMTS license obligations. Finally, in December, ANACOM did decide to accept a further delay of 12 months to December 2003. Even within the revised timeframe, launch is still highly doubtful as there are many problems that remain unsolved, such as seamless handover between UMTS and GSM networks, handover between equipment from different manufacturers, handset availability and development of relevant consumer applications. At present, most of the existing mobile data applications can easily be handled over a GPRS enabled network and therefore the incentive for operators to incur significant investments in UMTS networks is low.

2002 was also marked by a continued reduction in interconnection tariffs on mobile-to-mobile calls and fixed-to-mobile calls. The regulator made a late decision in the second quarter of 2002 that mobile-to-mobile interconnection tariffs should be set at 24.9 eurocents / minute for the first half of the year. During this period, Optimus had been accounting for a mobile-to-mobile interconnection rate of 18.7 eurocents / minute. The change implied an increase in Optimus revenues in 2Q02. The tariff set from thereon by the regulator was 18.7 eurocents / minute.

Early 2002, the regulator determined a progressive reduction in the maximum rate that mobile operators are allowed to charge for 100 second calls originating on a fixed network. Quarterly reductions were defined starting on 31st March 2002 and ending on 31st December 2002. The first reduction was from 23.7 eurocents to 21.7 eurocents and the remaining reductions thereof were of 1 eurocent each, leading to a final rate of 18.7 eurocents as of 31 December 2002.

Optimus

Optimus delivered solid operating performance in 2002. Management's key focus was on improving overall levels of profitability and efficiency and as a result, operating profits, measured by Adjusted EBITDA, increased by 83% year on year to 143 million euros. Adjusted EBITDA margin as a percentage of turnover at Optimus was 23.4% in 2002, which compares with 12.7% in the previous year.

Optimus's progress in terms of free-cash flow (FCF) in 2002 was very positive, with a positive FCF of 25 million euros in the fourth quarter in comparison with negative 35.8 million euros in the first quarter of the year. The FCF generated in the three final quarters of 2002, together with funds raised in the 100 million euro capital increase (30 million paid-in in March and 70 million in September), allowed Optimus to reduce gross debt by 70 million euros year-on-year to 453 million euros. Optimus ended 2002 with a healthy debt to equity ratio of 50:50 and a Net Debt to Cash EBITDA ratio of 3.1 times.

In terms of key operating indicators, subscribers grew by 204 thousand to over 2.1 million at the end of the year, an increase of 10% compared with the previous year. Service revenues grew less than the customer base, 3.5%, mainly due to the aforementioned changes in interconnection tariffs. Revenues generated by customers increased by 9.6% in 2002 whereas operator revenues registered a 7.3% reduction. Operator revenues represented approximately 35% of service revenues in 2002 compared to almost 38% in the previous year.

Average Revenues per User (ARPU) in 2002 registered a 15% decline to 24.1 euros in comparison with 2001. This reduction is explained by three factors that affected service revenues as a whole (i) the cut in interconnection tariffs for mobile to mobile calls and fixed to mobile calls (ii) a change in overall traffic mix (iii) a reduction in customer revenues from roaming services.

Development of data services and applications is central to Optimus' strategy and revenues currently generated from this source averaged 9.7% of a customers monthly bill in 2002. Total revenues from data services amounted to 43 million euros, up by 8% in comparison with 2001.

Optimus launched a whole new range of data services in 2002 and developed a series of TV and media campaigns and direct client targeting designed to stimulate user awareness. More than 40% of Optimus' subscriber base uses data services. People to people SMSs are still the main driver of growth in data and we believe that this is still a market with significant growth potential. Optimus' Corporate unit launched professional SMS services that provide its clients with a fast and inexpensive way of reaching their customers, suppliers and employees. Messaging services were further boosted in June with the launch of MMS services (Multimedia Messaging) that reached extremely high levels of consumer awareness thanks to media campaigns and promotions from all the operators.

Data revenues from value added services such as news, sport and entertainment messaging almost doubled throughout 2002, from 2.4 million euros to 5.7 million euros. Consumers are most enthusiastic about fun services and Optimus launched a series of new offers in addition to traditional icons and ring tones, such as postcards, games, contests and picture imaging. Partnerships and alliances were established with content providers that independently sell their content to Optimus' and other operator's subscriber bases. These new value added services are becoming a significant source of revenues for Optimus.

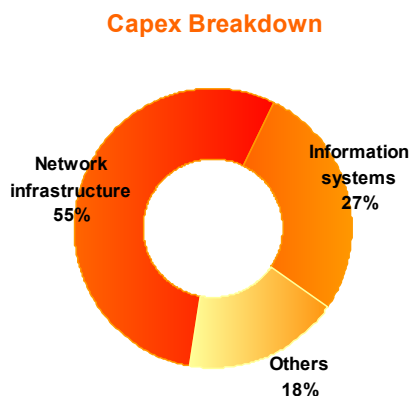
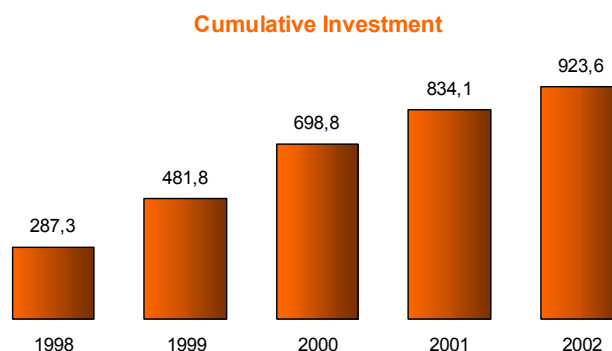
GPRS take-up has been good amongst corporate clients as a platform for safe remote access to company local networks. More than 100 of Optimus' business accounts are actively communicating over GPRS.

In terms of new offers for the residential segment, and directed at traditional voice segments, Optimus launched two innovative tariff plans in 2002, Boomerang Total and Mega Total, both of which designed to overcome the “network effect” that results from Optimus’ position as the third operator. Boomerang Total allows customers to speak to any other network at a fixed rate of 24.8 eurocents per minute. Mega Total, launched in November, promotes a 20 eurocents per minute rate on calls to any network and at any time of day.

Optimus believes that the Regulator should act to significantly reduce mobile-to-mobile interconnect rates as they create an artificial barrier to competition that naturally benefits the larger network operators. As Optimus is a net payer of mobile interconnect tariffs, it is clearly at a disadvantage to the other operators.

In 2002, Optimus continued to strengthen its distribution network, opening 7 new shops and renewing the image of the existing network.

Optimus’ overriding focus on the quality and capacity of its telecommunications infrastructure once again determined investments made in 2002. Capital expenditure (CAPEX) for the year was 89.4 million bringing cumulative CAPEX in Optimus since launch to 924 million euros.



Once again, Optimus' superior network quality was confirmed by the Regulator's 2002 comparative network quality testing. Optimus was once more considered to be the operator with the best network quality in Continental Portugal.

3.1.2. Fixed

2002 was yet another year of insipient regulation in terms of the fixed and Internet markets and as a result the incumbent continued to strengthen its dominant market position.

Decisions regarding normal annual revisions such as circuit and interconnect pricing were taken very late in the year and no significant advances were made in key issues such as local loop unbundling and competition arbitration. The outcome of some the decisions that were taken in 2002, was worse than before, making competitive conditions for alternative operators even harsher.

The slow pace of regulatory intervention could be explained by a number of reasons such as the change of government early 2002, the change of the board of the regulator and the relatively complex dispute surrounding the launch of the fourth licensed UMTS operator as a virtual GSM mobile operator.

Overall, conditions for alternative operators deteriorated substantially during 2002 and this is reflected in the competitive landscape for alternative operators where today only Novis and ONI remain as challengers to Portugal Telecom.

Novis

To overcome the aforementioned difficulties, Novis has chosen to focus its business on market segments where it feels it can sustain reasonable levels of profitability, namely the SoHo and SME markets. The whole organization has been restructured to a size that is more appropriate to the new economics and current potential of the fixed market.

The results of this restructuring are clear. Novis ended 2002 with operating losses of 17 million euros, which compare with losses of 46 million euros in 2001. The quarterly improvement in operating results throughout 2002 was substantial. Whereas in the first quarter operating losses amounted to 7.7 million euros, in the last quarter of the year, they had reduced to 900 thousand euros.

Novis' balance sheet was also strengthened in 2002 with shareholders capitalizing loans to the amount of 83.4 million euros. As a result, Novis now has a debt to equity ratio of 30:70.

From a management perspective, Novis has been divided into two different units, Novis Telco and Novis IT. The latter was included in SonaeCom's Software and Systems Integration (S&SI) unit (from a management perspective only), during the second half of 2002 given the close fit with the other companies in this unit.

In 2002, 28% of Novis' revenues were generated by Novis IT and the remainder by Novis Telco.

Despite the good performance achieved in terms of operating results, significant improvements from now on will only be achievable if the regulatory framework is changed so as to address the evident competitive imbalance that alternative operators are facing. This issue is covered in more detail later in the section dedicated to regulation.

Within Novis Telco, voice revenues, both direct and indirect, represented 44% of revenues generated in 2002. Indirect voice is still a major contributor to total revenues – 83% of voice revenues. The volumes of traffic generated with indirect voice help to dilute the fixed costs of the organization although this is a relatively low margin business.

Data and Internet are areas of Novis that are growing steadily but that still constitute a proportionately small source of revenues overall. Significant effort was made during the year to develop new products in this area for SME and SoHo customers. In 2002, data and Internet revenues represented circa 16.5% of Novis Telco's turnover, circa 80 million euros.

An area of business that has been progressing well is wholesale with voice and Internet offers. Revenues generated from this area amounted in 2002 to 22 million euros. With its wholesale business Novis essentially resells telco capacity to other operators and subsequently improves the return on investment in its own network infrastructure. Optimus is naturally an important customer of Novis wholesale services and almost all other national mobile and fixed operators, along with some major international operators are using Novis as their national and international voice, circuit and Internet supplier. We expect this activity to further develop during 2003.

Customers

During 2002, the direct access customer base increased by 92% to 1,187 against 2001. The number of accesses installed at the end of the year stood at 2,054 of which 70% were installed on the Novis network, 80% using FWA and the remainder with direct fibre links.

Novis reinforced its leadership among altnets for its strategic segment - the SME market - having reached an 8.3% market share (compared with 5.2% for the 2nd altnet). For the business segment, priority is given to direct access services – voice, data and Internet – provided mainly using FWA and leased lines in locations that do not justify installing a base station. The indirect service offer focused almost exclusively on pre-selection products with progressive discounts, proportional to levels of consumption. For the business segment, indirect access is seen as the first step to developing a relationship with the customer with a view to later migration to other higher added value products, such as direct access. Residential services are mostly limited to voice products given the lack of conditions to launch a viable direct access service based on local loop unbundling.

During 2002, Novis decreased its 30-day active customer portfolio to 124 thousand at the end of 2001 to 112 thousand at the end of 2002. This was due to various factors: (i) the implementation, in the first quarter of 2002, of a much more rigorous “dunning” policy and consequently to the deactivation of bad risk customers (ii) the fact that Novis has made pre-selection mandatory for all new customers with voice products, as call by call sales typically bring very low ARPUs (iii) the incumbent has an extremely aggressive win-back policy in place. Novis expects to see a recovery in its customer base in 2003 with a refocused approach to its door-to-door sales network.

Network

In terms of major network investments, in 2002, Novis completed the long distance fibre network, by opening the South ring, from Lisbon to the Algarve, the North ring from Porto to Viana do Castelo, and the interior ring, spanning the major cities in the interior of the country, and adding additional capacity in the direct Lisbon-Porto route.

As for the construction of its local access networks (MANs) Novis continued the construction of small rings in the main cities, where the goal is to optimise the transmission infrastructure of the SonaeCom Group, whilst increasing the capacity of the initial microwave rings that were progressively phased out. At the end of the year Novis had already 190 km of cable for fibre installed in its MANs.

Finally, Novis kept up with the technical processes evolution related to the unbundling of the local loop, experimenting with various xDSL technologies. Some positive regulatory developments are expected on this front and as such, Novis aims to be ready to exploit opportunities that may arise if and when the local loop is clearly unbundled. Until then, activity has been kept to a bare minimum.

Traffic

Novis is responsible for managing almost all the fixed telecommunications and Internet traffic of the SonaeCom Group. The integrated management of the Group has led to cost reductions in this area. Throughout the year Optimus migrated all of the backbone circuits interconnecting Mobile Switching Centers (MSC) and a significant number of MSC to BSC (Base Station Concentrators), to the Novis transmission network. Additionally, in urban areas where Novis's network is available, a few hundred BTS (Base Terminal Stations) were also linked up through Novis' network.

Volume of traffic over the Novis network rose to 2,491 million minutes during the year, which represents a growth of 14% in comparison with 2001.

3.1.3. Media and Internet

The Internet sector in Portugal continued to grow during 2002 although at a slower pace than in previous years, as additional growth now comes from segments of the population that have relatively low purchasing power.

During 2002, there was still some growth in residential narrowband Internet access but the main driver came undoubtedly from broadband take-up. According to the last available data supplied by ANACOM, at the end of September 2002, there were 189 thousand broadband accesses in Portugal of which 18 thousand were ADSL and the remainder cable.

The incumbent revised its wholesale offer in 2002 and despite the shortcomings, alternative operators were able to offer a broadband solution for their customers albeit with unattractive economics. Promotion of ADSL offers by most of the leading ISPs in the second half of the year was essential to the take-up of this new technology and to boost new customer acquisitions.

Clix

Clix continues to lead the residential Internet access market in Portugal. The latest available data indicates that Clix's declared home access market share stood at 21.6%, with Sapo (the incumbent's residential ISP) ranking second with a market share of 14.2%.

Declared Home-Access Market Share

Clix	21,6%
Sapo (Incumbent brand)	14,2%
Netcabo (Incumbent brand)	13,8%
IOL	9,4%
Telepac/Netpac (Incumbent brand)	8,9%
Oninet	6,7%
Vizzavi(Netc)/Yorn	6,1%
Cabovisão	2,5%

Source: Marktest-Bareme Internet Sep-Nov 2002

Base: Homes in Continental Portugal where at least one person uses the Internet from home.

With the rapid migration during 2002 from narrowband to broadband offers by some of the heavier internet users, Clix's market share suffered a decline of 3.9%. Cable operators were in a position to promote the most aggressive broadband offers and as such benefited the most from this shift in the market.

In September, Clix launched its own broadband ADSL offer, Clix Turbo, providing subscribers with unlimited access to the Internet for a fixed monthly rate. Clix's offer is the most innovative in the market as it also provides subscribers with free voice communications to other Clix users, and low price fixed and mobile calls, using voice over IP technology.

Clix ended the year with 226 thousand active subscribers (last 30 days) and generated 1.8 billion minutes of traffic throughout the year. This traffic refers to narrowband users as ADSL subscribers are no longer measured in minutes of use, as their connections are "always-on".

Clix's portal activity continues to flourish and is a reference amongst the Portuguese online community with a clear focus on quality services and content. A further 48 channels and services were launched in 2002. Alongside the launch of Clix's ADSL broadband access offer, Clix also launched a new broadband portal, aggregating innovative multimedia content.

Portal revenues remain relatively small at 965 thousand euros in 2002. This is explained by the continued recession in the advertising market in general and the low enthusiasm regarding online advertising platforms.

Turnover at Clix amounted to 35.7 million euros in 2002, an increase of 103% compared with 2001. Operating losses, adjusted EBITDA, more than halved from 11 million euros in 2001 to 5 million euros as a reflection of management's focus on improving profitability.

Clix will have difficulty in delivering continued improvements in operating profitability within the present regulatory environment due to the shortcomings of the incumbent's wholesale ADSL offer. The narrowband business is already EBITDA positive. However the abusive pricing of the incumbent's wholesale offer means that ClixTurbo, Clix' broadband offer, will take much longer to break-even.

Público

The recession in the advertising market continued to be a major issue for all media platforms throughout 2002. However, Público launched a number of "Associated Products" during 2002 aimed at compensating for the decline in publicity revenues.

The "Mil Folhas" book collection stands at the forefront of these initiatives as an outright success. With the Mil Folhas collection, Público distributes a book once a week with the newspaper at a substantial discount to normal book cover price. One of the main reasons for the success of the collection was the quality of the titles and authors selected for the collection, so much so that a second collection was launched at the start of 2003. At the end of the year, Público launched a DVD collection along the same lines and initial results are very positive.

Average paid circulation at Público increased in 2002 to 56.3 thousand copies a day, up 5% on the previous year. This achievement is particularly noteworthy in a market that saw total average daily circulation (from the main daily newspapers in Portugal), decline by 1.2% in comparison with 2001.

	Average Paid Circulation		
Daily Press	Jan/Sep 01	Jan/Sep 02	02 / 01
Diario de Notícias	58,310	52,854	(9.4%)
Jornal de Notícias	104,954	104,686	(0.3%)
Correio da Manhã	98,859	96,038	(2.9%)
Público	53,904	55,645	3.2%
Diario Económico	12,574	9,784	(22.2%)
24 Horas	30,809	35,990	16.8%
Total	359,410	354,997	(1.2%)

Source : APCT

Público increased its share of audience in 2002 from 3.9% to 4.9% and stands as the third most widely read newspaper in Portugal and ranks first amongst the daily papers with national distribution.

Amongst some of the editorial initiatives pursued during the year, it is worth mentioning that Público re-launched its Economic Supplement included every Monday, early 2002 and then later in October launched a new regional inset for the Minho region (Northern Portugal).

Público's turnover increased by 19% in 2002 to 41 million euros compared with 35 million in 2001. As already mentioned, this growth was achieved thanks to the launch of alternative sources of revenue that do not depend exclusively on newspaper sales and advertising revenues. In fact, advertising revenues at Público declined by 21% in 2002 to 17 million euros.

In terms of operating profits, Publico increased EBITDA by 27% to 1,696 million euros, also an achievement made possible by the good margins achieved with the book collection. Efforts continued throughout 2002 to reduce staff costs and improve operating processes in order to achieve sustainable improvement in margins and in productivity. Headcount at Publico was reduced by 7% in 2002. The full impact of these restructuring measures will only be felt in 2003.

Others

The remaining assets within SonaeCom's online portfolio performed in line with expectations with management's key focus on keeping cash consumption to a minimum. The Group is committed to scaling down investments in this area and will continue to seek opportunities to reduce exposure to these assets.

3.1.4. Software and Systems Integration

In 2002 SonaeCom set-up "Software and Systems Integration" (S&SI), a sub-holding responsible for integrated management of all the Group's IT and IS businesses, including: Enabler, WeDo, Novis IT and BizDirect.

Enabler is a systems integrator and consultant focussed on the retail sector, originally the IT arm of the Sonae Group's distribution arm. It was spun off as an independent company in 1997. Enabler operates in Portugal, UK, Germany, Italy and Spain.

WeDo, a systems integrator and specialist focused on the telco sector (software) was spun-off from the Optimus IT department at the end of 2000 and currently has offices in Portugal, Spain and Brazil. In 2002, WeDo carried out work for major telco accounts such as Amena, Telemar and selected Orange accounts and naturally Optimus.

Novis IT was created in 1994 as the Sonae Group's telco and systems provider, Sonae Rede de Dados and was later merged into Novis, in 1999, in the move towards liberalization of the fixed telco sector in Portugal. From a management perspective only, Novis IT is integrated in the S&SI division as it has a closer fit with the other companies in this sub-holding. The transition to S&SI was made in the latter months of 2002 and a material restructuring of the company is underway to transform Novis IT into a more market oriented company. The positive effects of the restructuring are only likely to be felt in the second quarter of 2003.

Finally, S&SI also has a small B2B platform called BizDirect. Initially launched in 2000 as a market oriented business portal and, with the subsequent reduction in e-commerce potential, BizDirect was scaled down to become an internal procurement platform for its shareholders: Sonae, BPI and Aitec.

The accumulated knowledge and experience of the S&SI teams, both within the Sonae businesses and already with a number of international clients, mostly major players in their relevant markets, are key differentiating factors when analyzing and implementing solutions within these sectors.

Leveraging on already profitable businesses in Portugal, Enabler has achieved an important international footprint with international accounts such as Debbenham and NISA Todays (both UK), Gallery Lafayette (France), Hetllage (Germany), Despar (Italy), amongst others and in the case of WeDo, Amena (Spain), Telemar and Oi (Brasil), Mobilix, Orange Dominican, Orange Caribe, Orange Denmark, amongst others.

S&SI's strategy in terms of international expansion is to only launch operations in markets where the divisions feel they can sustain attractive levels of profitability. As such, Enabler has set up three international subsidiaries in partnership with local managers: Enabler UK (2000), Enabler Brazil (2001), Enabler Retail and Consult Germany (2002). WeDo opened an office in Brazil during 2002 – WeDo Brazil.

Excluding Novis IT, S&SI employed 501 people at the end of 2002. Aggregate revenues amounted to 46.3 million euros and adjusted EBITDA for the period was 6 million euros. Revenues generated outside the Sonae Group represented 39% of aggregate revenues and Sonae related customers represented 61%.

The S&SI division of SonaeCom presents high growth potential in terms of both revenues and profitability. Enabler is already a net profit generating company with 3.8 million euros generated in 2002.

3.2. Human Resources

2002 was a challenging year in terms of human resource management. The tough market conditions and ineffective regulatory environment, led inevitably to an overall reduction in headcount throughout the sector. The clear management focus on improving profitability led to a number of measures to rationalise cost structures, namely by improving systems and processes, increasing inter-group synergies and by reducing the number of employees.

This was coupled with the increased challenge of keeping staff motivated and committed to the SonaeCom vision. Our management team dedicated time and effort to optimizing skills and resource management within individual companies, within SonaeCom and throughout the Sonae Group. Our human resource department responded to the specific demands of managing both mobility and flexibility of our staff.

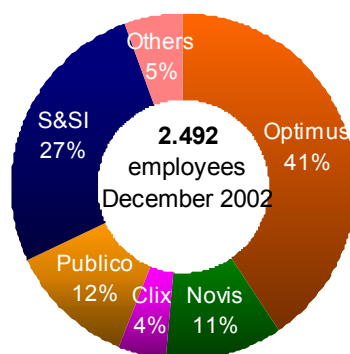
A major development within our human resource methodology was the implementation and consolidation of a skill based management profile for managers and a group-wide training programme. The department itself became part of the SonaeCom shared services division in order to improve efficiency and reduce costs.

We are proud to say that SonaeCom faced this challenge with the same commitment and energy that characterise all our endeavours and we stand now, in 2003, as a leaner and more efficient organization, prepared to face the challenges of the future.

Some key figures

At the end of 2002, SonaeCom had 2,492 employees compared to 2,694 in January, with the majority of the reductions being at Novis, Optimus and Publico.

SonaeCom Employees



3.3. Regulation

Anacom was almost inactive during the first months of the year due to the General Elections and Government change and, as a result, a number of critical decisions were delayed. A new Board of Directors was only appointed in the second half of the year and as a result, regulatory activity was practically non-existent until almost mid September.

Some changes in the structure of ANACOM were implemented in 2002, amongst which a clarification and subsequent increase of its role in competition related matters.

One positive development in 2002 was that the Regulator announced that higher fines would be applied for non-compliance with regulatory deliberations, a measure that is welcomed by SonaeCom as critical to ensure future development of the sector.

The delay in determining the new members of the Regulatory Body and the time that they would need to study dossiers at hand meant that a number of urgent and fundamental decisions were postponed amongst which Interconnection reference pricing for 2002. Equally serious is the fact that the incumbent operator continued to take abusive advantage of its dominant market position with very little action taken by the Regulator.

A brief overview of key regulatory events or issues is given below:

- In terms of voice interconnection, ORI 2002 (the reference interconnect tariff plan) only came into effect in May and proved to be lacking in many critical areas such as proposed changes in network structure and in guaranteeing access by alternative operators to PTs switches in order to install their own equipment. ORI 2002 only brought about a minimal reduction in interconnection both in terms of traffic and in terms of minimum PGIs (points of interconnection) in order to ensure single transit national coverage. The current pricing places Portugal even further from the EU interconnection ranking, a fact that SonaeCom will continue to bring to the Regulator's attention.
- PT announced its new leased line tariffs at the end of 2002 and again the outcome is extremely unfavourable as the tariff structure has a negative impact on the competitiveness of the sector. Once again, the regulator did little to change this distortion.
- Regarding local loop unbundling the Regulator deliberated co-installation of equipment at PTs switches without the need for specific rooms and also that wireless equipment could also be used. These measures are important to stimulate competition based on local loop unbundling. The Regulator also deliberated on specific measures to make ULL a less bureaucratic process however SonaeCom is concerned that these measures should contain more detail at the risk of being ineffective in the medium term.
- SonaeCom has formally requested that ANACOM intervene in respect of Portugal Telecom's wholesale ADSL offer as during 2002, Portugal Telecom practiced discriminatory behaviour against alternative operators when announcing the conditions of this offer. To date, the Regulator has not imposed appropriate sanctions against the incumbent.

The European Commission has launched a new regulatory framework that will be transposed into State Member law by the end of the first half 2003. This new package is central to the development of the telecommunications sector over coming years and SonaeCom will be an active participant in the national discussion around the subject. At a glance, the new package aims to increase flexibility of the sector with particular focus on increasing competition.

For the greater part of 2002, the mobile market lived under the shadow of the possible launch of a fourth GSM/GPRS mobile virtual network operator, Oniway. On many occasions, SonaeCom questioned the legal foundation for the launch of such an operation given that the fourth operator was only licensed to operate with a UMTS network.

In addition, the economic viability of another GSM/GPRS operator was another source of uncertainty for the market in general and against this backdrop OniWay finally announced, late 2002, that it would no longer be launching operations. Oniway handed back its UMTS license to the regulator and announced that it would sell certain assets to the incumbent mobile operators. In the meantime, the regulator has decided to reallocate the UMTS license spectrum to the remaining operators.

The solution that was reached late 2002, was one that SonaeCom had been advocating for over a year and had made public in a proposal to OniWay in July 2002. Given the radical swing in sector environment since the UMTS licensing process first began, and commitments made to date, the final solution was perhaps the best outcome for all parties involved.

At approximately the same time, the national regulatory authority approved a second 12-month postponement of UMTS launch obligations. SonaeCom strongly supports this decision as many barriers and doubts persist regarding technological availability and consumer take-up of 3G technology. In addition, the advances in terms of GRPS deployment and the support it is receiving from both operators and equipment manufacturers are creating very good conditions for market participants to develop new offers to test consumer needs and demand. Under these circumstances we believe it is not in the public interest to push for early deployment of UMTS and risk industry failure at such a critical stage and as such regulators should aim to be as flexible as possible in their approach.

Regarding mobile interconnection, the European commission is currently evaluating the levels being practiced across member states. SonaeCom feels that intervention in this matter should take into account the specific local conditions and should only be enforced on operators that have significant market power (more than 25% market share).

3.4. Environmental management

In 2002, SonaeCom made important progress in implementing its Environmental Management System (EMS), in accordance with NP EN ISO 14001:

- The SonaeCom Environmental Policy was approved;
- The main Environmental Aspects and respective Impacts of SonaeCom's business activities were identified, in compliance with legal regulation and environmental best practices;
- The Environmental Manual together with all its Environmental Procedures were developed and implemented;
- The foundations of the Environmental Management Programme were launched and clear targets were defined, in order to achieve a continuous improvement dynamic;
- Key Environmental Performance Indicators were identified according to the standards of the World Business Council for Sustainable Development and these indicators are now being closely monitored on a regular basis;
- Top management and key managers were given training and the personnel team were directly involved in the environmental programme and assigned specific responsibilities;
- SonaeCom main suppliers were involved in the EMS by distributing them the SonaeCom's Supplier Environmental Manual and by receiving environmental information from them suitable to enable SonaeCom to perform their environmental evaluation;

- Internal audits were executed to certify that the EMS was in accordance with the ISO 14001 standards.

SonaeCom simultaneously implemented its Waste Management System in all the company's facilities in order to guarantee environmentally conscious disposal of paper, plastic, glass, metal, toners etc, while keeping the cost of this project almost null.

In 2002, Optimus participated actively in the clarification of the Electromagnetic Fields and Health issue, both towards its employees and the society: namely, Optimus made available in its intranet thorough information concerning this item, participated in the IX Jornadas da Sociedade Portuguesa de Protecção Contra as Radiações and was fully involved in a task force organized by a Government Agency (Secretaria de Estado da Administração Local) whose objective was to legislate on installation of telecom equipment and how best to adequately measure and disclose electromagnetic emissions measurement values from base stations.

Aware of its social responsibility toward the community, SonaeCom companies were engaged in several relevant initiatives to the society, namely: Optimus sponsored the Portuguese branch of the Foundation for Environmental Education in Europe responsible for the Blue Flag of Europe, WeDo continued its support of the Portuguese Para-Olympic team preparation towards its next Olympic Games of 2004 and Clix offered to the Kids of Casa do Gaiato a trip to Madrid to meet their Portuguese football player idol Luis Figo.

3.5. Risk Management

2002 was SonaeCom's Internal Audit and Risk Management team's first full year of activity. As such, the year was dedicated to identifying, analyzing, and proposing action to better manage the main risks that seem most critical to the group's operating companies. The team also helped management teams to implement solutions aimed at improving company performance through better control measures.

The main areas and projects in which the team was involved in 2002 were:

Optimus	Supplier payments
	Agent commissions
	Operations (logistics, planning, purchasing and stocks)
Novis	Information systems (network infrastructure and security)
	Collections
	Forecasting revenues and interconnect costs
	Reconciling Bscs/Sap
Publico	Full audit and risk management assessment
SonaeCom	Working capital management
	Risk management relating to security issues (infrastructures, insurance portfolio, security of critical assets)

SonaeCom's Internal Audit and Risk Management team is composed of 9 members divided between systems auditing (2), risk management (1) and process auditing (5). The team reports to the Board of Directors of SonaeCom through the Board Audit and Finance Committee.

3.6. Macroeconomic Environment

Throughout 2002, the global economy demonstrated hesitant signs of recovery. At the start of the year there were some indications of a return to growth stimulated by successive interest rate cuts however this was dampened by weaker consumer and business confidence indices reflected by the overall reduction in world trade during 2002.

Performance of world equity markets was a clear sign that sustained economic recovery would take longer than initially expected and the mounting risk of armed conflict in the Middle East further increased market volatility with oil prices soaring to almost 30 USD/barrel.

Structural differences between the leading world economies explain the different growth patterns registered in 2002. GDP is estimated to have grown 2.3% in the US (0.3% in 2001), only 0.9% in the European Union (+1.6% in 2001) and Japan again registered a recession of -7% (-0.3% in 2001).

Portuguese GDP is estimated² to have once again registered slower growth in 2002 of 0.5% (+1.7% in 2001) as a result of weaker exports (+2.0%) and private consumption (+1.0%), less investment for the second year running (-3.3%) and a reduction in public spending. The slowdown in external demand is explained not only by the adverse economic environment but also by the cumulative loss in competitiveness of the Portuguese economy. The social impact of higher unemployment (from 4.1% to 4.8%) and the deterioration of consumer confidence (the lowest since 1986) help to explain the reduction in internal demand (-0.5%).

As a result of slow demand and moderate salary growth (and despite the VAT increase in May) average consumer price inflation reduced to 3.6% (compared with 4.4% in 2001). Together, these conditions translated into a significant reduction in the trade deficit (from 12.5% to 10% of GDP) and of the current account although the latter is still relatively high (-7.8% of GDP in 2002).

3.7. Economic and financial analysis

Introduction

SonaeCom delivered an excellent operational performance during 2002, significantly improving its profitability in a difficult economic and competitive environment that resulted in a slowdown in revenue growth. This performance reflects gains of efficiency in internal processes, the success of the cost reduction programmes and the restructuring and optimization of the Group business portfolio. As a consequence, the Group consistently reduced its cash-burn quarter-on-quarter, reaching positive free cash-flow in the last quarter of 2002.

In addition, SonaeCom's financial structure was significantly strengthened during the year, essentially through the increases in shareholders funds at SonaeCom SGPS, Optimus and Novis.

² All estimates are an average of official forecasts available – source Bank of Portugal

Continued revenue growth

Turnover growth during 2002 was influenced by several factors, the main being:

- Decrease of consumer confidence levels and slowdown of private consumption;
- Maturity of the Portuguese mobile market (high penetration rate);
- Strong and continued recession in the advertising market;
- Reduction of mobile to mobile and fixed to mobile interconnect rates;
- Unfavourable regulatory framework.

During 2002, SonaeCom's consolidated turnover reached 793 million euros, 62 million euros above 2001, representing an 8% year-on-year increase. The main contributors to this increase were Novis (+30 million euros), Clix (+19 million euros) and Público (+6 million euros), while Optimus' turnover contribution remained almost stable (essentially as a result of the reduction in interconnection rates and lower sales of equipment than in 2001). Novis and Clix managed to increase their contribution to consolidated turnover by a total of 49 million euros, notwithstanding the adverse market conditions and absence of regulatory improvements. Público's increased turnover contribution was a result of a significant change in the company's business model, now less dependent on advertising and underpinned by the sale of associated products (e.g. books and DVDs). Finally, the enlargement of SonaeCom's consolidation perimeter resulted in an additional 13.7 million euros contribution.

Millions of euros				
Turnover Contributes	2001	2002	Δ	Δ %
Optimus	605	600	(5)	(1%)
Novis	55	85	30	55%
Clix	17	36	19	112%
Publico	34	40	6	18%
IT/IS	19	30	11	58%
Others	1	2	1	100%

Adjusted EBITDA 101 million euros higher than in 2001

Millions of euros				
Adjusted EBITDA Contributes	2001	2002	Δ	Δ %
Optimus	78	143	65	84%
Novis	(45)	(15)	30	(67%)
Clix	(10)	(4)	6	(61%)
Publico	2	2	1	44%
IT/IS	2	5	2	98%
Others	(5)	(8)	(2)	47%
Sonae Com Consolidated	22	123	101	466%

During 2002 SonaeCom generated strong growth in operational profitability with a 101 million euros increase of Adjusted EBITDA that reached 123 million euros (5.5 times higher than the 22 million euros obtained in 2001). This performance is a result of improved operational performance in all business areas:

- Optimus increased its contribution by 65 million euros, to 143 million euros;
- Novis reduced its negative contribution by 30 million euros to 15 million euros;

- Clix reduced its negative contribution by 6 million euros to a negative 4 million euros;
- Público increased its contribution by 0.8 million euros to 2.5 million euros;
- Enabler and WeDo increased their contribution by a total of 2.4 million euros, to a total of 4.9 million euros.

This Group-wide improvement in profitability is a result of global process optimization and cost cutting initiatives that begun at the end of 2001 and were successfully implemented during 2002. In addition, revenue-enhancing initiatives were also important (e.g. the “Mil Folhas” book collection and the DVD collection at Público that enabled the company to partially compensate the loss of advertising revenues). The positive evolution of Adjusted EBITDA at Clix was obtained notwithstanding the change in the company’s business model that, during 2002, started to migrate from narrow-band Internet access to broad-band Internet access which provides (a lower margin business due to the current unfavourable economics associated with PT’s wholesale ADSL offer and that SonaeCom expects ANACOM to address in the short term). The increased operational profitability was a main driver in the positive evolution of the Group’s free cash-flow throughout the year.

Statutory EBITDA reached 94 million euros in 2002, 38 million euros above 2001, corresponding to a 68% increase versus last year.

Millions of euros				
Statutory EBITDA Contributes	2001	2002	Δ	Δ%
Optimus	107	117	10	9%
Novis	(41)	(18)	22	(55%)
Clix	(10)	(3)	7	(70%)
Público	2	2	1	44%
IT/IS	2	5	2	98%
Others	(4)	(9)	(4)	105%
Sonae Com Consolidated	56	94	38	68%

Millions of euros								
EBITDA Contribution Reconciliation	Optimus	Novis	Clix	Público	IT/IS	Others	Total 2002	Total 2001
Cash EBITDA	136	(16)	(4)	2	5	(9)	114	(7)
Capitalised Costs	7	1	0	0	0	0	9	29
Adjusted EBITDA	143	(15)	(4)	2	5	(9)	123	22
SACs deferred in the Year	85	6	3	0	0	0	94	143
Previously Deferred SACs Written Back	(111)	(9)	(2)	0	0	(0)	(122)	(109)
Statutory EBITDA	117	(18)	(3)	2	5	(9)	94	55

Depreciation and amortization

As a consequence of the operating companies’ continued investment activity (consolidated CAPEX excluding capitalized costs reached 125 million euros in 2002), amortization and depreciation increased to 150 million euros (circa 19% of consolidated Turnover).

Provisions, extraordinary and financial results

During 2002, SonaeCom reinforced its balance sheet provisions by almost 28 million euros to cover risks associated with bad debt, stock depreciation and other charges and liabilities (e.g. indemnities resulting from restructuring processes, legal actions, etc.). In addition, the analysis of the Group's financial investments resulted in a provision of 11 million (accounted for in financial results under the Portuguese accounting conventions), essentially covering the investment made to date in Altitude Software. Finally, a 4 million euros extraordinary provision for asset impairment was made as a result of the restructuring of SonaeCom's portfolio in the Internet area.

Financial expenses, excluding net losses of associated companies (accounted under the equity method) and provisions for financial investments, stood at 29 million euros, in line with the previous year. Financial income (mainly interests received) decreased significantly in comparison with 2001, as a consequence of a lower level of liquidity at SonaeCom SGPS, until July 2002, when the holding company's capital increase was completed.

Net Results before minorities and Net Income³ to SonaeCom shareholders

Notwithstanding the level of provisions for financial investments and asset impairment, the strong improvement in operational profitability in 2002 enabled SonaeCom to improve its Net Result before minority interests by 14 million euros, to net loss of 117 million euros (of which 43 million euros is attributable to operating companies' minority shareholders). SonaeCom's Net Result after minority interests was negative at 75 million euros, improving circa 2 million euros from 2001.

Capital expenditure (investment)

Capex Contributes	Millions of euros			
	2001	2002	Δ	Δ %
Optimus	132	90	(43)	(32%)
Novis	38	27	(11)	(29%)
Clix	4	1	(2)	(64%)
Publico	2	2	(0)	(11%)
IT/IS	2	1	(1)	(31%)
Others	19	4	(15)	(79%)
Sonae Com Consolidated	197	125	(72)	(37%)

SonaeCom is committed to deliver both a high quality service to its customers and an adequate return on investment to its shareholders. Consequently, investment decisions taken are closely monitored for shareholder and customer value creation.

³ As in 2001, goodwill was eliminated against reserves. If this had not been done, at 31 December 2002, intangible assets and equity would have been greater by 45 million euros, and amortizations for the same period would have been higher by 6.1 million euros.

During 2002, SonaeCom's consolidated capital expenditures (excluding capitalized costs) reached 125 million euros, 72 million euros below the investment made during 2001. Group companies continued to focus their investment in improving systems and developing the Group's telecommunication infrastructure (fixed and mobile). As a consequence of SonaeCom's strategy being centred in the telecommunications arena, funds were invested essentially by Optimus and Novis (90 and 27 million euros respectively, representing 94% of the consolidated capital expenditure).

Financing SonaeCom in 2002

Financing	Dec 2001	%	Reduction	Additional Debt	Millions of euros	
					Dec 2002	%
Loans from Minorities (1)	18	3%	(14)		4	1%
Short term Loans	195	34%		1	196	39%
Medium and Long Term Loans	356	63%	(48)		309	61%
Gross Debt	569	100%	(62)	1	509	100%

(1) Funds injected in Novis by France Telecom, and by BPI and AITEC in Bizdirect.

Throughout the year, the main sources of funding were SonaeCom SGPS liquidity (increased by the share capital increase completed in July) and funds obtained from minority shareholders of the operating companies (essentially as a consequence of the increase in shareholder funds at Optimus and Novis), in addition to the positive free cash-flow generated by the Group in the last quarter of 2002.

In 2002, SonaeCom SGPS issued 45.25 million new shares at a price of 2.25 euros each, increasing the company's nominal share capital from 181 million euros to 226.25 million euros. The share capital increase was successfully completed and resulted in an injection of 102 million euros in the company. Sonae SGPS took up its full rights and all unused rights and subsequently the free float was reduced from 20% to 17.2%. These funds will ensure that SonaeCom SGPS is able to support the implementation of the current business plans of all its operating subsidiaries.

Optimus increased its share capital by a total of 100 million euros. SonaeCom contributed with 48 million euros and other minority shareholders with 52 million euros. In addition, a total of 83 million euros of supplementary capital were registered in Novis (58.6 million euros via capitalization of shareholder loans and 24.4 million euros corresponding to funds injected into the company during 2002). SonaeCom contributed with 47 million euros and France Telecom with 36 million euros.

During 2002, Optimus repaid 4.7% of its current 400 million euros syndicated loan, as part of the established principal repayment schedule pursuant to the financing contract signed in July 1999. In addition, the company repaid circa 15% of its short-term loans of 100 million euros and 32 million euros of other short term facilities. Optimus is currently restructuring its existing short and medium term facilities given the clarified competitive environment and the confirmation of a twelve month delay in UMTS obligations. The aim of restructuring existing debt facilities is to better align the debt and repayment profile to Optimus revised GSM / UMTS business plan.

Throughout the year Novis maintained its short term funding lines that total 50 million euros. At year-end these lines were used by almost 46 million euros.

In 2002, Público negotiated an additional short-term loan facility of 1.5 million euros that was used mainly to support the launch of the “Mil Folhas” book collection.

SonaeCom’s Consolidated liquidity increased from 55 million euros at the end of 2001 to 131 million euros at the end of 2002, as a consequence of the share capital increases at SonaeCom and Optimus and improved cash flow generation.

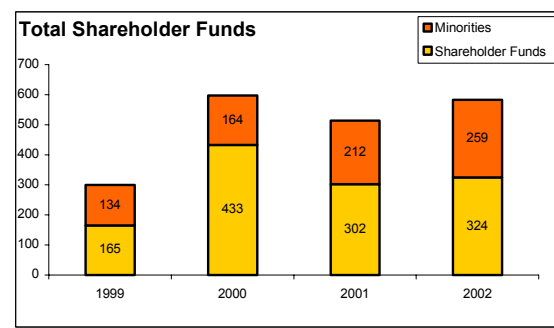
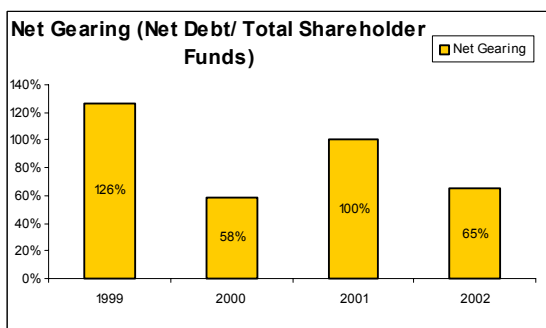
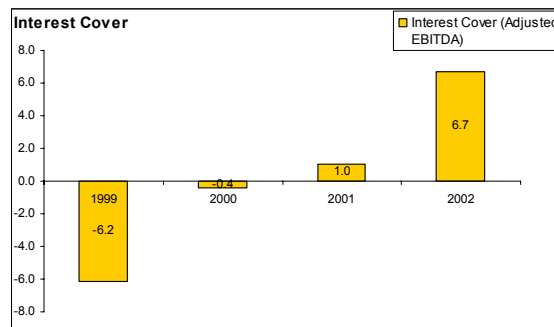
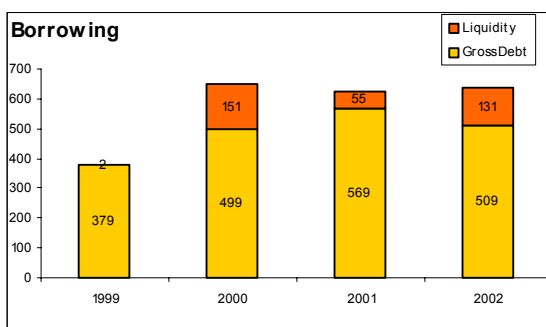
Millions of euros	
Changes in Sonae Com S.G.P.S Liquidity	Amount
Sonae Com S.G.P.S Capital Increase	101.8
Equity or Subordinated shareholder loans subscribed	(94.8)
Optimus Share Capital Increase	(47.6)
Novis Supplementary Capital	(47.2)
Net Shareholder loans granted	(7.5)
Novis Telecom (1)	(23.3)
Novis Telecom	19.6
Sonae Telecom BV	(1.5)
Sonae Matrix S.G.P.S	(1.4)
Sonae Com Sistemas de Informação	(0.9)
Loans from group companies	18.6
Sonae Com movements	3.5
Interest paid	(0.5)
Interest received	2.7
Operational revenues	4.7
Operational expenses and others	(3.5)
Sub-total	21.6
SonaeCom SGPS stand alone liquidity at 2001.12.31	68.2
SonaeCom SGPS stand alone liquidity at 2002.12.31	89.8
Reconciliation of Sonae Com Consolidated liquidity	
SonaeCom SGPS stand alone liquidity at 2002.12.31	89.8
Liquidity in other group companies	41.6
Sonae Com Consolidated Liquidity	131.4

(1) This amount was already applied as Cash application in 2001, and was converted to Shareholder loans during 2002.

Financial Structure

In what has been a challenging year, SonaeCom was able to significantly strengthen its balance sheet and its financial structure, as a result of increased profitability and further support from shareholders. Mainly as a consequence of the share capital increases described above, SonaeCom’s consolidated net debt decreased by 136 million euros, from 514 million euros at 31 December 2001 to 378 million euros at 31 December 2002. The consolidated gross debt was reduced by 60 million euros. As a result, the Group reduced its net gearing level (net debt/total shareholder funds) from 100% at year-end 2001 to 65% at year-end 2002. During this period, the consolidated D:E ratio reduced from 50:50 to 39:61.

As a consequence of the increase in operational profitability and stabilization of interest paid, the consolidated interest cover ratio (Adjusted EBITDA/interest paid) improved from 1x in 2001 to 6.7x in 2002. At Optimus, the company responsible for paying 80% of the interest paid by the Group, the interest cover ratio, increased from 4x in 2001 to 9.5x in 2002. Additionally, profitability growth associated to the decrease in Net Debt led to a very significant improvement in net debt/cash EBITDA ratio that evolved from a -72.9x at year end 2001 to 3.3x in 2002.



3.8. Corporate governance

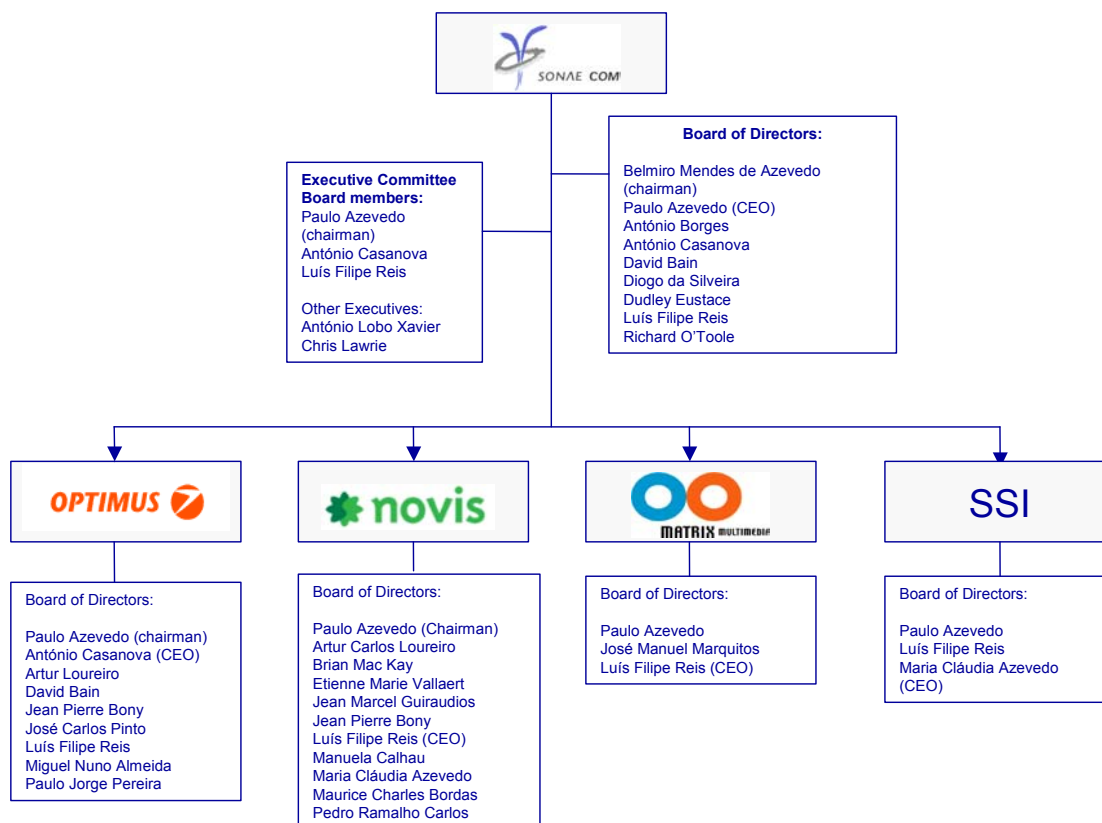
3.8.1. Managing bodies of SonaeCom

SonaeCom's Board of Directors comprises 9 members, including 6 non-Executive Directors. The 3 Executive Directors are the Group Chief Executive Officer, and the Chief Executive Officers of the main business units. Two Senior Executives, the Chief Financial Officer and the Chief Legal Officer make up an Extended Executive Committee of 5 members.

The Non-Executive members of the Board of Directors bring together vast experience in the world of business, finance, academia and politics. Three of the non-Executive Directors are independent of the major shareholders and exercise an important influence in the decision-making process and development of company strategy.

During 2002, Clara Rodrigues Gomes and Filipa Santos Carvalho were nominated company secretary and substitute secretary. Additionally, David Bain was nominated the Board member responsible for the relationship with the stock exchange authority ("CMVM").

Board of Directors, Executive Committees and Executives



Our Directors

Management

Paulo Azevedo, aged 37 is Chairman of SonaeCom's Executive Committee and Chairman of the Board of Optimus and Novis. He was formerly Chairman of the Executive Committee of Optimus and Executive Director of Modelo Continente . Paulo Azevedo graduated in chemical engineering from the École Polytechnique Federal in Lausanne and obtained an MBA from the Institute of Advanced Business Studies (ISEE - University of Oporto).

António Casanova, 40 years old, is Executive Director of SonaeCom and CEO of Optimus. He was Board Member responsible for Sales and Marketing for Optimus and has been with the Sonae Group since 1998. Previously he was Deputy Chairman at Lever Portugal, and Marketing Co-ordinating Director at Banco Fonsecas & Burnay (Group BPI). He was Senior Associate at McKinsey & Co. He holds a B.Sc. (Honours) in Economics from the London School of Economics and an MBA from Universidade Nova de Lisboa.

Luís Reis, 41, is Executive Director of SonaeCom and CEO of Matrix and Novis. He is also a non-executive director of Optimus Telecomunicações, S.A. and Sonae.com Sistemas de Informação, S.G.P.S., S.A.. He was an executive Board Member of Modelo Continente, S.G.P.S. (1996/2000) and was Chairman of the Board of Banco Universo between March 1997 and September 1998. He is also a member of the Consultative Committee of the Público newspaper and was Marketing Director of Sonae Distribuição from 1994/96. Luis Reis has a degree in medicine awarded by the Faculty of Medicine at the University of Coimbra. He obtained an MBA from the Institute of Advanced Business Studies at the University of Oporto and in 1998 he finished his PhD in Economics at the Complutense University in Madrid. In 1998 he attended the University of Stanford's Executive Programme.

Non-Executive Directors of SonaeCom

Belmiro de Azevedo is Chairman of the Board of Directors of SonaeCom and Sonae SGPS. He carries out other executive and non-executive functions including the World Business Council for Sustainable Development and the European Advisory Board of London Business School. He has a degree in industrial chemical engineering awarded by the Engineering Faculty of the University of Oporto. He has a PMD from Harvard Business School and took part in the Financial Management Programme at Stanford University.

Dudley Eustace was associated with Alcan Aluminium Ltd. for 24 years, occupying positions of a financial nature as well as management control. His postings include Canada, Argentina, Brazil, Spain and the United Kingdom. More recently he was Finance Director of British Aerospace and then Deputy Chairman of the Board of Royal Philips Electronics in Amsterdam. He is Chairman of Smith & Nephew Plc and a Board member of a number of public companies. He has a degree in economics from the University of Bristol and is a Fellow of the Institute of Chartered Accountants.

António Borges was appointed Vice Chairman & Managing Director of Goldman Sachs International in September 2000. Prior to that he was Dean of Insead, which he had joined as a faculty member in 1980. From 1990 - 1993 Antonio Borges was Deputy Governor of the Bank of Portugal and played an important part in the liberalisation of the Portuguese finance system. A graduate of the Technical University of Lisbon, he has an MA and a PhD in Economics from Stanford University in California.

Richard O'Toole is an adviser and consultant to various private and public sector bodies on trade, competition and regulatory issues. Between 1976 and 1979 he was Special Assistant at the Office of the Executive Director of the OECD International Energy Agency. From 1979 to 1984 he carried out senior functions at the Irish Foreign Ministry. In 1985 he was appointed *Chefe de Gabinete* of the European Commission, responsible for the areas of competition/competitiveness, social issues and the structural development of the European Community. In 1989 he joined the GPA Group plc becoming Executive Director of the GPA Technology Division. From 1993 to 1995 he was Assistant Director General of the World Trade Organisation (WTO), where he was closely involved in coordinating negotiations in the Uruguay Round. From 1996 to 2000 he was Head of Global Government Affairs at ABB, the international engineering group. He was a Board Director of Esat Telecom plc of Ireland from 2001 to 2001.

David Bain was appointed CFO of Efanor Investimentos, S.G.P.S. (the holding company of Sonae, S.G.P.S.) in June 2002. Within the SonaeCom Group, he is also a non-executive director of Optimus Telecomunicações S.A. He was previously CFO of SonaeCom SGPS and formerly CFO of Inparsa SGPS and of Sonae SGPS following the merger with Inparsa. Between 1995 and 1998 he was CFO of Auto-Sueco Group (Volvo's sole importer and distributor in Portugal and Angola) having previously served as Finance Director of the Taylor/Fonseca Group port companies. David Bain is a Fellow of the Institute of Chartered Accountants, a qualification he obtained with Coopers & Lybrand in London. He has a degree in economics from the University of Bristol.

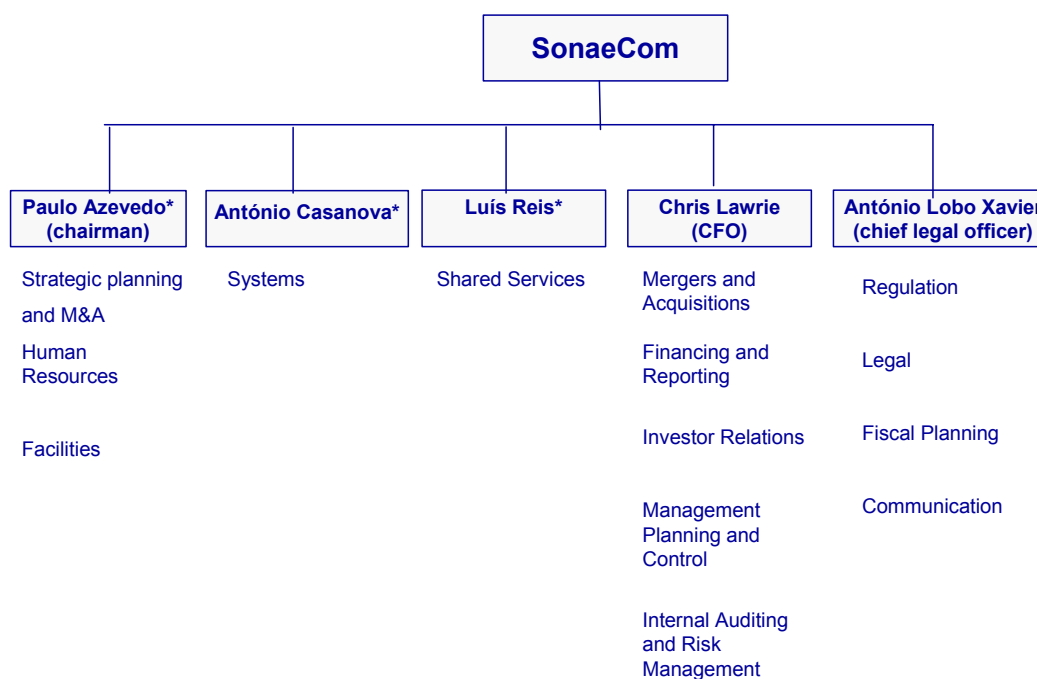
Diogo da Silveira, aged 42, is Isoroy's CEO, Glunz and Tafisa UK Board member as well as member of the Central European Board of Sonae Industria. He is a non-executive Director of SonaeCom. Previously he was Chairman of the Executive Committee of Novis and Executive Director of SonaeCom. He was also a non-executive director of Optimus Telecomunicações S.A. He was before that a director of Sonae Distribuição with responsibility for Specialist Retail and previously he was a director of Sonae SGPS as a member of the Board. Before joining the Sonae Group in 1998 he was a partner of McKinsey & Co in Paris. He has a degree in engineering awarded by the Central University, Lille, France and an MBA from Insead. He also undertook research at the University of Berkeley, California.

Other members of the Executive Committee

Christopher Lawrie, aged 44, is Chief Financial Officer of SonaeCom and by invitation attends both the SonaeCom Board meetings and Executive Committee meetings. He is also responsible for strategy and corporate development at SonaeCom. Prior to joining SonaeCom in March 2001, he developed his career as an investment banker covering southern Europe with particular emphasis on Spain and Portugal involved in M&A, general advisory, equity capital markets and debt financing. Between 1998 and 2001 he was a Director at Credit Suisse First Boston in its European Telecoms Group responsible for Spain and Portugal. Prior to joining Credit Suisse First Boston, he was a Director at BZW responsible for Corporate Finance in Spain between 1993 and 1997 and spent close to 10 years at Schroders in banking and corporate finance before joining BZW. He has an Honours Degree in Business Studies & Finance.

António Lobo Xavier, aged 43, is Chief Legal Officer of SonaeCom and attends both the SonaeCom Board Meetings and Executive Committee meetings by invitation. He is also responsible for regulation, fiscal planning and communication at SonaeCom. He has a degree in Law and a Masters in Economic Law, both from the University of Coimbra. António Lobo Xavier has held positions as University lecturer in Political Economics, Public Finance, Fiscal and Administrative Law and has published a number of papers on these subjects. He is also a Board or Committee member of a number of public institutions and private companies.

Executive Committee and Responsibilities



* Members of the Board of Directors

Belmiro Mendes de Azevedo

EFANOR INVESTIMENTOS, SGPS, S.A. (Chairman of the Board of Directors)
IMOCAPITAL - SGPS, S.A. (Chairman of the Board of Directors)
MODELO CONTINENTE, SGPS, S.A. (Chairman of the Board of Directors)
PRAÇA FOZ - SOCIEDADE IMOBILIÁRIA, S.A. (Chairman of the Board of Directors)
SETIMANALE - SGPS, S.A. (Chairman of the Board of Directors)
SONAE - SGPS, S.A. (Chairman of the Board of Directors)
SONAE CAPITAL, SGPS, S.A. (Member of the Board of Directors)
SONAE IMOBILIÁRIA - SGPS, S.A. (Chairman of the Board of Directors, non executive)
SONAE INDÚSTRIA - SGPS, S.A. (Chairman of the Board of Directors)
SONAE.COM, SGPS, S.A. (Chairman of the Board of Directors, non executive)
SPRED - SGPS, S.A. (Chairman of the Board of Directors)
TABLEROS DE FIBRAS, S.A. (Chairman of the Board of Directors)

António Castelo Branco Borges

BANCO SANTANDER DE NEGÓCIOS PORTUGAL, S.A. (Chairman of the Statutory Fiscal Board)
BANCO SANTANDER PORTUGAL, S.A. (Chairman of the Statutory Fiscal Board)
GOLDMAN SACHS INTERNATIONAL (Vice Chairman of the Board of Directors)
JERÓNIMO MARTINS, SGPS, S.A. (Member of the Board of Directors)
SONAE.COM, SGPS, S.A. (Member of the Board of Directors, non executive)
CNP Assurances (Member of the Supervisory Board)

Dudley Graham Eustace

AEGON NV (Member of the Board of Directors)
HAGEMEYER NV (Member of the Board of Directors)
KLM ROYAL DUTCH AIRLINES NV (Member of the Board of Directors)
ROYAL KPN NV (Member of the Board of Directors)
SENDO HOLDINGS PLC (Chairman of the Board of Directors)
SMITH & NEPHEW PLC (Chairman of the Board of Directors)
SONAE.COM, SGPS, S.A. (Member of the Board of Directors, non executive)
W&S NEDERLAND NV (Member of the Board of Directors)

Richard Henry O'Toole

Hutchison Europe Limited, United Kingdom (Member of the Board of Directors)
SONAE.COM, SGPS, S.A. (Member of the Board of Directors, non executive)

Duarte Paulo Teixeira de Azevedo

CLIXGEST - INTERNET E CONTEÚDOS, S.A. (Chairman of the Board of Directors)
EFANOR INVESTIMENTOS, SGPS, S.A. (Member of the Board of Directors)
ENABLER - INFORMÁTICA, S.A. (Chairman of the Board of Directors)
IMPARFIN, SGPS, S.A. (Member of the Board of Directors)
MIGRACOM - SERVIÇOS DE TELECOMUNICAÇÕES E TRANSF. DE INFORMAÇÃO, S.A. (Chairman of the Board of Directors)

MODELO CONTINENTE, SGPS, S.A. (Member of the Board of Directors)
 MOVE ON, SGPS, S.A. (Chairman of the Board of Directors)
 NOVIS TELECOM, S.A. (Chairman of the Board of Directors, non executive)
 OPTIMUS - TELECOMUNICAÇÕES, S.A. (Chairman of the Board of Directors, non executive)
 PORTAIS VERTICAIS. COM, SGPS, S.A. (Chairman of the Board of Directors)
 PRAÇA FOZ - SOCIEDADE IMOBILIÁRIA, S.A. (Member of the Board of Directors)
 PÚBLICO COMUNICAÇÃO SOCIAL, S.A. (Member of General Council)
 SONAE INDÚSTRIA, SGPS, S.A. (Member of the Board of Directors)
 SONAE MATRIX MULTIMÉDIA, SGPS, S.A. (Chairman of the Board of Directors)
 SONAE TELECOM, S.A. (Chairman of the Board of Directors)
 SONAE TELECOM, SGPS, S.A. (Chairman of the Board of Directors)
 SONAE, SGPS, S.A. (Member of the Board of Directors)
 SONAE COM – Sistemas de Informação, SGPS, S.A. (Chairman of the Board of Directors, executive)
 SONAE.COM, SGPS, S.A. (Member of the Board of Directors, executive)
 WEDO CONSULTING - SISTEMAS DE INFORMAÇÃO, S.A. (Chairman of the Board of Directors)

António José Santos Silva Casanova

CONTACTO ÚTIL - SERVIÇOS E GESTÃO DE ATENDIMENTO A CLIENTES, S.A. (Chairman of the Board of Directors)
 MOVE ON, SGPS, S.A. (Member of the Board of Directors)
 OPTIMUS - TELECOMUNICAÇÕES, S.A. (Member of the Board of Directors, executive)
 PER - MAR, SOCIEDADE DE CONSTRUÇÕES, S.A. (Chairman of the Board of Directors)
 PÚBLICO - COMUNICAÇÃO SOCIAL, S.A. (Member of the General Council)
 SESI - Sociedade de Ensino Superior e Investigação, SA (Member of the Board of Directors)
 SONAE.COM, SGPS, S.A. (Member of the Board of Directors, executive)
 WEDO CONSULTING - SISTEMAS DE INFORMAÇÃO, S.A. (Member of the Board of Directors)

David Graham Shenton Bain

ANTIQUIMO- SOCIEDADE IMOBILIÁRIA, S.A. (Member of the Board of Directors, non executive)
 BA CAPITAL SGPS, S.A. (Member of the Board of Directors, non executive)
 EFANOR – SERVIÇOS DE APOIO À GESTÃO, S.A. (Member of the Board of Directors)
 EFANOR TÊXTEIS SGPS, S.A. (Member of the Board of Directors)
 GASPAR & LUCIANO, LDA. (Administrator)
 HARPA BEHEER, B.V. (Company Director)
 IMOEQUIP – SOCIEDADE IMOBILIÁRIA, S.A. (Member of the Board of Directors)
 IMOESPIDO – SOCIEDADE IMOBILIÁRIA, S.A. (Member of the Board of Directors)
 IMOPINCEL – SOCIEDADE IMOBILIÁRIA, S.A. (Member of the Board of Directors)
 IMOSOALHO – SOCIEDADE IMOBILIÁRIA, S.A. (Member of the Board of Directors)
 LAMIRÉ – SOCIEDADE IMOBILIÁRIA, S.A. (Member of the Board of Directors)
 LIAMAN, S.A. (Member of the Board of Directors, non executive)
 LINHACOM S.A. (Member of the Board of Directors, non executive)
 MAGNOIMO – SOCIEDADE IMOBILIÁRIA, S.A. (Member of the Board of Directors)

MIGRACOM – SERVIÇOS DE TELECOMUNICAÇÕES E TRANSF.DE INFORMAÇÃO, S.A. (Member of the Board of Directors)
 OBOÉ – SOCIEDADE IMOBILIÁRIA, S.A. (Member of the Board of Directors)
 OPTIMUS – TELECOMUNICAÇÕES, S.A. (Member of the Board of Directors, non executive)
 PAREURO, B.V. (Company Director)
 PLANTIMO – SOCIEDADE IMOBILIÁRIA, S.A. (Member of the Board of Directors)
 REALEJO – SOCIEDADE IMOBILIÁRIA, S.A. (Member of the Board of Directors)
 RETAILBOX, B.V. (Company Director)
 SETIMANALE SGPS, S.A. (Member of the Board of Directors)
 SONAE TELECOM, B.V. (Company Director)
 SONAE.COM SGPS, S.A. (Member of the Board of Directors, non executive)
 TOTAL SHARE SGPS, S.A. (Member of the Board of Directors)
 VISTAS DA FOZ – SOCIEDADE IMOBILIÁRIA, S.A. (Member of the Board of Directors)
 WEDO CONSULTING – SISTEMAS DE INFORMAÇÃO, S.A. (Member of the Board of Directors, non executive)

Diogo António Rodrigues da Silveira

SONAE.COM, SGPS, S.A. (Member of the Board of Directors, non executive)
 Glunz AG
 Tafisa UK, TD
 Tafisa França, SA
 Isoroy, SAS
 Sonae Indústria Consultadoria e Gestão, S.A.

Luís Filipe Campos Dias de Castro Reis

Clixgest – Internet e Conteúdos, S.A. (Member of the Board of Directors)
 Enabler – Informática, SA (Member of the Board of Directors)
 Exit Travel – Agência de Viagens e Turismo Online, S.A. (Chairman of the Board of Directors)
 Fun Online – Actividades Lúdicas, S.A. (Member of the Board of Directors)
 Miauger – Organização e Gestão de Leilões Electrónicos, SA (Chairman of the Board of Directors)
 Modelo Continente, SGPS, SA (Member of the Board of Directors, non executive)
 Move On, SGPS, S.A. (Member of the Board of Directors)
 Myplace - Conteúdos Imobiliários na Internet, S.A. (Member of the Board of Directors)
 Net Mall, SGPS, S.A. (Chairman of the Board of Directors)
 Novis Telecom, S.A. (Member of the Board of Directors, executive)
 Optimus – Telecomunicações S.A. (Member of the Board of Directors, non executive)
 Portais Verticais.Com, SGPS, SA (Member of the Board of Directors)
 Público – Comunicação Social, S.A. (Conselheiro)
 Público.pt – Serviços Digitais Multimedia, SA (Chairman of the Board of Directors)
 Sonae Matrix Multimedia, SGPS, S.A. (Member of the Board of Directors)
 Sonae Telecom, SGPS, S.A. (Member of the Board of Directors)
 Sonae.Com - Sistemas de Informação, SGPS, S.A. (Member of the Board of Directors)
 Sonae.Com, SGPS, S.A. (Member of the Board of Directors, executive)
 We Do Consulting – Sistemas de Informação, S.A. (Member of the Board of Directors)
 We Do do Brasil – Soluções Informáticas, Lda. (Administrator)
 XS – Comunicação, Informação e Lazer, S.A.

3.8.2. Information and Communication

1. How responsibilities are split between the various bodies and departments within the company and relationship with the management decision process – see figure on page 32.

2. Share performance and relevant facts that may have influenced share performance – see section on share price performance on page 39.

3. Dividend distribution policy – SonaeCom has not defined a dividend distribution policy.

4. Stock options plans adopted or in place

As detailed in note 61 - other relevant facts included in the notes to the balance sheets and consolidated financial statements, during the year of 2001 the company implemented a stock option plan and other incentives stock plans for the benefit of certain SonaeCom Group staff.

The number of options, and related shares, granted/compromised and extinct during 2002 and exercisable at December 31, 2002, are as follows:

	Number of Options	Number of Shares
Granted	425	
Extinct	120	
Exercisable	468	
Committed		1,787,693
Extinct		247,105
Exercisable		980,859

5. Use of new technologies to communicate financial information and preparatory documents for shareholders meetings.

SonaeCom has an internet site on which it posts relevant information on the company's operations such as Earnings Announcements, Reports and Accounts, press releases and general news on the company and its subsidiaries.

3.8.3. Voting rights and shareholder representation

The Board of the Shareholders' General Meeting is comprised of a Chairman, Vice-Chairman and a Secretary and is elected by the shareholders for a four-year term of office. General Meetings are convened and conducted by the Chairman or, in his absence, by the Vice-Chairman. All shareholders with a right to vote may participate directly or be represented by proxy at General Shareholder's Meetings. Each group of five hundred shares corresponds to a vote; therefore, shareholders have as many votes as the integer part resulting from dividing the number of shares owned by five hundred.

SonaeCom's statutes include a number of rules relating to voting rights.

The statutes do not contemplate shareholder voting using electronic technology, however postal voting is accepted.

3.8.4. Company Bye-laws

SonaeCom has not stipulated specific codes of conduct or company bye-laws in relation to the resolution of conflicts of interest, confidentiality or non-compatibility issues, as the company feels that these are regulated by legal obligations imposed on the members of a governing body.

SonaeCom has created a Board Audit and Finance Committee that is monitoring the company's activity and for considering risks that are inherent to this activity. The Committee is composed of 3 non-executive Directors and is led by 2 independent non-executive directors.

No shareholders have special rights within SonaeCom and the company is unaware of any shareholder agreements.

3.8.5. Board of Directors

SonaeCom's Board of Directors may consist of an odd number of members – three, five, seven or nine members, elected by majority of votes for a term of four years, with the possibility of re-election. The Board of Directors shall elect its Chairman.

The Board should meet at least four times a year, as stipulated by the company statutes. The quorum for any Board Meeting requires that the majority of Directors are present. Each member has equal voting rights and decisions are taken by a majority of votes cast.

The duties of the Board of Directors are as defined by law.

Currently, SonaeCom's Board of Directors has nine members, including three executive members and six non-executive members.

The company statutes permit the Board to delegate company business, duties and responsibilities, as considered appropriate, to an Executive Committee. The Executive Committee will comprise those members of the Board of Directors selected for this purpose. A unanimous vote of the Executive Committee is necessary for the approval of any of its decisions. The Executive Committee currently meets every fortnight and is made up of three Board members : the ExCom and Group CEO and two CEO's of the main business units. Two other Senior Executives, with wide experience in the financial and legal fields make up an Extended Executive Committee, one being the CFO and the other the Chief Legal and Regulatory Officer.

To ensure that the Board of Directors is kept well informed by the Executive Committee, the latter produces a monthly activity report and frequent interaction between executive directors and non-executive directors takes place. In turn, the Directors report to the Executive Committee on a regular basis.

The Executive Committee may only deliberate on matters that relate to general management of the company and not on matters that are exclusively of the competence of the Board of Directors.

In terms of segregation of functions and corporate governance, SonaeCom created independent Remunerations Committee that is responsible for approving remunerations. This committee meets once a year or whenever necessary and is composed of SONAE SGPS, S.A., represented by Belmiro Mendes de Azevedo, Professor José Manuel Trindade Neves Adelino and Mr. Bruno Walter Liehmann.

Variable remuneration of the executive members of the Board of Directors depends on company and share price performance.

Remuneration of members of the Board of Directors is split between executive and non-executive directors according to the table below.

Annual remuneration of the Board of Directors of SonaeCom (euro)

Executive Directors	Fixed	Variable
Total	756,198	598,688

Non-Executive Directors	Fixed	Variable
Total	77,094	0

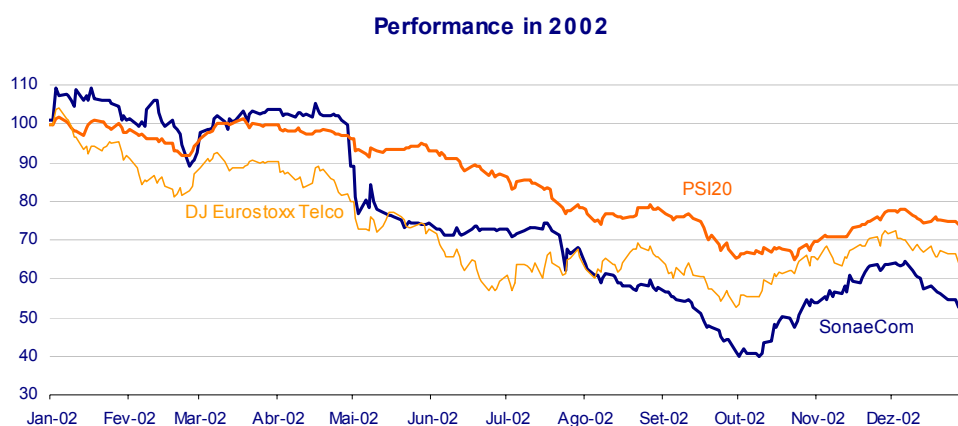
3.9. SonaeCom and the Equity Capital Markets

3.9.1. Share price performance

SonaeCom's share price performance in 2002 was effected by the overall negative sentiment surrounding telecom stocks and equity stories in general. The economic slowdown has been an additional factor preventing markets from showing clear signs of recovery.

SonaeCom's share price fell by 49% in 2002, underperforming the principal Portuguese market index – PSI20 - by 23% and the Dow Jones Eurostoxx Telco Index by 13%. On average, SonaeCom traded 330 thousand shares per day representing 1% of the company's free-float.

SonaeCom's share performance was extremely volatile during 2002, as may be seen in the chart below, mainly due to external factors not related to company performance. The year saw significant investor speculation surrounding possible consolidation in the Portuguese Telco sector, that generally involved SonaeCom or some of its assets. The majority of the scenarios put forth were totally unfounded. SonaeCom did actively seek a consolidation opportunity in July when it sent a proposal to the shareholders of Oni stating that it would be available to merge the activities of the two telecom Groups and acquire certain mobile assets from OniWay. This proposal was not accepted and OniWay later decided not to launch operations, selling certain mobile assets to the three incumbent operators.



The company specific event that influenced SonaeCom's share price in 2002 was the announcement of the share capital increase on 29 April 2002. The market reacted negatively to the announcement bringing the share price down to levels below the issue price of 2.25. SonaeCom completed the capital increase at the end of July and as a result now has 226,250 million shares at a nominal value of 1 euro each. The free-float reduced to 17.2% after the capital increase from 20% previously, due to Sonae, S.G.P.S. taking up its full rights.

Management believes that the share price and market performance does not reflect the underlying value of SonaeCom's assets or the good operating performance of its businesses or its track record of delivering results and creating shareholder value.

3.9.2. Investor Relations Department

SonaeCom has an Investor Relations Department that is responsible for managing the relationship between the company and shareholders, investors, analysts and market authorities and in particular the stock market regulator, the CMVM.

Every quarter, this department is responsible for reporting earnings to the market and also statements whenever necessary to clarify any relevant fact that may have occurred and that could influence the share price. The Investor Relations Department is also available at all times to answer questions posed by the market in general.

As part of its commitment to shareholders, the company is available to meet with investors either in roadshows organized by the company or "one on one" meetings upon request.

The SonaeCom Investor Relations Department may be contacted by email: investor.relations@sonae.com or by telephone: 00 351 93 100 2317. In addition SonaeCom has an institutional site (www.sonae.com) that posts all earnings announcements, reports and accounts and any other public documents, press releases or general news items on the company.

SonaeCom's formal representative for equity market relations (Representante para as Relações com o Mercado) is David Graham Shenton Bain, who can be contacted via the investor relations department or, if required, directly by email on david.bain@sonae.com.

3.10. Looking Forward

SonaeCom will continue to seek improvements in operating profitability through further rationalization and improved business systems. Management is committed to delivering significant improvements in terms of Adjusted EBITDA, FCF and Net Results during 2003.

Topline growth in mobile will be conditioned by economic recovery and improved consumer confidence although the company feels that it will be able to capture additional value from new data services that are progressively becoming available.

In terms of the Internet business, market penetration and usage has begun to show signs of slowing down and the ability to deliver a broadband offer to residential customers is essential to Clix's future performance. Regarding SonaeCom's remaining Internet assets and the now extinguished Ventures unit, management will actively explore opportunities to continue to reduce exposure to investments in these areas.

Consolidation is an issue that will remain high on the SonaeCom agenda in 2003 along with a strategic review of the current business portfolio. The team is motivated to seek consolidation and alliance opportunities that clearly enhance shareholder value.

3.11. Acknowledgements

We would like to thank our Independent Statutory Auditor for the supervision and co-operation shown during the year. We would also like to express our gratitude to our customers, suppliers, banks and other business partners for the confidence they have placed in our Group.

Most of all, we must express our gratitude to all the SonaeCom Group staff, who have worked tirelessly to ensure our continuing success and achievements in 2002.

Maia, February 24, 2003

The Board of Directors,

Belmiro Mendes de Azevedo

Duarte Paulo Teixeira Azevedo

António Castelo Branco Borges

António José Santos Silva Casanova

David Graham Shenton Bain

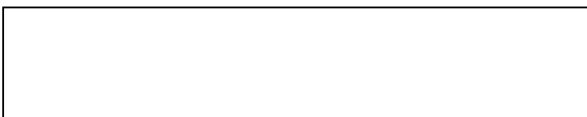
Diogo António Rodrigues da Silveira

Dudley Graham Eustace

Luis Filipe Campos Dias de Castro Reis

Richard Henry O'Toole

2. CONSOLIDATED FINANCIAL STATEMENTS



Consolidated balance sheet at 31 December 2002 and 2001

(Amounts expressed in Euro)

		31 December 2002		31 December 2001	
ASSETS	Notes	Assets	Depreciation and Provisions	Net Assets	Net Assets
FIXED ASSETS					
Intangible assets					
Start-up costs	25,27 and 56	80.701.655	54.845.289	25.856.366	34.493.185
Research and development costs	25,27 and 56	5.988.070	4.309.564	1.678.506	2.140.280
Brands and patents	27 and 56	4.233.296	3.437.985	795.311	1.421.283
Work in progress	27,28 and 56	121.903.411	-	121.903.411	122.574.736
		212.826.432	62.592.838	150.233.594	160.629.484
Tangible assets					
Land	27,41,42 and 56	774.389	-	774.389	774.389
Buildings	27,41,42 and 56	152.308.552	44.382.762	107.925.790	100.543.582
Plant and machinery	27,41,42 and 56	547.328.601	191.241.001	356.087.600	358.930.401
Vehicles	27,41,42 and 56	160.601	124.137	36.464	52.819
Tools	27,41,42 and 56	1.192.002	961.641	230.361	408.646
Fixtures and fittings	27,41,42 and 56	189.987.503	103.828.683	86.158.820	76.195.691
Other tangible assets	27,41,42 and 56	1.586.161	634.550	951.611	858.903
Work in progress	27,41,42 and 56	27.093.812	-	27.093.812	38.893.551
		920.431.620	341.172.773	579.258.847	576.657.982
Financial investments					
Shares in subsidiaries	2,14, 27 and 46	5.647.385	-	5.647.385	3.630.830
Loans to subsidiaries	27 and 56	-	-	-	14.344.547
Shares in associated companies	3,4,14,18,27, 46 and 56	1.024.624	339.939	684.685	2.359.235
Loans to associated companies	27 and 56	2.609.782	-	2.609.782	6.747.577
Other financial investments	14,27,46 and 56	15.646.802	10.254.000	5.392.802	12.890.303
Other loans	27,46 and 56	106.135	81.819	24.316	24.316
Advances for financial investments	27 and 56	-	-	-	100.000
		25.034.728	10.675.758	14.358.970	40.096.808
CURRENT ASSETS					
Inventories					
Raw materials	56	1.109.262	-	1.109.262	1.438.168
Goods for resale	30,46 and 56	23.492.658	8.236.628	15.256.030	26.113.249
Advances for purchases	56	-	-	-	13.221
		24.601.920	8.236.628	16.365.292	27.564.638
Debtors - short term					
Trade debtors		154.631.888	-	154.631.888	136.326.741
Trade debtors - bills receivable		30.799	-	30.799	211.969
Doubtful debtors	46	63.349.503	63.349.503	-	-
Subsidiaries		13.966	-	13.966	12.615
Advances to trade creditors		190.368	-	190.368	447.495
State and other public entities	50	3.234.696	-	3.234.696	18.600.360
Other debtors		4.235.404	-	4.235.404	9.042.204
		225.686.624	63.349.503	162.337.121	164.641.384
Negotiable securities					
Treasury applications	51	124.494.088	-	124.494.088	44.700.003
Cash					
Cash at Bank		6.848.026	-	6.848.026	10.199.392
Cash in hand		87.530	-	87.530	126.645
		6.935.556	-	6.935.556	10.326.037
Accruals and deferrels					
Accrued income	52	41.653.832	-	41.653.832	91.784.053
Deferred costs and prepayments	52	220.908.186	-	220.908.186	243.877.266
Deferred tax assets	38 and 52	62.062.439	-	62.062.439	44.128.272
		324.624.456	-	324.624.456	379.789.591
Total depreciation			403.765.611		
Total provisions			82.261.889		
Total Assets		1.864.635.424	486.027.500	1.378.607.924	1.404.405.927

The notes on pages 50 to 101 are an integral part of these consolidated financial statements

Chief Accountant

Carlos Rui Verde Ribeiro

Board of Directors

Belmiro Mendes de Azevedo

Duarte Paulo Teixeira Azevedo

António Castelo Branco Borges

António José Santos Silva Casanova

David Graham Shenton Bain

Diogo António Rodrigues da Silveira

Dudley Graham Eustace

Luis Filipe Campos Dias de Castro Reis

Richard Henry O'Toole

Consolidated balance sheet at 31 December 2002 and 2001

(Amounts expressed in Euro)

SHAREHOLDERS' FUNDS AND LIABILITIES	Notes	31 December 2002	31 December 2001
SHAREHOLDERS' FUNDS			
Share capital	53	226.250.000	181.000.000
Share premium	53	335.819.541	279.257.041
Legal reserves		114.360	114.360
Other reserves	10 a), 11, 14, 18 and 53	(163.969.954)	(82.059.301)
Consolidated net income/(loss) for the period	53, 57 and 58	(74.535.849)	(76.392.224)
Total Shareholders' Funds		323.678.098	301.919.876
Minority interests	57 and 59	259.623.659	212.325.770
LIABILITIES			
Provisions for liabilities and charges			
Other provisions for liabilities and charges	46	10.284.068	2.301.420
Creditors - medium and long term			
Bank loans	33, 34 and 54	308.630.851	355.393.100
Fixed asset creditors		4.439.961	-
	56	313.070.812	355.393.100
Creditors - short term			
Bank loans and overdrafts	54	196.110.321	194.997.100
Trade creditors		113.734.492	126.959.494
Trade creditors - invoices pending approval		184.995	601.508
Related companies creditors		-	370.000
Advances from customers		-	5.072
Other loans		4.266.605	17.800.117
Fixed asset creditors		33.380.777	56.431.285
State and other public entities	50	14.603.766	6.922.937
Other creditors		4.936.554	3.225.982
		367.217.510	407.313.495
Accruals and deferrels			
Accrued costs	52	78.815.936	107.824.282
Deferred income	52	25.649.922	17.054.112
Deferred tax liabilities	38 and 52	267.918	273.872
		104.733.776	125.152.266
Total Liabilities	56	795.306.166	890.160.281
Total Shareholders' Funds, Minority Interests and Liabilities		1.378.607.924	1.404.405.927

The notes on pages 50 to 101 are an integral part of these consolidated financial statements

Chief Accountant

Carlos Rui Verde Ribeiro

Board of Directors

Belmiro Mendes de Azevedo

Duarte Paulo Teixeira Azevedo

António Castelo Branco Borges

António José Santos Silva Casanova

David Graham Shenton Bain

Diogo António Rodrigues da Silveira

Dudley Graham Eustace

Luis Filipe Campos Dias de Castro Reis

Richard Henry O'Toole

**Consolidated profit and loss account
for the years ended 31 December 2002 and 2001**

(Amounts expressed in Euro)

	Notes	31 December 2002	31 December 2001
EXPENSES			
Cost of goods sold and materials consumed			
Goods for resale		55.183.259	75.103.063
Raw materials		<u>5.811.341</u>	<u>6.675.412</u>
Third party supplies and services	52 and 55	526.886.773	492.726.134
Staff expenses			
Wages and salaries	7 and 39	88.033.543	87.545.548
Social security and other expenses	7	<u>26.547.268</u>	<u>22.856.833</u>
Depreciation and amortisation	27,56 and 57	150.176.401	134.365.166
Provisions	27,30,46,56 and 57	<u>27.762.868</u>	<u>27.019.036</u>
Taxes		12.740.769	13.229.527
Other operating expenses		<u>559.241</u>	<u>660.591</u>
	(a)	<u>893.701.463</u>	<u>860.181.310</u>
Losses from subsidiaries and associated companies	18,44 and 56	845.301	4.007.954
Depreciation and provisions for financial investments	27,44 and 56	10.675.758	-
Interest and similar expenses relating to subsidiaries and associated companies			
Related companies	44	-	46.614
Others	44 and 54	<u>28.691.398</u>	<u>28.952.563</u>
	(c)	<u>933.913.919</u>	<u>893.188.441</u>
Extraordinary expenses	45	<u>22.422.913</u>	<u>16.330.545</u>
	(e)	<u>956.336.833</u>	<u>909.518.986</u>
Income taxation			
Current tax	50	2.151.201	1.417.146
Deferred tax	38	<u>(18.097.096)</u>	<u>(14.727.207)</u>
	(g)	<u>940.390.937</u>	<u>896.208.925</u>
Income/(loss) attributable to minority interests	58 and 59	<u>(42.899.347)</u>	<u>(55.322.201)</u>
Consolidated net income/(loss) for the period	57 and 58	<u>(74.535.849)</u>	<u>(76.392.224)</u>
Total Expenses		<u>822.955.741</u>	<u>764.494.500</u>
INCOME			
Sales :			
Goods for resale	36, 56 and 57	55.795.555	77.395.547
Products	36, 56 and 57	<u>22.903.182</u>	<u>11.825.698</u>
Services rendered	36, 56 and 57	<u>713.953.300</u>	<u>642.193.763</u>
Own work capitalised		14.247.012	17.701.793
Supplementary income		3.131.366	3.640.829
Subsidies		227.354	101.299
Other operating income		<u>-</u>	<u>1.500.771</u>
	(b)	<u>810.257.768</u>	<u>754.359.700</u>
Income from subsidiaries and associated companies	18,44 and 56	597.626	36.438
Income from marketable securities and other investments			
Relating to related companies	44	0	-
Others	44	<u>(0)</u>	<u>25.414</u>
Interest and similar expenses relating to subsidiaries and associated companies			
Related companies	44 and 51	2.011.873	4.474.520
Others	44	<u>1.721.959</u>	<u>1.339.299</u>
	(d)	<u>814.589.226</u>	<u>760.235.371</u>
Extraordinary income	45	<u>8.366.515</u>	<u>4.259.129</u>
	(f)	<u>822.955.741</u>	<u>764.494.500</u>
Total Income		<u>822.955.741</u>	<u>764.494.500</u>
 Net operating income/(loss): (b) - (a) =			
		<u>(83.443.694)</u>	<u>(105.821.610)</u>
Net financial income/(expenses): (d - b) - (c - a) =			
		<u>(35.880.999)</u>	<u>(27.131.460)</u>
Current income/(loss): (d) - (c) =			
		<u>(119.324.693)</u>	<u>(132.953.070)</u>
Net income/(loss) before taxation: (f) - (e) =			
		<u>(133.381.092)</u>	<u>(145.024.486)</u>
Consolidated net income/(loss) before minority interests: (f) - (g) =			
		<u>(117.435.196)</u>	<u>(131.714.425)</u>

The notes on pages 50 to 101 are an integral part of these consolidated financial statements

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Duarte Paulo Teixeira Azevedo

António Castelo Branco Borges

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Diogo António Rodrigues da Silveira

Dudley Graham Eustace

Luis Filipe Campos Dias de Castro Reis

Richard Henry O'Toole

***Consolidated profit and loss account by functions
for the years ended 31 December 2002 and 2001***

(Amounts expressed in Euro)

	31 December 2002	31 December 2001
Sales of goods and services rendered	792.652.037	731.415.008
Cost of sales and services rendered	(569.437.276)	(527.728.858)
Gross profit	223.214.761	203.686.150
Other operating income	8.535.030	11.557.734
Distribution expenses	(220.265.753)	(228.803.356)
Administrative expenses	(79.378.850)	(77.088.451)
Other operating expenses	(32.996.392)	(26.609.965)
Operating income/(loss)	(100.891.204)	(117.257.888)
Net financing costs	(16.535.456)	(16.831.799)
Gains/(losses) from subsidiaries and associated companies	(17.390.554)	(10.522.205)
Unusual or rare items	1.452.636	(412.594)
Current income/(loss)	(133.364.578)	(145.024.486)
Current tax	(2.151.201)	(1.417.146)
Deferred tax	18.097.096	14.727.207
Income taxation on current income/(loss)	15.945.895	13.310.061
Net income/(loss) after taxation	(117.435.196)	(131.714.425)
Loss/(income) attributable to minority interests	42.899.347	55.322.201
Consolidated income/(loss)	(74.535.849)	(76.392.224)
Earnings per share	(0,33)	(0,42)

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Notes to the consolidated cash flow statement for the years ended at 31 December 2002 and 2001

(Amounts expressed in Euro)

	2002	2001
1 - Acquisition or sale of subsidiaries or other businesses		
Companies		
a) Acquisitions		
Miauger - Organização e Gestão de Leilões, S.A.	103	-
Digitmarket - Sistemas de Informação, S.A.	2	-
b) In the amounts referred on a) the cost of acquisition equals the value paid		
c) Amounts of cash and cash equivalents in the acquired subsidiary		
Miauger - Organização e Gestão de Leilões, S.A.	374.368	-
Digitmarket - Sistemas de Informação, S.A.	1.792	-
d) Amounts of other assets and liabilities acquired (sold)		
Acquisitions		
Miauger - Organização e Gestão de Leilões, S.A.		
Fixes assets	3.485.135	-
Debtors - short term	448.635	-
Creditors - short term	612.983	-
Digitmarket - Sistemas de Informação, S.A.		
Fixes assets	4.340.301	-
Debtors - short term	270.709	-
Creditors - short term	1.139.197	-
2 - Details of cash and cash equivalents		
Cash in hand	87.530	126.645
Cash at bank	6.848.026	10.199.392
Treasury applications	124.494.088	44.700.003
Overdrafts	(28.023.372)	(33.023.199)
Cash and cash equivalents	103.406.272	22.002.841
Overdrafts	28.023.372	33.023.199
Cash assets	131.429.644	55.026.040

The difference between Cash and cash equivalents at 31 December 2001 and Cash and cash equivalents at the beginning of the year ended at 31 December 2002 relates to the change of the consolidation perimeter, and can be shown as follows:

Cash and cash equivalents at 31 December 2001	22.002.841
Changes on the consolidation perimeter:	
Miauger - Organização e Gestão de Leilões, S.A.	(246.720)
XS - Comunicação, Informação e Lazer, S.A.	(1.184)
Bikini - Portal de Mulheres, S.A.	126.720
Fun Online - Atividades Lúdicas, S.A.	20.997
Douro - Centro de Produções Artísticas, Lda	(3.059)
Santo Bosque - Espaço de Entretenimento, Lda.	5.670
Move On, S.G.P.S., S.A.	(497)
SIRS - Sociedade Indep. De Radiofusão Sonora, S.A.	42.839
Enabler Brasil Ltda.	26.832
Enabler UK, Limited	270.473
Retailbox BV	20.000
Digitmarket - Sistemas de Informação, S.A.	(26.969)
Cash and cash equivalents at the beginning of the year ended on 31 December 2002	22.237.943

3 - Description of non monetary financing activities

a) Bank credit granted and not used	57.834.772	12.561.000
b) Purchase of company through the issue of shares	Not applicable	Not applicable
c) Conversion of loans into shares	Not applicable	Not applicable

4 - Cash flow by segments

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
Mobile network	118.834.921	(96.355.790)	(37.653.122)	(15.173.991)
Fixed network	(37.408)	(39.116.504)	43.221.104	4.067.192
Internet and Multimedia	(7.804.009)	(4.135.466)	(659.297)	(12.598.772)
Others	(11.738.811)	10.236.895	106.375.816	104.873.900
	99.254.693	(129.370.865)	111.284.501	81.168.329

Fixed network cash flows includes amounts related to Novis internet activity and other activities, which as a contribution to the total are not significant.

**Notes to the consolidated cash flow statement for the years ended
at 31 December 2002 and 2001**

(Amounts expressed in Euro)

	2002	2001
5 - Other information		
Other acquisitions and sales of shares in subsidiaries and associated companies		
Acquisitions		
Altitude Software BV (*)	-	10.000.000
Despegar.com (*)	-	2.539.229
Web.com - Software e Soluções Internet, S.A.	-	398.963
Douro - Centro de Produções Artísticas, Lda (*)	-	279.715
Santo Bosque - Espaço de Entretenimento, Lda. (*)	-	117.326
M3G - Edições Digitais, S.A.(**)	-	299.363
Companies set up		
XS - Comunicação, Informação e Lazer, S.A.(*)	-	150.000
Bikini - Portal de Mulheres, S.A. (*)	-	50.000
Fun Online - Actividades Lúdicas, S.A. (*)	-	50.000
Enabler Brasil, Ltda.(*)	-	25.700
Retailbox BV(*)	-	20.000
Situs - Exploração de Torres de Telecomunicações e Sites,S.A. (*)	25.000	-
Enabler & Retail Consult, Gmbh (*)	12.500	-
Sales		
Modelo.com - Vendas por Correspondência, S.A. (**)	-	(1.266.947)
Best Offer - Prestação de Informação pela Internet, S.A.(**)	-	(862.000)
Myplace - Conteúdos Imobiliários na Internet, S.A.(**)	-	(16.667)
Enabler UK, Limited (*)	114	-
Retailbox BV (***)	1.340.513	-
Bikini - Portal de Mulheres, S.A. (**)	170.000	-
Share capital increases		
Santo Bosque - Espaço de Entretenimento, Lda (*)	-	168
Prodígio - Produções Digitais Online, S.A. (*)	-	5
Move On, S.G.P.S., S.A.(*)	-	1.297.523
Best Offer - Prestação de Informação pela Internet, S.A.(*)	-	1.662.687
SonaeCom, S.G.P.S., S.A.	42.250.000	-
Optimus - Telecomunicações, S.A.	52.386.468	-

The amounts referred with (*) were fully paid.

The amounts referred with (**) were not yet received.

The amounts referred with (***) were parcial received.

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Notes to the consolidated financial statements

Notes to the consolidated financial statements

(Amounts expressed in Euro)

Introductory note

Sonae.com, S.G.P.S., S.A., (hereinafter referred to as “the Company” or “SonaeCom”) was incorporated on June 6, 1988 under the name Sonae – Tecnologias de Informação, S.A..

On September 30, 1997, in accordance with a public deed, the investments of Pargeste, S.G.P.S., S.A. in entities connected with the communications and information technology areas were demerged and merged into the Company.

On November 3, 1999, the Company’s share capital was increased and its articles of association modified, to change its name to that currently used – Sonae.com, S.G.P.S., S.A.. Since then the Company’s corporate object has been the management of investments in other companies and the nominal value of its share capital was changed to Euro, its capital being made up of one hundred and fifty million shares with a nominal value of 1 Euro each.

On June 1, 2000 the Company made a Combined Share Offering, which involved the following:

- A Retail Offering for Sale of 5,430,000 shares, representing 3.62% of the share capital, made in the domestic market through a transaction in a Special Session of the Stock Exchange aimed at (i) employees of the Sonae Group; (ii) customers of the companies controlled by SonaeCom; and (iii) the general public.
- An Institutional Offering for Sale of 26,048,261 shares, representing 17.37% of the share capital, aimed at domestic and foreign institutional and investors.

In addition to the Combined Share Offering, the Company’s share capital was increased as explained below. The new shares were wholly subscribed for and fully paid up in cash by Sonae, S.G.P.S., S.A. (a shareholder of SonaeCom, hereinafter referred to as “Sonae”) on the date the price for the Combined Share Offering was determined, giving rise to the issuance of 31,000,000 new dematerialised ordinary shares with a nominal value of 1 Euro each. The subscription price for the new shares was Euro 10, which was equal to the price fixed for the sale of shares in the Combined Share Offering.

In addition, Sonae sold 4,721,739 SonaeCom shares, under an option granted to the lead banks of the Institutional Offering for Sale, and 1,507,865 shares to Sonae Group managers and to former owners of an acquired company.

The Company’s share capital was increased from Euro 181,000,000 to Euro 226,250,000 in accordance with a decision of the Shareholders’ General Meeting held on June 17, 2002. Under the increase, 45,250,000 new shares of 1 Euro each were issued at the price of 2.25 Euros per share.

Basis of presentation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Portugal and the rules for consolidation established by Decree-Law nr. 238/91, of July 2. The consolidated financial statements have been prepared on a going concern basis, from the accounting records of the companies included in the consolidation (Note 1), kept in accordance with the generally accepted accounting principles in Portugal.

Principles of consolidation

The companies in which the Group has direct or indirect control over more than 50% of their voting rights (Note 1), or in which it has the power to exercise control over their operations, when significant, are fully consolidated, except where their operations are very different, as established in item 4, Article 4 of Decree-Law nr. 238/91, in which case the equity method is used (Note 2).

Subsidiaries are consolidated as from the date on which effective control is transferred to the Group and the subsidiaries have started operating on a significant basis, and they are no longer consolidated when control is lost.

Significant transactions, balances, and gains and losses on transactions between Group companies are eliminated on consolidation. When necessary, the accounting policies of subsidiaries are adjusted to ensure consistency with the policies adopted by the Group.

Third party participation in the consolidated subsidiaries is reflected in the balance sheet caption Minority interests (Note 59).

Minority interests in the net results of consolidated subsidiaries are reflected in the consolidated statement of profit and loss caption Minority interests (Note 59).

Significant investments in associated companies are stated based on the equity method (Notes 3 and 18).

Consolidation differences, corresponding to differences between the cost of the investments and the value attributed to the net assets acquired are recorded under a separate caption in Shareholders' funds (Notes 10, 11, 14 and 53).

The gains and losses arising from capital increases in subsidiaries and associated companies, as well as those arising from other operations that result in reductions in the percentage of the Group's participation, are included in the statement of profit and loss for the period in which they take place.

Principal valuation methods

The principal valuation methods used in preparing the consolidated financial statements are as follows:

a) Intangible assets

Research and development costs (Notes 25 and 27) of specific projects are capitalised, provided that expected future income exceeds costs already incurred, or estimated to be incurred, including future production, distribution and administrative costs.

These costs, as well as other intangible assets are stated at cost and amortised on a straight-line basis over a period of 3 years (corresponding to the maximum annual rate accepted for tax purposes in Portugal), except for expenses incurred with the bidding process for licences to operate mobile phone networks, which are amortised over the licence period (15 years) and costs of installing vortals, which are amortised over a period of 5 years. Amortisation is recorded on a monthly basis, as from the month in which the corresponding expenses are incurred.

b) Tangible assets

Tangible assets are stated at cost, except for land and buildings of the subsidiary Per-Mar, which were revalued to their market values as of December 31, 1998, the date of acquisition of that subsidiary by the Group. Further valuations prepared on December 2000 and 2002 reconfirmed these market values (Notes 41 and 42).

Depreciation is provided on a straight-line monthly basis, as from the date on which the assets begin to be used.

The annual rates used correspond to the maximum rates accepted for tax purposes in Portugal, with the following exceptions:

- i) Plant and machinery for which specific depreciation rates, regarded as more suitable, were determined, considering the estimated useful lives of the respective assets.
- ii) Leasehold improvements on property leased for a three year period, where the lease contract is not expected to be renewed.

The years of useful life are as follows:

	<u>Years of useful life</u>
Buildings	3-50
Plant and machinery	10
Vehicles	4
Tools	4
Fixtures and fittings	3-8

c) Investments

Material associated companies (Note 3) and subsidiary companies excluded from the consolidation because their operations are significantly different from that of the rest of the Group (Note 2), are recorded using the equity method (Note 18).

Subsidiary companies excluded from the consolidation due to their immateriality (Note 2), associated companies for which the equity method was not used (Note 4) and companies in which the participation is less than 20%, are recorded at the lower of cost or net realisable value (Note 27).

Provisions for investments (Notes 27 and 46) are recorded whenever there is a significant difference between the cost or equity value of the investments, and their estimated realisable value, determined on a long term perspective.

d) Inventories

Inventories are stated at average cost.

e) Provision for inventory losses

The provision for inventory losses reflects the difference between cost and the net market realisable value of inventories, as well as the estimated loss resulting from low inventory turnover, obsolescence, and deterioration (Notes 30 and 46).

f) Provision for bad debts

The provision for bad debts is based on the estimated total or partial loss due to non-collection of accounts receivable from clients (Note 46).

g) Marketable securities

Marketable securities and other short term treasury applications are stated at cost, which does not exceed their market value (Note 51).

h) Accruals and deferrals

Expenses and income are recorded in the period to which they relate, regardless of the date on which they are paid or received. Expenses and income of unknown amount are recorded at estimated amounts in the period to which they relate.

The Accruals and deferrals captions (Note 52) include expenses and income relating to the current financial year, but which will only be paid or received in future years, as well as expenses and income already paid or received, but which relate to future years and which will be allocated to these years by the amount corresponding to each year.

Income from telecommunications services is recognised in the period in which it occurs. Such income is invoiced on a monthly basis. Amounts not yet invoiced, covering the period from the date of the last invoicing cycle to the end of the month, are estimated and recorded based on actual traffic (Note 52). Differences between the estimated amounts and the invoiced amounts, which are usually not significant, are recorded in the following period.

i) Provision for liabilities and charges

This provision essentially reflects application of the equity method in associated companies in the case of companies in which the losses exceed the amount of capital invested, provisions for certain assets, provisions for litigation in process and the Company's liability under stock option plans and other equity based employee incentive plans (Note 46). The Company's liability under the stock option plans and other equity based employee incentive plans is accrued over the period during which these plans are expected to influence staff retention or motivation.

j) Current and Deferred Taxation

The Group recognises deferred taxes in accordance with the balance sheet method included in Portuguese Accounting Directive nr. 28 (Note 38).

Deferred tax assets resulting from tax losses carried forward are recognised when there is reasonable expectation, based on the degree of progress in implementing the business plans of the respective companies, that taxable profits will arise within the period allowed in Portugal for the use of such tax losses (currently 6 years).

k) Foreign currency assets and liabilities

Foreign currency transactions are recorded at the exchange rates in force on the dates of each transaction.

Foreign currency assets and liabilities are translated to Euro at the rates of exchange in force on the balance sheet dates (Note 24). Where balances at the end of the financial year are covered by forward exchange contracts, the exchange rates of the contracts are used.

Differences between the rates of exchange in force at the time of the transactions and those in force on the date of the balance sheet are recorded in the financial income and expenses captions (Note 44).

l) Classification of the balance sheet

Assets realisable and liabilities payable in more than one year, from the date of the balance sheet are classified as medium and long term assets and liabilities, respectively (Note 54).

m) Financial instruments and risk management

Costs incurred on interest rate swap operations are recorded over the period in which they are in force (Note 54).

n) Goodwill arising on consolidation

Consolidation differences, corresponding to the difference between cost and the value attributed to the net assets acquired, are recorded under a separate caption of Shareholders' funds.

Up to December 31, 2000 these differences were recorded under a separate caption of intangible assets (Goodwill) and amortised on a straight-line monthly basis over the period estimated to recover the investments (10 years) (Notes 10, 11, 14 and 53).

o) Capitalised financial costs

Financial costs incurred on loans to finance certain significant fixed assets are capitalised during de construction or execution period up to the time the assets start operating (Notes 27 and 28).

The following notes are numbered in accordance with the Portuguese Official Chart of Accounts (Plano Oficial de Contabilidade – “POC”) approved by Decree-Law nr. 410/89 of November 21, as modified by Decree-Law nr. 238/91 of July 2. The numbers not included refer to notes that are either not applicable to the Company or not significant in relation to the financial statements.

1. Subsidiary companies included in the consolidation

The companies included in the consolidation at December 31, 2002 and 2001 are as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2002		2001	
				Direct	Effective	Direct	Effective
Parent company: Sonaecom, S.G.P.S., S.A. (“Sonaecom”)	Maia	Management of investments.	-	-	-	-	-
Subsidiaries Bikini, Portal de Mulheres, S.A. (“Bikini”)	Maia	Development, collection and dissemination of contents and information of particular interest to women.	Sonaecom Matrix	-	-	100%	100%
Clixgest – Internet e Conteúdos, S.A. (“Clixgest” using the brand name “Clix”)	Maia	All activities relating to information and multi-media technologies, namely Internet, contents and electronic commerce.	Sonaecom	-	-	56.67%	56.67%
			Soane Matrix	56.67%	56.67%	-	-
Digitmarket – Sistemas de Informação, S.A. or (“Digitmarket” using the brand name “Bizdirect”)	Maia	Development of management platforms and commercialisation of products, services and information, with the internet as main support.	Sonaecom	-	-	45%	45%
			Sonaecom Sistemas de Informação	75.1%	75.1%	-	-
Douro – Centro de Produções Artísticas, Lda. (“Douro”)	Matosinhos	Conception and production of films, cinema, video, commercials, documentaries, sound tracks for radio and TV, consultancy, commercialisation and promotion of sales of events and artistic and cultural shows.	Sonaecom Matrix	100%	100%	100%	100%

Enabler – Informática, S.A. (“Enabler”) Ex- Celdata – Informática, S.A. (“Celdata”)	Maia		Rendering of services relating to the development, commercialisation and implementation of software solutions.	SonaeCom	-	-	100%	100%
				Retailbox	100%	66%	-	-
Enabler Brasil, Ltda. (“Enabler Brasil”)	Curitiba Paraná	-	Commercialisation of software developed by the companies or by third parties; provision of technical consultancy services relating to software; investment in other companies.	Enabler	99%	65.34%	99%-	99%
Enabler UK, Limited (“Enabler UK”)	United Kingdom		Provision of services in the area of development, commercialisation and implementation of software solutions	Enabler	65%	42.9%	70%	70%
Fun Online – Actividades Lúdicas, S.A. (“Fun Online” using the brand name “Level”)	Maia		Development and organisation of games, events and other leisure activities on-line.	Sonae Matrix	100%	100%	100%	100%
Harpa Beheer BV (“Harpa”)	Amsterdam		Management of investments.	Público	100%	99.99%	100%	99.99%
Miauger – Organização e Gestão de Leilões Electrónicos, S.A. (“Miauger” using the brand name “Miau”)	Maia		Organisation and management of electronic auctions of products and services on-line.	Sonae Matrix	100%	100%	70%	70%
Move On, S.G.P.S., S.A. (“Move On”)	Maia		Venture capital.	Sonae.com Sistemas de Informação	100%	100%	100%	100%
							-	-
Novis Telecom, S.A. (“Novis”)	Maia		Installation, maintenance and operation of information processing and telecommunications equipment, network management and supply of value-added information and services.	SonaeCom	15%	15%	50%	50%
				Sonae.com Sistemas de Informação	41.67%	41.67%	6.67%	6.67%
Optimus – Telecomunicações, S.A. (“Optimus”)	Maia		Rendering of mobile telecommunications services and the establishment, management and operation of telecommunications networks.	Sonae Telecom	46.29%	46.29%	45.89%	45.89%
Per-Mar – Sociedade de Construções, S.A. (“Per-Mar”)	Loures		Purchase, sale, renting and operation of property and commercial establishments.	Optimus	100%	46.29%	100%	45.89%
Público – Comunicação Social, S.A. (“Público”)	Porto		Editing, composition and publication of periodical and non-periodical material. Daily newspaper.	Sonaetelecom BV	99.99%	99.99%	99.99%	99.99%
Público.pt – Serviços Digitais Multimédia, S.A. (“Público.pt”)	Maia		Dissemination of goods and services in electronic format, dissemination of multimedia information and promotion of trade in a digital environment.	Público	100%	99.9%	100%	99.9%

Retailbox BV ("Retailbox")	Amsterdam	Management of investments.	SonaeCom	-	-	100%	100%
			SoaneTelecom BV	66%	66%	-	-
Santo Bosque – Espaço de Entretenimento, Lda. ("Santo Bosque")	Matosinhos	Organisation, promotion and production of shows; cultural, recreational and entertainment events; short-term leasing of space, equipment, provision of services; management of publicity and promotional channels; publishing of publications; management and development of restaurants and rendering of services or sale of products connected with the above-mentioned activities.	Sonae Matrix	92.9%	92.9%	92.9%	92.9%
			Douro	7.1%	7.1%	7.1%	7.1%
Sociedade Independente de Radiodifusão Sonora, S.A. ("S.I.R.S." using the brand name "Rádio Nova")	Porto	Sound broadcasting. Radio station.	Público	90%	89.99%	90%	89.99%
Sonae Matrix Multimédia, S.G.P.S., S.A. ("Sonae Matrix")	Maia	Management of investments in the area of multimedia trade.	SonaeCom	100%	100%	100%	100%
Sonae Telecom, S.G.P.S., S.A. ("Sonae Telecom")	Maia	Management of investments in the area of mobile telecommunications.	SonaeCom	100%	100%	100%	100%
Sonae.com – Sistemas de Informação, S.G.P.S., S.A. ("Sonae.com Sistemas de Informação") Formerly Sonae.com Ventures, S.G.P.S., S.A. ("Sonae.com Ventures")	Maia	Management of investments in the area of corporate ventures and joint-ventures.	SonaeCom	100%	100%	100%	100%
Sonaetelecom BV	Amsterdam	Management of investments.	SonaeCom	100%	100%	100%	100%
We Do Consulting – Sistemas de Informação, S.A. ("We Do")	Maia	Rendering of consultancy services in the area of software, including systems integration.	Sonaetelecom BV	100%	100%	100%	100%
Wedo do Brasil Soluções Informáticas, Ltd. ("We Do Brasil")	Rio de Janeiro	Commercialisation of software and hardware. Rendering of consultancy services and technical assistance.	We Do	99.89%	99.89%	99.89%	99.89%
XS – Comunicação, Informação e Lazer, S.A. ("XS" using the brand name "Xis")	Maia	Editing, composition and publication of periodical and non-periodical material, through the magazine Xis.	Público	100%	99.99%	100%	99.99%

All the above companies were included in the consolidation under the terms of line a), item 1, of Article 1 of Decree-Law nr. 238/91 (majority of voting rights, through the ownership of shares in the companies).

Under the articles of association of Optimus, SonaeCom has 52.34% of the voting rights, although it has a participation of only 46.29% (Introductory note).

As a result of the control it has over the shareholders of Enabler UK, SonaeCom has control over the decisions of that company, although it has a participation of only 42.9% in it.

The companies Douro, Enabler Brasil, Enabler UK, Fun Online, Miauger, Move On, Retailbox, Santo Bosque, S.I.R.S., We Do Brasil and XS were included for the first time in the consolidation of SonaeCom in the year ended December 31, 2002, having been excluded in the year ended December 31, 2001 on the basis of their immateriality, under the terms of item 1 of article 4 of Decree-Law nr. 238/91.

The company Bikini was sold by the subsidiary Sonae Matrix to Modelo Continente – Operações de Retalho, S.G.P.S., S.A. on 31 December 2002.

The company Digitmarket, which in the year ended December 31, 2001 was included in the consolidated financial statements in accordance with the equity method, was fully consolidated in 2002, as from October 1, 2002, as a result of the subsidiary Sonae.com Sistemas de Informação having acquired an additional participation of 30.1% in that company (Note 14).

2. Subsidiary companies excluded from consolidation

The companies excluded from consolidation at December 31, 2002 and 2001 are as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2002		2001	
				Direct	Effective	Direct	Effective
Contacto Útil – Serviços de Gestão de Atendimento a Clientes, S.A. (“Contacto Útil”)	Maia	Creation and management of customer attendance centres and call centres, including holding the respective equipment and associated infrastructures.	Optimus	100%	46.29%	100%	45.89%
Investimento Directo – Sociedade Financeira de Corretagem, S.A. (“Investimento Directo” using the brand name “Atrium”)	Lisbon	Dealing in the sale and purchase of securities and other financial services.	SonaeCom	-	-	55%	55%
			Sonae.com Sistemas de Informação	55%	55%	-	-
M3G – Edições Digitais, S.A. (“M3G”)	Lisbon	Digital publishing, electronic publishing and production of Internet contents.	Público.pt	100%	99.99%	100%	99.99%
Sonae Telecom, S.A.	Madrid	Inactive.	SonaeCom	100%	100%	100%	100%

These companies were excluded from the consolidation on the basis of their immateriality, under the terms of item 1 of Article 4 of Decree-Law nr. 238/91. Investimento Directo was excluded from consolidation and recorded in accordance with the equity method because its activity differs significantly from that of the rest of the Group, as established by item 4 of Article 4 of Decree-Law nr. 238/91. With the exception of Investimento Directo, all the companies excluded from the consolidation are recorded at cost (Introductory note c)).

The company M3G was excluded from the consolidation due to the immaterial volume of its operations, although it continued to be commercially active. The companies Contacto Útil and Sonae Telecom are inactive.

3. Associated companies included in consolidation using the equity method

The associated companies included in the consolidation and recorded in accordance with the equity method (Introductory Note and Note 18) at December 31, 2002 and 2001 are as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2002		2001	
				Direct	Effective	Direct	Effective
Exit Travel – Agência de Viagens e Turismo Online, S.A. (“Exit”) Ex-VTL – Agência de Viagens, Turismo e Lazer Online, S.A. (“VTL”)	Maia	Supply of travel agency services, tourism, and leisure over the internet.	Portais Verticais	75%	37,5%	75%	37,5%
Myplace – Conteúdos Imobiliários na Internet, S.A. or (“Myplace” using the brand name “Casaglobal”)	Maia	Creation and development of an internet portal which brings together information about the purchase and sale of real estate, and the creation of related contents.	Portais Verticais	66.67%	33.33%	66.67%	33.33%
Net Mall, S.G.P.S., S.A. (“Net Mall”)	Maia	Management of investments.	Move On	-	-	50%	50%
			Sonae.com Sistemas de Informação	50%	50%	-	-
Portais Verticais.com, S.G.P.S., S.A. (“Portais Verticais”)	Lisbon	Management of investments in the area of vertical portals.	Sonae Matrix	50%	50%	50%	50%
Produções Digitais Online, S.A. (“Prodígio”)	Matosinhos	Rendering of services and commercialisation of products in the area of audio-visual communication, graphics and telecommunications.	Sonaetelecom BV	49%	49%	49%	49%
Unipress – Centro Gráfico, Lda. (“Unipress”)	V.N.Gaia	Trade and industry of graphic design and publishing	Público	40%	40%	40%	40%

Net Mall was included for the first time, using the equity method, in the year ended December 31, 2002. This method was not used in the year ended December 31, 2001 due to its immateriality.

4. Associated companies not included in the consolidation using the equity method

The associated companies not included in the consolidation using the equity method, at December 31, 2002 and 2001, are the following:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2002		2001	
				Direct	Effective	Direct	Effective
Enabler & Retail Consult, GmbH	Germany	Rendering of services in the areas of development, commercialisation and implementation of information solutions.	Enabler	50%	33%	-	-
Global S – Centro Comercial, Lda.	Matosinhos	Information technology services to promote and manage multimedia stores. Operating shopping centres (Global Shop).	Global S	99.7%	25%	99.7%	25%
Global S – Consultadoria Empresarial, Lda.	Matosinhos	Production, development and consultancy services for the setting up of retail stores	Global S	100%	25.1%	100%	25.1%
Global S – Distribuição e Logística, Lda.	Matosinhos	Distribution of goods, warehousing and fleet logistics and management; consultancy in the area of distribution and logistics.	Global S	100%	25.1%	100%	25.1%
Global S – Hipermercado, Lda.	Matosinhos	Commerce and retailing predominantly in food products, beverages and household goods, via diverse physical and virtual channels, such as internet, TV and catalogue.	Global S Global S - Distribuição	-	-	75%	19%
				-	-	25%	4.7%
Global S – Marketing e Serviços, Lda.	Matosinhos	Consultancy and marketing and publicity services.	Global S	75%	19%	75%	19%
Global S, S.G.P.S., S.A. or (“Global S” using the brand name “Global Shop”)	Matosinhos	Management of investments.	Net Mall	50.1%	25.1%	50.1%	25.1%
Global S – Tecnologias de Informação, Lda.	Matosinhos	Development, production, commercialisation, training and services in the area of information technology, communications and security.	Global S	66.7%	17%	66.7%	17%
Situs – Exploração de Torres de Telecomunicações e Sites, S.A. (“Situs”)	Maia	Implementation, installation and operation of towers and other sites for installing telecommunications equipment.	Optimus	50%	23,15%	-	-
Web.com, Software e Soluções Internet, S.A. (“Web.com”)	Lisbon	Production of software and solutions for Internet and intranet, commercialisation of computer products, production and publication of on-line contents.	Prodígio	100%	49%	100%	49%

The above companies were not included in the consolidation, using the equity method, on the basis of their immateriality, under the terms of item 1 of Article 4 of Decree-Law nr. 238/91. The companies are recorded at the lower of cost or net realisable value (Introductory note c))

On 9 January 2002 Global S, S.G.P.S., S.A. sold its 75% participation in Global S – Hipermercado, Lda. and Global S – Distribuição, Lda. sold its 25% in that company to Modelo Continente – Operações de Retalho, S.G.P.S., S.A (Note 14).

The company Situs was founded by the subsidiary Optimus on 19 April 2002 (Note 14).

The company Enabler & Retail Consult, Gmbh was founded by the subsidiary Enabler on 29 October 2002 (Note 14).

7. Average number of employees

During the years ended December 31, 2002 and 2001, the average number of employees in the companies included in the consolidation was as follows:

By activity			By professional category		
	2002	2001		2002	2001
Mobile network	1,070	1,128	Senior management	241	241
Fixed network	311	412	Technical Staff	1.984	1.984
Multimedia and internet	523	495	Administrative Staff	427	427
Information systems	718	592			
Other activities	30	35			
TOTAL	<u>2,652</u>	<u>2,662</u>	TOTAL	<u>2.652</u>	<u>2.662</u>

The employees included under Other activities are those working in the Group holding companies.

The number of employees of companies consolidated for the first time in the year ended December 31, 2002 (Notes 1 and 14) is 100, of which 51 are employed by multimedia and internet segment companies and 49 are employed by information systems segment companies.

10. Goodwill arising on consolidation

10. a) Goodwill arising on consolidation

Goodwill arising on consolidation up to December 31, 2002 and accumulated amortisation recorded up to December 31, 2000 are as follows (Introductory note n)):

Company	Reference date	Gross goodwill	Accumulated amortisation	Net
Novis	Jan-98	11,996	5,437	6,559
IP Global	May-99 to May-02	7,483,295	908,864	6,574,431
Per-Mar	Dec-99	78,755	7,876	70,879
Harpa	Apr-00	698	55	643
Público.pt	Apr-00	450,015	33,753	416,262
Público	Apr-00	45,977,115	3,448,285	42,528,830
S.I.R.S.	Apr-00	233,017	-	233,017
Prodígio	Jun-00 to Nov-01	560,721	20,840	539,881
Enabler (ex- Celdata)	Jul-00	1,456,456	72,820	1,383,636
Investimento Directo	Dec-00	2,095,020	13,393	2,081,627
Lotes	Dec-00	1,234,943	-	1,234,943
Sidra	Jan-01	1,318,726	-	1,318,726
Douro	May-01	319,748	-	319,748
Santo Bosque	May-01	234,971	-	234,971
Miauger	Jul-02	249,732	-	249,732
		<u>61,705,208</u>	<u>4,511,323</u>	<u>57,193,885</u>

In May 2002 Novis made an additional payment of Euro 399,038 under a contract to acquire IP Global.

In July 2002 Sonae Matrix acquired an additional participation of 30% in the company Miauger, which gave rise to goodwill of Euro 249,732.

In December 2002 Sonaatelecom BV sold 34% of its participation in Retailbox. The change in the percentage participation in Enabler, owned by Retailbox, resulted in a decrease of Euro 750,296 in goodwill relating to Enabler and a decrease of Euro 37,514 in the corresponding accumulated amortisation as of December 31, 2000, which were initially transferred to intangible assets and then reversed by corresponding entry to the statement of profit and loss for the year in determining the net change in the percentage interest on a consolidated basis (Notes 14 and 45).

In the year ended December 31, 2002 the companies S.I.R.S., Douro and Santo Bosque, acquired in previous years, were included in the consolidation of SonaeCom for the first time and the corresponding goodwill was recognised. The company Miauger was also included in the consolidation for the first time and, consequently, goodwill relating to its subsidiary Lotes, which was acquired and merged into Miauger in 2001, was recognised.

Net goodwill as of December 31, 2000 was charged directly to Other reserves. The gross amount of goodwill arising in 2001 and 2002 was also charged to Other reserves, and no amortisation was recognised in these years (Introductory note n) and Notes 11, 14 and 53).

10. b) Negative goodwill

Negative goodwill arising up to December 31, 2002 was as follows:

Company	Date	Gross amount
Novis	Sep-97	50,478
Per-Mar	Oct-98	1,926
Digitmarket	Oct-02	206,411
		<u>258,815</u>

In October 2002 the subsidiary Sonae.com Sistemas de Informação acquired an additional 30.1% participation in the subsidiary Digitmarket, which resulted in negative goodwill of Euro 206,411.

The above negative goodwill, which reflects the negative difference between the cost of the investments and their corresponding book value, was transferred to the caption Other reserves on December 31, 2002 (Introductory note n) and Note 53).

11. Portuguese Accounting Standards not adopted in the financial statements

The accounting policy used for recording positive and negative goodwill (Introductory note n)) as from January 1, 2001 is not in accordance with generally accepted accounting principles in Portugal (Introductory note n) and Notes 10.a), 14 and 53). The effects of this change are explained in Note 14.

14. Comparability of financial statements

Consolidation perimeter

The companies Douro, Enabler Brasil, Enabler UK, Fun Online, Miauger, Move On, Retailbox, Santo Bosque, S.I.R.S., We Do Brasil and XS were fully consolidated for the first time in the year ended December 31, 2002 (Note 1). The subsidiary Digitmarket was fully consolidated for the first time, having in 2001 been included in the consolidated financial statements in accordance with the equity method (Note 1). The associated company Net Mall was included in the consolidated financial statements for the first time in accordance with the equity method (Note 3).

Changes in accounting policy

Up to December 31, 2000 goodwill was recorded in a separate caption of intangible assets and amortised on a straight-line monthly basis over the period estimated for the recovery of the respective investments (normally 10 years). As from January 1, 2001 goodwill has been recorded as a direct charge to the caption Other Reserves. As a result of the reversal of net Goodwill as of December 31, 2001 intangible assets and other reserves were reduced by Euro 48,835,595 (Introductory note n) and Notes 10.a), 11 and 53). Goodwill of Euro 3,154,248 arising in the year ended December 31, 2002 was charged directly to the caption Other Reserves (Note 53). Consequently, Shareholders' Funds and intangible assets reflected in the financial statements as of December 31, 2002 are Euro 44,960,429 less than they would have been if the previous criteria had been applied, after considering the effect on net result for the year of Euro 6,144,733 resulting from not amortising goodwill and amortisation for the year relating to prior years, in the amount of Euro 246,931, as well as the effect of the change in the percentage participation in the subsidiary Enabler, in the amount of Euro 637,751 (Notes 1 and 14).

The effect of these changes is as follows:

	Amount
Net amount of Goodwill at December 31, 2000	52,826,269
Goodwill arising during 2001	1,926,150
Amortisation in 2001	(5,916,824)
Goodwill arising during 2002	3,154,248
Amortisation in 2002	(6,144,733)
Reversal of goodwill and corresponding accumulated amortisation relating to the change of 34% in the participation in the subsidiary Enabler	(637,751)
Amortisation relating to prior years of goodwill arising in 2002	(246,931)
Net amount of Goodwill at December 31, 2002	<u>44,960,428</u>

Changes in the Group

The following changes took place in the composition of the Group, during the year ended December 31, 2002:

14. a) Acquisitions

Buyer	Company	Date	Cost	Participation %
Sonae Matrix	Miauger	1-Jul-02	30%	100%
Sonae.com Sistemas de Informação	Digitmarket	13-Sep-02	30.1%	75.1%

14. b) Companies founded

Shareholder	Company	Date	Share capital	Participation %
Optimus	Situs	19-Apr-02	50,000	50%
Enabler	Enabler & Retail Consult, Gmbh	29-Oct-02	25,000	50%

14. c) Capital increases

Company	Investor	Date	Amount of increase	Participation %
Share capital increases subscribed in cash				
Sonae Investments / Sonae / Shareholders individuals	SonaeCom	Jul-02	45,250,000	100%
We Do	We Do Brasil	Aug-02	46,833	99.89%
Sonae Telecom 093X/IPE/France	Optimus	Oct-02	47,613,532	46.29%
Telecom/Maxistar	Optimus	Oct-02	52,386,468	53.71%
Capital increases paid up in kind				
Sonaetelecom BV	Retailbox	Sep-02	50,000	66%
SonaeCom	Sonaetelecom BV	Sep-02	50,000	100%

The capital increases of Sonaetelecom BV, paid up in kind by SonaeCom, and of Retailbox, paid up in kind by Sonaetelecom BV, were paid up by transfer of 100% of the share capital of Enabler.

14. d) Internal operations

Buyer	Seller	Company	Date	% Acquired	Participation %
Sonae.com Sistemas de Informação	Move On	Net Mall	23-Dec-02	50%	50%
Sonae Matrix	SonaeCom	Clix	31-Dec-02	56.67%	56.67%
Sonae.com Sistemas de Informação	SonaeCom	Novis	31-Dec-02	35%	41.67%
Sonae.com Sistemas de Informação	SonaeCom	Investimento Directo	31-Dec-02	55%	55%

These operations were eliminated on consolidation

14. e) Sales to third parties

Seller	Buyer	Company	Date	% Sold	Holding %
Global S	Modelo Continente – Operações de Retalho, S.G.P.S., S.A.	Global S – Hipermercado, Lda.	9-Jan-02	75%	-
Global S – Distribuição e Logística, Lda.	Modelo Continente – Operações de Retalho, S.G.P.S., S.A.	Global S – Hipermercado, Lda.	9-Jan-02	25%	-
Enabler	Paul Ivens	Enabler UK	28-Feb-02	2.5%	67.5%
Investimento Directo	Diversas entidades	Euronext NV	12 a 19-Jun-02	0.0034%	-
Enabler	Bruce Macgregor	Enabler UK	27-Nov-02	2.5%	65%
Sonaetelecom BV	Diversas entidades	Retailbox	30-Dec-02	34%	66%
Sonae Matrix	Modelo Continente – Operações de Retalho, S.G.P.S., S.A.	Bikini	31-Dec-02	100%	-

14. f) Supplementary capital contributions

Investor	Company	Date	Amount	Holding %
Sonaetelecom BV	We Do	May-02	1,750,000	100%
Sonae Matrix	Portais Verticais	May-02	1,180,000	50%
Impresa.com	Portais Verticais	May-02	1,180,000	50%
SonaeCom	Novis	Sep-02	13,827,000	56.67%
France Telecom	Novis	Sep-02	10,573,000	43.33%
Público	XS	Dec-02	1,084,000	100%
Público	Público.pt	Dec-02	2,656,000	100%
SonaeCom	Sonae Matrix	Dec-02	11,543,000	100%
SonaeCom	Sonae.com Sistemas de Informação	Dec-02	5,743,000	100%
SonaeCom	Sonae Telecom	Dec-02	112,300,817	100%
Sonae Matrix	Portais Verticais	Dec-02	1,576,500	50%
Impresa.com	Portais Verticais	Dec-02	1,576,500	50%
Sonae Matrix	Miauger	Dec-02	1,527,000	100%
SonaeCom	Novis	Dec-02	33,433,333	56.67%
France Telecom	Novis	Dec-02	25,566,667	43.33%
Sonae Matrix	Bikini	Dec-02	2,853,857	-

14. g) Coverage of losses

Investor	Company	Date	Amount	Holding %
Sonaetelecom BV	Público	May-02	508,000	99.99%
Público	Público.pt	May-02	1,050,000	100%
SonaeCom	Sonae Matrix	May-02	2,370,000	100%
Público	XS	May-02	1,175,000	100%
SonaeCom	Sonae.com Sistemas de Informação	May-02	1,170,000	100%
Sonae Matrix	Bikini	May-02	915,000	-
Sonae Matrix	Fun Online	May-02	695,000	100%
Sonae Matrix	Douro	May-02	335,000	100%
Sonae Matrix	Miauger	May-02	1,600,000	100%

14. h) Capital decreases

<u>Investor</u>	<u>Company</u>	<u>Date</u>	<u>Amount</u>	<u>Holding %</u>
Público	Público.pt	Jul-02	1,453,615	100%
Público	XS	Aug-02	100,000	100%
Sonaetelecom BV	Público	Sep-02	14,657,140	99.99%
Público	S.I.R.S.	Sep-02	320,000	100%
Portais Verticais	Exit	Oct-02	2,160,000	75%

18. Accounting method used to record investments in associated companies

Investments in associated companies are recorded in accordance with the equity method (Introductory note c) and Note 3), with the exceptions explained in Note 4.

Insignificant investments in associated companies are recorded at the lower of cost or at net realisable value.

Under the equity method, differences between the cost of investments in associated companies and the book value of the proportion of shareholders' funds acquired, are treated as goodwill arising on consolidation as explained in Notes 10 and 14. The Group's share of post-acquisition profits and losses of associated companies is reflected in the statement of profit and loss (Note 44).

21. Financial commitments not included in the consolidated balance sheet

Commitments to third parties not included in the consolidated balance sheet as of December 31, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Investments in the technical area	52,923,425	64,430,629
Investments in information systems	4,138,202	7,497,472
	<u>57,061,627</u>	<u>71,928,101</u>

22. Guarantees provided to third parties

Guarantees provided to third parties as of December 31, 2002 and 2001, are as follows:

Beneficiary	Description	2002	2001
European Investment Bank	Loan	249,398,000	249,398,000
ABN AMRO Bank, NV, CISF-Banco de Investimento, S.A. and European Investment Bank	Pledge of 51% of the shares of Optimus in guarantee of a loan of that subsidiary (Notse 34 and 54)	87,927,366	67,654,093
Direcção de Contribuições e Impostos	VAT Reimbursement	2,950,424	8,011,055
ANACOM (a)	UMTS Licence	2,493,989	2,493,989
ANACOM (a)	GSM Licence	-	1,047,476
ANACOM (a)	Fixed Network License	648,437	648,437
Prisvideo	DVD contract	300,000	-
Lisbon Labour Court Lisboa	Execution action nr. 199A/92	271,511	271,511
Secretary of the Arbitration Tribunal	Guarantee of the obligation to refund the preparation advanced by the winning party in the action against Maxistar (Note 60)	239,876	-
Oporto Public Treasury	Tax process nr. 3190/98	209,495	209,495
Lisgráfica (b)	Legal actions nr. 3768A and 820/95	131,254	1,708,847
Others		484,571	666,206
		<u>345,054,923</u>	<u>332,109,109</u>

(a) Autoridade Nacional de Comunicações (formerly ICP – Instituto de Comunicações de Portugal).

(b) The legal actions involving the subsidiary Público and Lisgráfica, which gave rise to the above mentioned guarantee, was settled by mutual agreement. At December 31, 2002 this guarantee had not yet been cancelled due to reasons of the process involved.

23. Bases of presentation and principal valuation methods used

The bases of presentation and the principal valuation methods used in the preparation of the consolidated financial statements are disclosed in the introductory note.

24. Exchange rates

The following exchange rates (expressed in Euro) have been used to translate foreign currency assets and liabilities to Euro (Introductory note k)):

	<u>2002</u>	<u>2001</u>
US Dollars	0.95356	1.13469
Pounds Sterling	1.53728	1.64339
Swiss Francs	0.68852	0.67435
Brazilian Reais	0.26937	0.48866
Special Drawing Rights	1.32732	1.42474

25. Start-up costs and research and development costs

At December 31, 2002 and 2001 this caption was made up as follows (see also Note 27):

	<u>2002</u>	<u>2001</u>
Pre-operating expenses	22,167,817	29,075,257
Publicity campaigns	18,531,241	18,242,353
Consultancy relating to the start-up of companies and development of business	14,072,167	9,686,341
Marketing and sales studies	9,866,282	21,320,014
Mobile network development studies	5,245,219	2,895,686
Development of new projects	4,028,886	2,775,294
IT services and software development	2,494,134	4,380,534
Technical services	2,315,435	2,368,423
SonaeCom IPO expenses	1,646,133	1,646,133
Costs of obtaining operating licences	785,771	785,771
Development of the network and systems	509,458	1,317,545
Training	-	667,841
Other start-up costs	4,991,196	5,917,231
Other research and development costs	<u>35,986</u>	<u>1,481,269</u>
	<u>86,689,725</u>	<u>102,559,692</u>
Accumulated amortisation	<u>(59,154,853)</u>	<u>(65,926,227)</u>
	<u>27,534,872</u>	<u>36,633,465</u>

The increase in consultancy relating to the start-up of companies and development of business in the year ended December 31, 2002 results essentially from the inclusion of new companies in the consolidation. (Notes 1 e 14).

During the the year ended December 31, 2002, the subsidiaries Clixgest, Optimus, Novis, Douro, Per-Mar, Público and Santo Bosque and SonaeCom reversed fully amortised start-up costs totalling Euro 34,433,626.

The subsidiary Optimus transferred, to the definitive intangible assets account, the amount of Euro 5,237,375 relating to the development of the GPRS network, which in 2001 was classified as intangible assets in progress.

27. Movement in fixed assets

The movement in fixed assets during the year ended December 31, 2002, was as follows:

Gross assets	Opening balance	New companies	Increases	Transfers	Disposals and write-offs	Closing balance
Intangible assets:						
Start-up costs	96,958,944	8,881,627	2,913,983	5,666,428	(33,719,327)	80,701,655
Research and development costs	5,600,748	19,204	206,518	1,262,082	(1,100,482)	5,988,070
Brands and patents	3,876,104	224,081	130,234	24,408	(21,531)	4,233,296
Work in progress	122,574,736	4,435	21,296,300	(21,706,768)	(265,292)	121,903,411
Goodwill	-	-	3,154,248	-	(3,154,248)	-
	<u>229,010,532</u>	<u>9,129,347</u>	<u>27,701,283</u>	<u>(14,753,850)</u>	<u>(38,260,880)</u>	<u>212,826,432</u>
Tangible assets:						
Land	774,389	-	-	-	-	774,389
Buildings	130,271,234	335,616	5,753,991	16,765,204	(817,493)	152,308,552
Plant and machinery	485,134,391	5,177,882	14,617,553	43,807,594	(1,408,819)	547,328,601
Vehicles	137,866	46,688	470,848	-	(494,801)	160,601
Tools	1,124,923	14,826	15,859	36,609	(215)	1,192,002
Fixtures and fittings	139,809,750	485,412	11,803,923	43,794,824	(5,906,406)	189,987,503
Other tangible assets	1,067,211	171,471	392,031	(43,709)	(843)	1,586,161
Work in progress	38,893,551	80,877	77,958,454	(89,606,672)	(232,398)	27,093,812
	<u>797,213,315</u>	<u>6,312,772</u>	<u>111,012,659</u>	<u>14,753,850</u>	<u>(8,860,975)</u>	<u>920,431,620</u>
Investments:						
Investments in subsidiaries	7,641,353	(2,253,225)	-	309,257	(50,000)	5,647,385
Loans to subsidiaries	14,344,547	(14,344,547)	-	-	-	-
Investments in associated companies	2,359,235	-	12,500	(1,347,111)	-	1,024,624
Loans to associated companies	6,747,577	(1,008,694)	253,000	(1,576,500)	(1,805,601)	2,609,782
Other investments	12,890,303	-	1,180,000	1,576,500	-	15,646,802
Other loans	24,316	-	254,689	-	(172,870)	106,135
Advances for investments	100,000	-	-	(25,000)	(75,000)	-
	<u>44,107,331</u>	<u>(17,606,466)</u>	<u>1,700,189</u>	<u>(1,062,854)</u>	<u>(2,103,471)</u>	<u>25,034,728</u>
Amortisation, depreciation and provisions	Opening balance	New companies	Increases	Transfers	Disposals and write-offs	Closing balance
Intangible assets:						
Start-up costs	62,465,759	1,344,806	24,990,444	(416,870)	(33,538,850)	54,845,289
Research and development costs	3,460,468	19,204	2,111,947	(181,573)	(1,100,482)	4,309,564
Brands and patents	2,454,821	43,230	952,004	-	(12,070)	3,437,985
	<u>68,381,048</u>	<u>1,407,240</u>	<u>28,054,395</u>	<u>(598,443)</u>	<u>(34,651,402)</u>	<u>62,592,838</u>
Tangible assets:						
Buildings	29,727,652	184,302	14,487,764	-	(16,956)	44,382,762
Plant and machinery	126,203,990	1,499,332	63,966,201	169,668	(598,190)	191,241,001
Vehicles	85,047	22,768	26,504	-	(10,182)	124,137
Tools	716,277	12,859	232,301	226	(22)	961,641
Fixtures and fittings	63,614,059	212,411	44,890,261	436,939	(5,324,987)	103,828,683
Other tangible assets	208,308	75,385	359,368	(8,394)	(117)	634,550
	<u>220,555,333</u>	<u>2,007,057</u>	<u>123,962,399</u>	<u>598,439</u>	<u>(5,950,454)</u>	<u>341,172,773</u>
Investments:						
Investments in subsidiaries	4,010,523	-	-	(4,010,523)	-	-
Investments in associated companies	-	25,000	399,939	(25,000)	-	399,939
Loans to associated companies	-	573,741	-	(573,741)	-	-
Other investments	-	-	10,254,000	-	-	10,254,000
Other loans	-	-	81,819	-	-	81,819
	<u>4,010,523</u>	<u>598,741</u>	<u>10,675,758</u>	<u>(4,609,264)</u>	<u>-</u>	<u>10,675,758</u>

The column New companies corresponds to the opening balances of companies included in the consolidation for the first time (Digitmarket, Douro, Enabler Brasil, Enabler UK, Fun Online, Miauger, Move On, Retailbox, Santo Bosque, S.I.R.S., We Do Brasil and XS).

The difference between the increase in amortisation and depreciation and the amount reflected in the caption Amortisation and depreciation for the year is made up as follows:

	<u>Amount</u>
Amortisation and depreciation for the year	150,176,401
Increase in extraordinary amortisation and depreciation of the subsidiary Novis (Note 45)	986,315
Correction of the adjustment to harmonise the rates of amortisation and depreciation of the subsidiary Público, net of tax, recorded in accumulated results	(541,777)
Reversal of the statement of profit and loss of the subsidiary Digitmarket as of the date it was fully consolidated	1,406,203
Other	<u>(10,348)</u>
	<u>152,016,794</u>

The increase in the provision for investments was recorded by charge to Financial expenses(Euro 10,675,758) (Note 44).

Intangible and tangible fixed assets

The main movement in intangible and tangible fixed assets was as follows (Introductory notes a) and b)):

Account	Description of main items	Increase / (Decrease)
Start-up costs	Expenses incurred in the start-up period of subsidiaries included in the consolidation for the first time in the current year.	8,881,627
Start-up costs	Write off of intangible assets, mostly fully amortised.	(33,719,327)
Start-up costs	Transfers includes mainly studies to develop of the GRPS technology network of the subsidiary Optimus, which was transferred in the current year from intangible assets in progress to start-up costs.	5,666,428
Research and development costs	The transfers correspond mainly to consultancy relating to the fixed network of the subsidiary Novis.	1,262,082
Research and development costs	Write off of fully amortised costs.	(1,100,482)
Work in progress (intangible)	Costs of developing the network and software, transferred mostly to tangible fixed assets and start-up costs.	(21,706,768)
Buildings	The increases and transfers include mainly the civil construction component of the transmission stations.	22,519,195
Plant and machinery	The increases and transfers include essentially technical equipment of the transmission stations and development of the network.	58,425,147
Fixtures and fittings	The increases and transfers refer essentially to investment in software and hardware and mobile phones loaned to clients.	55,598,747

Work in progress

Work in progress at December 31, 2002 and 2001 is made up as follows:

	2002	2001
Intangible:		
UMTS licence (1)	99,759,579	99,759,579
Network development studies – UMTS (1) and GPRS (2), including capitalised financial costs (Introductory note o) and note 28)	21,923,190	20,233,971
New project development	220,642	713,570
Consultancy relating to the development of new products and services	-	1,809,607
Other start-up and research and development costs	-	58,009
	<u>121,903,411</u>	<u>122,574,736</u>
Tangible:		
Development of the mobile network	17,545,367	21,413,738
Development of the fixed network	4,958,253	6,081,458
Software development	4,375,991	4,830,670
Work on buildings	125,388	4,008,386
Other work in progress	88,813	2,559,299
	<u>27,093,812</u>	<u>38,893,551</u>

(1) Universal Mobile Telecommunications Service

During 2002, ANACOM decided to postpone the launch of commercial operations of UMTS technology for a year. The Board of Directors of SonaeCom continues to be confident in the economic and financial viability of the investments made and to be made based on the expected commercial success of services that will use UMTS technology.

Investments

The following changes took place in the caption investments:

	Opening balance	New companies	Increases	Transfers	Disposals and write- offs	Closing balance
Shares in subsidiaries:						
Investimento Directo	4,928,490	-	-	309,257	-	5,237,747
M3G	299,363	-	-	-	-	299,363
Sonae Telecom, S.A.	60,275	-	-	-	-	60,275
Contacto Útil	50,000	-	-	-	-	50,000
Enabler Brasil	25,700	(25,700)	-	-	-	-
Retailbox BV	20,000	(20,000)	-	-	-	-
Enabler UK	1,601	(1,601)	-	-	-	-
Douro	279,715	(279,715)	-	-	-	-
S.I.R.S.	226,360	(226,360)	-	-	-	-
XS	150,000	(150,000)	-	-	-	-
Santo Bosque	117,326	(117,326)	-	-	-	-
Move On	1,347,523	(1,347,523)	-	-	-	-
Bikini	50,000	-	-	-	(50,000)	-
Fun Online	50,000	(50,000)	-	-	-	-
Miauger	35,000	(35,000)	-	-	-	-
	<u>7,641,353</u>	<u>(2,253,225)</u>	<u>-</u>	<u>309,257</u>	<u>(50,000)</u>	<u>5,647,385</u>

As explained in Note 2 Investimento Directo was excluded from the consolidation because of its different activity (item 4 of art. 4 of Decree-Law nr. 238/91), and is recorded in accordance with the equity method (Introductory notes c) and 2).

As mentioned in Note 1 the subsidiaries Douro, Enabler Brasil, Enabler UK, Fun Online, Miauger, Move On, Retailbox, Santo Bosque, S.I.R.S., We Do Brasil and XS were fully consolidated for the first time in the year ended December 31, 2002. The subsidiary Bikini was sold on December 31, 2002 (Note 1).

The transfers correspond to application of the equity method to the subsidiary Investimento Directo (Note 2).

	Opening balance	New companies	Increases	Transfers	Disposals and write- offs	Closing balance
Loans to subsidiaries:						
Fun Online	4,122,134	(4,122,134)	-	-	-	-
Bikini	3,738,857	(3,738,857)	-	-	-	-
XS	1,166,550	(1,166,550)	-	-	-	-
Enabler Brasil	154,197	(154,197)	-	-	-	-
Enabler UK	99,856	(99,856)	-	-	-	-
Miauger	4,928,123	(4,928,123)	-	-	-	-
Santo Bosque	74,976	(74,976)	-	-	-	-
S.I.R.S.	34,915	(34,915)	-	-	-	-
Douro	24,939	(24,939)	-	-	-	-
	<u>14,344,547</u>	<u>(14,344,547)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

These loans were eliminated in the consolidation for the year ended December 31, 2002 due to inclusion of these companies in the consolidation and sale of the subsidiary Bikini (Notes 1 and 14).

	<u>Opening balance</u>	<u>New companies</u>	<u>Increases</u>	<u>Transfers</u>	<u>Disposals and write- offs</u>	<u>Closing balance</u>
Shares in associated companies:						
Unipress	642,288	-	-	4,897	-	647,185
Digitmarket	1,155,212	-	-	(1,155,212)	-	-
Prodigio	561,735	-	-	(221,796)	-	339,939
Situs	-	-	-	25,000	-	25,000
Enabler & Retail Consult	-	-	12,500	-	-	12,500
	<u>2,359,235</u>	<u>-</u>	<u>12,500</u>	<u>(1,347,111)</u>	<u>-</u>	<u>1,024,624</u>

The subsidiary Digitmarket was fully consolidated in the year ended December 31, 2002 (Notes 1 and 14).

The transfers in the associated companies Unipress and Prodigio and in part in the subsidiary Digitmarket correspond to application of the equity method.

	<u>Opening balance</u>	<u>New companies</u>	<u>Increases</u>	<u>Transfers</u>	<u>Disposals and write- offs</u>	<u>Closing balance</u>
Loans to associated companies:						
Portais Verticais	5,165,142	-	-	(1,576,500)	(1,805,000)	1,783,642
Digitmarket	1,582,435	(1,582,435)	-	-	-	-
Net Mall	-	573,741	253,000	-	(601)	826,140
	<u>6,747,577</u>	<u>(1,008,694)</u>	<u>253,000</u>	<u>(1,576,500)</u>	<u>(1,805,601)</u>	<u>2,609,782</u>

The transfer in the company Portais Verticais refers to the conversion of shareholders' loans to supplementary capital contributions.

	<u>Opening balance</u>	<u>New companies</u>	<u>Increases</u>	<u>Transfers</u>	<u>Disposals and write- offs</u>	<u>Closing balance</u>
Other loans:						
Altitude Software, BV	-	-	254,689	-	(172,870)	81,819
S.E.S.I.	24,316	-	-	-	-	24,316
	<u>24,316</u>	<u>-</u>	<u>254,689</u>	<u>-</u>	<u>(172,870)</u>	<u>106,135</u>

	Opening balance	New companies	Increases	Transfers	Disposals and write- offs	Closing balance
Other investments:						
Altitude Software BV	10,000,000	-	-	-	-	10,000,000
Despegar.com	2,539,229	-	-	-	-	2,539,229
Portais Verticais	-	-	1,180,000	1,576,500	-	2,756,500
Lusa – Agência de Notícias de Portugal, S.A.	197,344	-	-	-	-	197,344
SESI – Sociedade de Ensino Superior e Investigação, S.A.	146,248	-	-	-	-	146,248
NP – Notícias Portugal, Cooperativa de Utentes de Serviços de Informação, C.R.L.	7,482	-	-	-	-	7,482
	<u>12,890,303</u>	<u>-</u>	<u>1,180,000</u>	<u>1,576,500</u>	<u>-</u>	<u>15,646,802</u>

28. Capitalised financial costs

During the year ended December 31, 2002, up to December 30, Optimus capitalised interest and other financial costs incurred on loans to finance the payment of the UMTS licence obtained, as well as other investments made subsequently by it, associated with the UMTS project. The financial costs capitalised in the year ended December 31, 2002 totalled Euro 4,932,024 and are reflected almost entirely in the caption Intangible assets in progress (Introductory note o) and Note 27).

As a result of the announcement by ANACOM, to postpone the commercial launching the services using UMTS technology, the company stopped capitalising the above mentioned financial costs as from, and including December 31, 2002.

30. Differences between the cost and market price of current assets

At December 31, 2002, the provision for inventory losses reflects the difference between the cost and current market value of mobile phones in inventory (Introductory note e)).

33. Liabilities payable in more than five years

At December 31, 2002 the long term bank loans repayable after more than 5 years amounted to Euro 74,819,600 (Note 54).

34. Loans secured by real guarantees

At December 31, 2002, 51% of the shares held by Sonae Telecom in Optimus were pledged in guarantee of a loan of Optimus (Note 54). The book value of these shares and the amount of the loan as of that date were Euro 87,927,366 (Note 22) and Euro 365,393,101 (Note 54.a)), respectively.

36. Sales and services rendered by market

Sales and services rendered during the years ended December 31, 2002 and 2001 were as follows, by geographical markets:

	<u>2002</u>	<u>2001</u>
Domestic market		
Sales	78,598,307	89,203,725
Services rendered	<u>654,738,979</u>	<u>608,245,582</u>
	<u>733,337,286</u>	<u>697,449,307</u>
Foreign market		
Sales	100,430	17,520
Services rendered	<u>59,214,321</u>	<u>33,948,181</u>
	<u>59,314,751</u>	<u>33,965,701</u>

Sales and services rendered in the foreign market are mostly of Optimus and refer to roaming invoiced to international operators.

38. Deferred taxes

Income tax for the year is determined based on the net result of each subsidiary, on an individual basis, adjusted in accordance with the tax legislation.

According to current Portuguese tax legislation, tax losses can be carried forward for six years, to offset against taxable profits of those years.

Considering their maturity and realisation of their business plans, the subsidiaries Optimus, Clixgest, Público and WeDo recorded deferred tax assets resulting from tax losses carried forward and deferred tax assets resulting from timing differences between assets and liabilities for accounting and for tax purposes, in accordance with the balance sheet method established in Portuguese Accounting Directive nr. 28 (Introductory note j)), as recoverability of the tax losses is supported, beyond reasonable doubt, by their respective business Plans and financial operations to be carried out in the next two years.

During the year ended December 31, 2002 the movement in deferred tax assets, relating to tax losses carried forward and other timing differences, was as follows:

	<u>Amount</u>
Deferred tax assets at December 31, 2001	44,128,272
Losses and timing differences of Optimus	12,062,398
Losses and timing differences of Clixgest	2,395,447
Adjustment of estimated taxable income of Optimus at December 31, 2001	1,190,273
Losses for 2002 and timing differences of We Do	1,138,011
Losses and timing differences of Público	928,388
Adjustment of estimated taxable income of We Do at December 31, 2001	594,129
Reversal of deferred tax assets of SonaeCom recognised in 2000	(103,000)
Effect of adjusting depreciation rates of Público to Group rates	(271,479)
Deferred tax assets at December 31, 2002 (Note 52)	<u>62,062,439</u>

Deferred tax assets at December 31, 2002 were calculated using the aggregate tax rate of 33% (including municipal tax).

The adjustments to estimated taxable income of Optimus and We Do at December 31, 2001 result essentially from underestimating the amount of tax benefits for 2001, which were computed on a definitive basis in May 2002.

The amount corresponding to the effect of adjusting the depreciation rates of Público to the Group rates includes a correction to the adjustment made in 2001, in the amount of Euro 177,911, recorded by corresponding entry to Accumulated results.

The tax losses carried forward of Novis and Público.pt at December 31, 2002 totalled approximately Euro 205,847,000 and Euro 6,232,742, respectively. Given the early stage of implementation of their business plans and the on-line advertising market of Público.pt, deferred tax assets of approximately Euro 67,929,510 and Euro 2,056,805, respectively, were not recognised, at December 31, 2002.

Deferred tax assets of Euro 62,062,439 at December 31, 2002 include Euro 8,808,869 relating to tax losses of Optimus for 1998, that have to be used up to the end of 2004.

The consolidated financial statements as of December 31, 2002 also include a deferred tax liability of Euro 267,918 relating to the revaluation reserve of the subsidiary Per-Mar (Notes 41 and 42).

39. Remuneration attributed to the members of the Board of Directors of the holding company

The remuneration attributed to the members of the Board of Directors of SonaeCom during the year ended December 31, 2002, by the companies included in the consolidation, amounted to Euro 1,431,980.

41. Legislation under which the revaluations were made

The revaluation of the real estate owned by Per-Mar (Note 42), which was recorded as of December 31, 1998, was based on market value in January 1999, as determined by a specialised independent entity. New valuations were made in December 2000 and 2002, which confirmed the amount considered in the accounts.

42. Breakdown of revaluations

At December 31, 2002, the revalued tangible assets (Note 41), net of accumulated depreciation, were as follows:

	Net historical cost	Effect of revaluations (net)	Net revalued book value
Tangible assets:			
Land	480,093	294,296	774,389
Buildings	107,113,917	811,873	107,925,790
Plant and machinery	356,087,600	-	356,087,600
Vehicles	36,464	-	36,464
Tools	230,361	-	230,361
Fixtures and fittings	86,158,820	-	86,158,820
Other tangible assets	951,611	-	951,611
Work in progress	27,093,812	-	27,093,812
	<u>578,152,678</u>	<u>1,106,169</u>	<u>579,258,847</u>

44. Net consolidated financial results

Net consolidated financial results for the years ended December 31, 2002 and 2001 are made up as follows:

	2002	2001
Expenses:		
Interest expense (Note 54)	18,282,213	21,188,685
Provision for investments (Notes 27 and 46)	10,675,758	-
Foreign currency exchange losses (Introductory note k))	894,815	505,083
Financial discounts allowed	305,270	415,511
Loss on associated companies (Notes 3, 18 and 27)	845,301	4,007,954
Other financial expenses	9,209,100	6,889,898
Net financial results	<u>(35,880,999)</u>	<u>(27,131,460)</u>
	<u>4,331,458</u>	<u>5,875,671</u>
Income:		
Interest income	3,063,842	5,252,111
Gain on associated companies (Notes 3, 18 and 27)	597,626	36,438
Foreign currency exchange gain (Introductory note k))	657,059	484,479
Financial discounts received	9,492	102,605
Other financial income	3,439	38
	<u>4,331,458</u>	<u>5,875,671</u>

The provision for investments for the year ended December 31, 2002 corresponds to provisions recorded to cover unrealised losses on realisation of the investments in Altitude Software BV, Despegar and Prodigio.

The loss on associated companies for the year ended December 31, 2002 results from application of the equity method for recording the investments Digitmarket up to September 2002, as from when the company was fully consolidated (Notes 1, 14 and 27).

The gain on associated companies for the year ended December 31, 2002 results from application of the equity method to record the investments in Investimento Directo (Euro 544,804), Prodigio (Euro 47,924) and Unipress (Euro 4,898).

Other financial expenses, in the amount of Euro 9,209,100, correspond essentially to the subsidiary Optimus, and refer mainly to commission due to the use by customers of Automatic Teller Machines in the company's shops and Multibanco terminals, as well as charges for the bank guarantee relating to the medium and long term loan (Notes 22 and 54).

Interest income includes Euro 2,008,351 relating to the short-term treasury applications granted to Sonae (Note 51).

45. Consolidated extraordinary items

Consolidated extraordinary items for the years ended December 31, 2002 and 2001 are made up as follows:

	2002	2001
Expenses:		
Donations	215,568	187,488
Bad debts written-off	155,424	978,483
Inventory losses	2,149,853	2,161,558
Loss on fixed assets	4,595,795	1,321,188
Fines and penalties	569,469	148,476
Extraordinary depreciation and provisions (Note 46)	5,332,915	7,502,735
Prior year adjustments	7,631,775	2,072,715
Other extraordinary expenses	1,772,114	1,957,901
Net extraordinary items	<u>(14,056,398)</u>	<u>(12,071,416)</u>
	<u>8,366,515</u>	<u>4,259,129</u>
Income:		
Tax refunds	440,658	72,830
Recovery of receivables	67,802	-
Inventory gain	577,828	696,289
Gain on fixed assets	425,271	284,051
Contractual penalties	1,613,559	226,994
Decrease in depreciation and provisions (Note 46)	4,140,459	2,173,747
Prior year adjustments	506,539	787,862
Other extraordinary income	<u>594,399</u>	<u>17,356</u>
	<u>8,366,515</u>	<u>4,259,129</u>

Inventory losses correspond almost entirely to the write off and loss of inventories. Inventory gain corresponds mainly to inventory overages.

The loss on fixed assets includes losses on the sale of the investment in the subsidiary Bikini (Note 14) and on the change in the percentage participation in the subsidiary Enabler (Note 14) as well as on the sale of mobile phones loaned to clients.

The increase in depreciation and provisions corresponds essentially to extraordinary depreciation of Euro 986,315 (Note 27) of the cost of remodelling and improving a building leased by the subsidiary Novis, following rescission of the lease contract and provisions of Euro 4,245,061 (Note 46) for loss on assets.

The decrease in depreciation and provisions corresponds mainly to reversal of part of the provision for inventory losses of the subsidiary Optimus, utilisation of part of the provision for other risks and charges of the subsidiary Público and decrease of Euro 1,920,000 (Note 46) in the provision for other risks and charges of the subsidiary Sonae Matrix.

The expense caption prior year adjustments includes Euro 4,500,000 relating to adjustment of deferred income resulting from prepaid traffic products acquired by clients of the subsidiary Optimus in the year ended December 31, 2001 and prior years as a result of the correction of irregularities detected in the information systems supporting the recording of such income. This caption also includes corrections of sales of goods and other costs..

The caption other extraordinary expenses includes Euro 1,154,906 relating to indemnities paid in the process of reducing the number of employees of the subsidiary Público, with a corresponding reversal of the provision recorded in the preceding year, included in the caption Decrease in depreciation and provisions.

The caption income from contractual penalties, in the amount of Euro 1,550,000, corresponds to an indemnity receivable from the company Maxistar – Comunicações Pessoais, S.A., relating to a claim for violation of a clause of the Shareholders' Agreement, initiated in 2000 by the other shareholders of Optimus. On 13 January 2003 the Arbitration Tribunal issued its decision condemning Maxistar to the payment of an indemnity of Euro 2,344,350 plus interest as from 13 January 1999, or grant the other shareholders an option to purchase the shares of Optimus held by Maxistar, the portion corresponding to SonaeCom being Euro 1,550,000.

46. Movement of provisions

During the year ended December 31, 2002 the movement in provisions was as follows:

	Opening balance	New companies	Increases	Reductions	Closing balance
Provision for bad debts	43,215,993	135,637	21,664,661	(1,666,788)	63,349,503
Provision for inventory losses	6,480,262	-	4,437,143	(2,680,777)	8,236,628
Provision for liabilities and charges	2,301,420	111,441	10,567,714	(2,696,507)	10,284,068
Provision for investments	4,010,523	598,741	10,675,758	(4,609,264)	10,675,758
	<u>56,008,198</u>	<u>845,819</u>	<u>47,345,276</u>	<u>(11,653,336)</u>	<u>92,545,957</u>

The increase in the provision for bad debts includes essentially, in addition to the amount of Euro 19,494,586 recorded in provisions for the year, the amount of Euro 2,169,772 resulting from reclassification of the amount recorded on December 31, 2001 in the caption Accrued income relating to credit notes to be issued by clients.

The decrease in the provision for bad debts corresponds essentially to credit notes issued by clients, which were provided for at December 31, 2001, the decrease in the provision being recorded by direct utilisation thereof.

The decrease in the provision for inventory losses (Introductory note e)) includes the write off and sale of deteriorated material which was provided for at December 31, 2001, in the amount of Euro 1,290,973 and a direct utilisation of the provision in the amount of Euro 1,389,804.

The increase in the provision for liabilities and charges (Introductory note i)) is made up as follows:

	Amount
Provision for losses on assets, recorded by charge to extraordinary expenses (Note 45)	4,245,061
Reclassification from the provision for investments to the provision for other liabilities and charges, relating to the provision for loss on assets recorded in the preceding year	1,836,000
Provision resulting from application of the equity method to investments in associated companies (Notes 3 and 18)	1,615,137
Provision for contingencies and litigation in progress	986,000
Provision for decrease in the number of employees	953,000
Reclassification of the provision for investments recorded by the subsidiary Move On for loss on its participated companies, to the provision for liabilities and charges, upon full consolidation of that subsidiary	573,741
Provision for stock option plans	342,800
Others	15,975
	<u>10,567,714</u>

The decrease in the provision for liabilities and charges corresponds essentially to reversal of the provision for loss on assets as a result of selling the subsidiary Bikini in the amount of Euro 1,920,000 and utilisation of part of the provision for litigation in progress of the subsidiary Público, both credited to extraordinary income (Note 45).

The provision for investments in the amount of Euro 10,675,758, which was recorded by charge to the caption financial expenses (Note 44), was set up to cover the estimated loss on realisation on the investments in some participated companies.

The decrease in the provision for investments corresponds essentially to utilisation of the amounts provided in the preceding year for subsidiaries which started being included in the consolidation and the reclassification referred to in the above table.

The amount of Euro 27,762,868 recorded in provisions for the year is made up essentially of the above mentioned increase in the provision for bad debts (Euro 19,494,586), provision for inventory losses (Euro 4,437,143) and provision for liabilities and charges resulting from application of the equity method, contingencies and litigation in progress, decrease in the number of employees and stock option plans (Euro 3,896,937).

The amount recorded under the extraordinary expenses caption increase in depreciation and provisions (Note 45), in the amount of Euro 4,346,000, is made up essentially of the above mentioned increase in the provision for liabilities and charges, for losses on assets in the amount of Euro 4,245,061.

The amount recorded under the extraordinary income caption decrease in depreciation and provisions (Note 45), in the amount of Euro 4,140,459, is made up essentially of the above mentioned decreases in the provision for inventory losses (Euro 1,290,973) and provision for liabilities and charges (Euro 2,696,507).

50. State and other public entities

The caption State and other public entities at December 31, 2002 and 2001 was made up as follows:

	2002		2001	
	Debit balance	Credit balance	Debit balance	Credit balance
Corporate income tax	1,568,759	812,695	1,957,992	1,348,649
Value added tax	1,508,094	7,158,741	16,612,618	1,691,498
Social security contributions	-	3,119,520	29,744	1,414,760
Withholding tax on payroll	-	3,451,983	-	2,122,274
Other	157,843	60,827	6	345,756
	<u>3,234,696</u>	<u>14,603,766</u>	<u>18,600,360</u>	<u>6,922,937</u>

As in 2001, the Value added tax recoverable at 2002 relates refers essentially to tax paid on investments made by the subsidiaries Novis and Clixgest.

Value added tax payable in 2002 refers essentially to the subsidiaries Optimus, We Do, Novis and Público.

In accordance with current tax legislation in Portugal, the Tax Authorities may review the Company's tax returns during the subsequent four years (ten years for Social Security contributions up to December 31, 2000 and five years after that date). Therefore, the tax returns for each of the financial years since 1999 could still be subject to inspection and revision.

51. Marketable securities

The caption Other treasury applications (Introductory note g)), in the amount of Euro 124,494,088 at December 31, 2002, includes essentially short term funds of Euro 89,793,337 loaned by SonaeCom to Sonae and short term applications in banks of the subsidiaries Optimus (Euro 33,366,024) and We Do Brasil (Euro 1,106,451). The loan to Sonae is repayable upon request and bears interest at market rates (Note 44).

52. Accruals and deferrals

At December 31, 2002 and 2001 the captions accruals and deferrals (Introductory note h)) were made up as follows:

	<u>2002</u>	<u>2001</u>
Accrued income:		
Invoices to be issued to clients for services rendered	19,303,678	21,052,281
Invoices to be issued to domestic network operators	17,499,125	65,180,572
Invoices to be issued to foreign network operators	1,800,676	2,010,470
Quantity discounts received	545,868	534,784
Other accrued income	<u>2,504,485</u>	<u>3,005,946</u>
	<u>41,653,832</u>	<u>91,784,053</u>
Deferred costs:		
Subscriber acquisition costs (1)	204,501,317	232,724,197
Agents' stores	4,702,451	2,595,661
Financing expenses	3,849,892	2,786,055
Rent	1,583,417	1,246,067
Specialised work	1,387,514	767,107
Other deferred costs	<u>4,883,595</u>	<u>3,758,179</u>
	<u>220,908,186</u>	<u>243,877,266</u>
Deferred tax assets (Note 38)	<u>62,062,439</u>	<u>44,128,272</u>
Accrued costs:		
Staff costs	26,144,424	25,505,214
Invoices to be issued by domestic network operators	20,038,674	51,017,670
Commission	10,313,594	15,058,924
Specialised work	4,790,123	5,991,662
Financial charges	4,141,809	796,231
Advertising	3,882,612	477,679
Other external supplies and services	2,370,078	504,277
Invoices to be issued to foreign network operators	2,108,135	1,928,036
Maintenance and repairs	1,114,836	1,115,057
Quantity discounts allowed	858,124	704,960
Other accrued expenses	<u>3,053,527</u>	<u>4,724,572</u>
	<u>78,815,936</u>	<u>107,824,282</u>
Deferred income:		
Trade income received in advance	25,396,832	16,446,287
Other deferred income	<u>253,090</u>	<u>607,825</u>
	<u>25,649,922</u>	<u>17,054,112</u>
Deferred tax liability (Note 38)	<u>267,918</u>	<u>273,872</u>

(1) At December 31, 2002 includes costs of Euro 9,449,050 relating client retention contracts , which are amortised over the period of the contracts.

During the year ended December 31, 2002 subscriber acquisition costs totalling Euro 94,217,152 were deferred (Euro 143,033,708 during the year ended December 31, 2001), and previously deferred subscriber acquisition costs of Euro 122,440,033 were amortised during the year to the caption Third party supplies and services (Euro 109,328,954 during the year ended December 31, 2001) (Note 55).

Subscriber acquisition costs (SACs) include part of the commercial and product costs, namely publicity costs and commission attributed to agents. SACs are deferred and amortised to costs over the period of the subscribers' contracts or estimated period of retention of the customer which is, on average, approximately 3 years. Amortisation is calculated at a decreasing rate, in accordance with statistical data on customer retention.

53. Shareholders' funds

Share capital

At December 31, 2002 and 2001 SonaeCom's share capital consisted, respectively, of 226,250,000 and 181,000,000 ordinary non materialised bearer shares of 1 Euro each, the shareholder structure being was as follows:

	2002		2001	
	Number of shares	%	Number of shares	%
Sonae Investments BV	148,250,000	65.52%	118,600,000	65.52%
Sonae	39,063,998	17.27%	24,692,135	13.64%
Shares traded on the Portuguese Stock Exchange	38,936,002	17.21%	37,707,865	20.84%
	<u>226,250,000</u>	<u>100.00%</u>	<u>181,000,000</u>	<u>100.00%</u>

The Company's share capital was increased from Euro 181,000,000 to Euro 226,250,000 by public subscription limited to the shareholders, in accordance with a decision of the Shareholders' General Meeting held on June 17, 2002.

The capital increase was fully subscribed for and paid up by the following:

	Shares	%
Sonae Investments BV	29,650,000	65.52%
Sonae	14,371,863	31.76%
Individuals	1,228,137	2.72%
	<u>45,250,000</u>	<u>100.00%</u>

The shares were issued at the price of Euro 2.25 each, resulting in a share premium of Euro 56,562,500.

Movement in consolidated shareholders' funds

	<u>Amount</u>
Shareholders' funds at December 31, 2001	301,919,876
Capital increase and share premium of SonaeCom	101,812,500
Addition of new companies and reversal of the provision for investments (Notes 1 and 46)	(3,498,470)
Write off to Other reserves of net goodwill arising in 2002 (Notes 10.a) and 14)	(3,154,248)
Dividends distributed by Enabler to minority shareholders	(876,925)
Adjustment of goodwill on the acquisition of Enabler due to the sale of 34% of the participation (Note 10.a))	712,782
Adjustment of the division of the consolidation difference of IP Global for 2000 and 2001 (Nota 59)	661,659
Adjustment of accumulated results relating to harmonisation of depreciation rates of the subsidiary Público	363,866
Negative goodwill arising on the acquisition of an additional participation in Digitmarket (Notes 10.b) and 14)	206,411
Division of the consolidation difference of IP Global for 2002 (Nota 59)	172,903
Other changes	(106,407)
Consolidated net profit /(loss) for the year	(74,535,849)
Shareholders' funds at December 31, 2002	<u>323,678,098</u>

Other reserves

Other reserves at December 31, 2002 reflects essentially goodwill net of amortisation in the amount of Euro 57,193,885 (Introductory note n) and notes 10.a), 11 and 14). This caption also includes the accumulated losses of the Group in the amount of Euro 154,075,389 and the credit balance of Euro 41,090,442 relating to share premium on the participations in Optimus and Novis.

54. Bank loans and overdrafts

At December 31, 2002 Bank loans and overdrafts were made up as follows:

	Short term	Medium and long term		
		< 5 years	>5 years	Total
Long term syndicated bank loan (Optimus)	56,762,250	233,811,251	74,819,600	308,630,851
UMTS licence bridge financing (Optimus)	85,000,000	-	-	-
Short term bank loans and overdrafts (mainly Novis and Optimus)	54,348,071	-	-	-
	<u>196,110,321</u>	<u>233,811,251</u>	<u>74,819,600</u>	<u>308,630,851</u>

54. a) Long term loan of the subsidiary Optimus

On July 30, 1999 Optimus signed a long term syndicated bank loan of Euro 400,000,000 with a term of 9.5 years. The banking syndicate consists of a large group of domestic and international financial institutions, including the European Investment Bank. The limits negotiated and the respective balances at December 31, 2002, were as follows:

	Negotiated limits	Short term	Medium and long term
European Investment Bank	249,398,000	31,174,750	205,753,350
Banking syndicate	124,700,000	15,587,500	102,877,501
Revolving credit facility	25,902,000	10,000,000	-
	<u>400,000,000</u>	<u>56,762,250</u>	<u>308,630,851</u>

The limit refers to the amount initially contracted, including repayments made up to December 2002 (see repayment terms).

Interest rate

The interest rate is indexed to the Euribor rate and the “spread” is linked to the financial performance of Optimus, namely to the Debt to Cash EBITDA ratio (the ratio between the amount of Optimus’ indebtedness and earnings before interest, tax, depreciation and amortisation, or EBITDA, which is adjusted to eliminate the effect of costs capitalised and deferred in the period as well as the effect of amortising costs deferred in previous periods).

Repayment terms

The amounts drawn under the long term loan facility are repayable in thirteen increasing half yearly instalments as from December 15 2002. The first instalment of principal (5% of the amount contracted) was repaid during the year. In the year 2003 two instalments of 12.5% of the amount contracted are repayable.

Long term bank loans at December 31, 2002 (Introductory note l))are repayable as follows:

	<u>Amount</u>
Due date:	
15-Jun-2004	28,057,350
15-Dec-2004	28,057,350
15-Jun-2005	28,057,350
15-Dec-2005	28,057,350
15-Jun-2006	28,057,350
15-Dec-2006	28,057,350
15-Jun-2007	28,057,351
15-Dec-2007	37,409,800
15-Jun-2008	37,409,800
15-Dec-2008	37,409,800
	<u>308,630,851</u>

Guarantees

Compliance with the obligations assumed under the terms of the syndicated bank loan is guaranteed by the shareholders of Optimus through part of their shareholdings. Consequently, 51% of the shares held by Sonae Telecom were pledged as guarantee for the loan. The book value of these shares at December 31, 2002 amounted to Euro 87,927,366 (Notes 22 and 34).

Interest rate risk cover

In order to reduce exposure to possible increases in the Euribor rate, given its recent evolution, Optimus contracted an interest rate swap on May 31, 2001, effective as from September 15, 2001, for a nine month period, for Euro 65,000,000 of the loan. The operation was terminated on June 17 2002, with a loss of Euro 334,024 having been recorded (Introductory note m)).

54. b) Financing of UMTS licence

In December 2000 Optimus contracted a bridging loan facility of Euro 100,000,000, for a term of eighteen months, with six financial institutions, to finance the cost of the UMTS licence. The loan facility bears monthly interest at rates indexed to the Euribor rate (Note 28), and is repayable in a single instalment at the end of the loan period.

The term initially contracted (June 2002) was extended for nine months, except for the loans granted by two of the banks involved, which were repaid in 2002.

54. c) Short term financing

	<u>Subsidiary</u>	<u>Financing</u>	<u>Amount</u>
Short term	Optimus	European Investment Bank	31,174,750
		Term loan	15,587,500
		Revolving credit facility	10,000,000
Bridge	Optimus		85,000,000
Other	Optimus		24,500,000
Other	Optimus		1,700,000
Other	Douro		124,699
Overdrafts	Various		28,023,372
			<u>196,110,321</u>

54. d) Refinancing

Following clarification, in December 2002, of the investment requirements relating to the UMTS licence and the conditions of competition in the mobile telecommunications market in Portugal (both with favourable impacts on the Company's financial ratio), the Company maintains its expectation to refinance the existing credit lines and finance the additional UMTS investments in 2003, through a new syndicated medium and long term loan. Conclusion of this process is still dependent, as in the majority of loans, upon the overall conditions of the financial markets, namely as regards the telecommunications sector.

55. Third party supplies and services

Third party supplies and services for the years ended December 31, 2002 and 2001 are made as follows:

	2002	2001
Interconnection costs	175,903,919	168,709,411
Subscriber acquisition costs (Note 52)	122,440,033	109,328,954
Rental of circuits	50,229,579	59,796,422
Rent	28,774,304	26,779,282
Other specialised services	19,963,276	22,561,784
Maintenance and repairs	20,401,273	17,825,948
IT services	17,341,001	13,442,642
Advertising, publicity and promotion	18,103,982	7,306,665
Call centre services	9,129,549	11,866,146
Products relating to the newspaper	6,954,272	636,271
Commission	6,776,900	4,493,287
Graphic design and related expenses	5,025,264	5,131,832
Communications	5,693,848	5,755,954
Electricity	4,726,150	3,792,292
Consultancy	4,058,318	4,627,996
Travel and lodging	5,478,043	6,528,714
Other subcontractors	7,101,256	3,273,914
Fees	3,200,105	1,886,958
Security services	2,271,309	2,324,481
Cleaning and hygiene	1,703,111	1,532,964
Tools and short-life utensils	1,667,871	2,600,804
Transport of goods	1,650,712	2,338,571
Participation in costs of agents' stores	1,154,644	904,910
Logistics and support	1,100,459	1,163,741
Contents	1,197,336	476,770
Other supplies and services	7,840,259	7,639,421
	<u>526,886,773</u>	<u>492,726,134</u>

56. Information by business segment

Contribution of the principal business segments to the consolidated results for the year ended December 31, 2002, net of consolidation adjustments, is as follows:

Caption	Mobile network	Fixed network	Multimedia and internet	Information Systems	Other activities	Total
Sales and services rendered	599,721,240	53,974,142	78,516,687	60,384,801	55,167	792,652,037
EBITDA (1)	117,177,455	(14,790,089)	(3,952,420)	1,246,102	(5,185,474)	94,495,575
Capitalised costs	6,932,880	1,056,485	521,229	228,718	-	8,739,312
Deferred costs	85,100,626	5,961,563	3,154,963	-	-	94,217,152
Amortisation of deferred costs	110,723,110	9,482,908	2,234,015	-	-	122,440,033
Cash EBITDA (2)	135,867,059	(12,325,229)	(5,394,597)	1,017,384	(5,185,474)	113,979,144
Depreciation	101,960,121	35,297,731	6,085,855	5,213,270	1,619,424	150,176,401
Provisions	15,810,257	7,790,985	2,161,170	87,319	1,913,137	27,762,868
Net operating income / (loss)	(592,923)	(57,878,805)	(12,199,444)	(4,054,487)	(8,718,035)	(83,443,694)
Net financial income / (expenses) (excluding gain and loss on associated companies)	(22,977,775)	(3,596,826)	(563,451)	(173,608)	(8,321,664)	(35,633,324)
Gain and loss on subsidiary and associated companies	-	-	4,898	-	(252,573)	(247,675)
Net extraordinary income / (expenses)	(6,537,361)	(1,616,752)	(929,186)	(108,081)	(4,865,018)	(14,056,398)
Net profit / (loss) before taxation	(30,108,059)	(63,068,130)	(13,687,184)	(4,360,428)	(22,157,290)	(133,381,092)
Net profit / (loss) before minority interests	(17,072,388)	(63,167,662)	(10,505,706)	(4,425,594)	(22,263,846)	(117,435,196)
Investment in tangible and intangible assets	101,520,596	27,820,780	4,234,332	1,971,309	3,180,714	138,727,731

- (1) (1) Operating results before amortisation and depreciation of intangible and tangible fixed assets and provisions. .
- (2) EBITDA (1) adjusted by elimination of the effect of amounts capitalised and deferral of subscriber acquisition costs and amortisation of subscriber acquisition costs previously deferred.

Contribution of the principal business segments to the consolidated balance sheet as of December 31, 2002 is as follows:

Caption	Mobile network	Fixed network	Multimedia and internet	Information Systems	Other activities	Total
Assets:						
Fixed assets						
Intangible	131,039,407	8,438,956	5,748,486	4,063,737	943,008	150,233,594
Tangible	477,327,204	78,591,729	10,371,203	8,861,448	4,107,263	579,258,847
Investments	245,566	-	1,151,374	12,500	12,949,530	14,358,970
Inventories	14,835,920	73,275	1,456,097	-	-	16,365,292
Other assets	444,535,065	36,526,315	25,029,700	18,153,269	94,146,872	618,391,221
Total assets	<u>1,067,983,162</u>	<u>123,630,275</u>	<u>43,756,860</u>	<u>31,090,954</u>	<u>112,146,673</u>	<u>1,378,607,924</u>
Liabilities:						
Creditors						
Medium and long term	313,070,812	-	-	-	-	313,070,812
Short term	266,743,048	76,984,402	14,066,809	8,030,197	1,393,054	367,217,510
Other liabilities	74,575,421	10,047,719	7,760,101	13,301,386	9,333,217	115,017,844
Total liabilities	<u>654,389,281</u>	<u>87,032,121</u>	<u>21,826,910</u>	<u>21,331,583</u>	<u>10,726,271</u>	<u>795,306,166</u>

57. Contribution of the subsidiary companies to the consolidated figures

Contribution of the principal subsidiary companies to selected consolidated figures of SonaeCom for 2002 was as follows:

Caption	Optimus	Novis	Público	Clixgest	Others	Total
Net assets	1,067,983,162	134,008,663	17,093,956	18,440,689	141,081,454	1,378,607,924
Minority interests	222,432,296	27,141,945	106	6,885,829	3,163,483	259,623,659
Sales and services rendered	599,721,240	84,505,068	40,216,592	35,586,346	32,622,791	792,652,037
Operating profit/(loss)	(592,923)	(65,270,663)	(59,026)	(5,825,940)	(11,695,142)	(83,443,694)
Amortisation, depreciation and provisions	117,770,378	46,856,167	2,544,009	2,831,522	7,937,193	177,939,269
Net profit/(loss)	(8,135,737)	(38,799,941)	(193,533)	(1,459,210)	(25,947,428)	(74,535,849)
EBITDA (1)	117,177,455	(18,414,496)	2,484,983	(2,994,418)	(3,757,949)	94,495,575
Capitalised costs	6,932,880	1,285,203	-	453,411	67,818	8,739,312
Deferred costs	85,100,626	5,961,563	-	3,154,963	-	94,217,152
Amortisation of deferred costs	110,723,110	9,482,908	-	2,234,015	-	122,440,033
Cash EBITDA (2)	135,867,059	(16,178,354)	2,484,983	(4,368,777)	(3,825,767)	113,979,144

- (1) Operating results before depreciation and amortisation of tangible and intangible assets and provisions.
- (2) EBITDA (1) adjusted to eliminate the effect of costs capitalised and deferred in the period, as well as the effect of amortising costs deferred in previous periods.

58. Reconciliation of contribution to consolidated net results with “stand alone” net results

	“Stand alone” net results	Outstanding items	Intra-group margins	Minority interests	Other items	Consolidated profit/(loss)
SonaeCom	(50,007,176)	279	36,501,209	-	11,604,277	(1,901,411)
Optimus	(17,292,969)	4,902	34,252	8,936,651	181,427	(8,135,737)
Novis	(77,645,980)	61,451	5,168,714	32,241,346	1,374,529	(38,799,941)
Clixgest	(4,360,111)	(99,998)	1,097,758	1,909,075	(5,934)	(1,459,210)
Público	(1,260,924)	(14,655)	796,488	99	285,459	(193,533)
Público.pt	(2,664,704)	(45,906)	234,170	-	(34,987)	(2,511,427)
We Do	445,212	(38,549)	(2,158,334)	-	289,166	(1,462,505)
Enabler	3,815,429	5,222	(109,236)	(175,944)	27,166	3,562,637
Per-Mar	(13,178)	-	(103,074)	7,077	-	(109,175)
Sonaetelecom BV	(1,411,836)	6,365	1,154,450	-	(11,392,109)	(11,643,130)
Sonae Telecom	(83,668)	45	(66,437)	-	-	(150,060)
Sonae Matrix	(11,553,238)	1,370	(311,680)	-	4,484,837	(7,378,711)
Sonae.com – Sist. Inf.	(1,103,670)	(66)	36,806	-	492,104	(574,826)
Harpa	(43,272)	-	8,743	-	-	(34,529)
Miauger	(1,539,383)	(7,053)	164,295	-	123,298	(1,258,843)
XS	(1,094,821)	(4,160)	108,496	-	-	(990,485)
Fun Online	(1,842,182)	24	550,742	-	-	(1,291,416)
Douro	(441,534)	-	102,004	-	-	(339,530)
Santo Bosque	(132,410)	-	(18,791)	-	-	(151,201)
Move On	(13,257)	-	159,287	-	(598,741)	(452,712)
S.I.R.S.	(454,073)	7,673	45,514	25,271	-	(375,615)
We Do Brasil	957,999	-	271,466	(1,054)	-	1,228,411
Enabler Brasil	66,123	(15,000)	(325,200)	(17,719)	-	(291,796)
Enabler UK	283,359	-	450,077	(161,798)	-	571,638
Retailbox	2,566,975	-	(2,579,190)	4,153	-	(8,062)
Digitmarket	(2,409,341)	15	14,011	132,189	1,878,446	(384,680)
	<u>(167,232,632)</u>	<u>(138,041)</u>	<u>41,226,539</u>	<u>42,899,347</u>	<u>8,708,938</u>	<u>(74,535,849)</u>

The column Other refers essentially to the recognition of the outstanding items in 2001, reversal of amortisation of goodwill in the individual financial statements, provision for investments, and costs and income resulting from application of the equity method (Note 44).

59. Minority interests

Minority interests at December 31, 2002 and 2001 are made up as follows:

	Minority interests %	2002	2001
Optimus	53.71%	222,432,296	178,513,646
Novis	43.33%	27,141,946	24,500,913
Per-Mar	53.71%	502,552	513,485
Clixgest	43.33%	6,885,829	8,797,703
Público	0.01%	106	23
Retailbox	34.00%	1,427,214	-
Enabler	34.00%	783,196	-
Enabler Brasil	34.66%	3,737	-
Enabler UK	57.10%	407,438	-
We Do Brasil	0.11%	782	-
Digitmarket	24.90%	38,564	-
		<u>259,623,659</u>	<u>212,325,770</u>

Net profit /(loss) attributable to Minority interests (Introductory note) for the years ended December 31, 2002 and 2001 is as follows:

	Minority stake %	2002	2001
Optimus	53.71%	(8,936,651)	(13,215,845)
Novis	43.33%	(32,241,346)	(38,556,175)
Per-Mar	53.71%	(7,077)	4,167
Clixgest	43.33%	(1,909,075)	(3,554,193)
Público	0.01%	(99)	(155)
Retailbox	34.00%	(4,153)	-
Enabler	34.00%	175,944	-
Enabler Brasil	34.66%	17,719	-
Enabler UK	57.10%	161,798	-
We Do Brasil	0.11%	1,054	-
Digitmarket	24.90%	(132,189)	-
S.I.R.S.	10.00%	(25,271)	-
		<u>(42,899,347)</u>	<u>(55,322,201)</u>

The movement recorded in the balance sheet caption Minority interests in the year ended December 31, 2002 is as follows:

	<u>Amount</u>
Minority interests at December 31, 2001	212,325,770
Capital increase in Optimus	52,386,468
Supplementary capital contributions made to Novis	36,139,470
Change in the percentage participation in the subsidiary Retailbox	1,423,061
Consolidation difference of IP Global for 2000 and 2001 attributable to minority interests	(661,659)
Change in percentage participation in the subsidiary Enabler	607,252
New companies included in the consolidation	436,195
Consolidation difference of IP Global for 2002 attributable to minority interests	(172,903)
Change in the percentage participation in the subsidiary Optimus	165,502
Change in the percentage participation in the subsidiary Per-Mar	(3,854)
Other movement	(122,296)
Net profit /(loss) attributable to minority interests for the year	(42,899,347)
Minority interests at December 31, 2002	<u>259,623,659</u>

60. Contingencies

i) During 2000 legal proceedings were started against Maxistar – Comunicações Pessoais, S.A. (Maxistar) by the other shareholders of Optimus, for breach of a clause of the Shareholders' Agreement, claiming the right to exercise a purchase option on the shares in Optimus held by Maxistar, for 70% of their nominal value. Maxistar in turn has made a claim against the remaining shareholders of Optimus for a breach of another clause of the Shareholders' Agreement, also claiming the right to exercise the option to purchase the shares held in Optimus by the remaining shareholders for 70% of their nominal value. The remaining shareholders consider that Maxistar's counter claim is completely unfounded..

On January 13, 2003 the Arbitration Court to which the dispute between SonaeCom and other shareholders of Optimus, and Maxistar was referred, condemned Maxistar to the payment of an indemnity of Euro 2,344,350 plus interest from January 13, 1999 to the date of payment, or, alternatively, to grant the other shareholders an option to purchase the shares of Optimus held by Maxistar for 70% of their actual value. The management of SonaeCom has already informed Maxistar of its preference for the first alternative and issued instructions for the respective shares to be held in guarantee of that payment.

ii) Optimus received a summons from the 15th Civil Court of Lisbon relating to an action by Oniway – Infocomunicações, S.A against Optimus and Vodafone Telecel, Comunicações Pessoais, S.A. demanding indemnity of 46 million Euro for refusal to establish an interconnection with that company. Optimus has already negotiated with Oniway its abandonment of the action.

61. Other significant facts

i) In the first half of 2002 a partnership agreement was entered into between Optimus and Vodafone under which the two companies have joint control, in equal parts, of Situs - Exploração de Torres de Telecomunicações e Sites, S.A. ("Situs"). Situs will carry out integrated management, for the common benefit of Optimus and Vodafone, of the infrastructures in which the telecommunications equipment of the two companies is, or comes to be, installed. The foundation of Situs provides conditions to minimise the environmental impact of the network infrastructures and generates significant savings, in terms of investment and costs, for the two operators.

ii) On February 21, 2001 ANACOM decided to change the scheme for dividing income and expenses resulting from internet traffic in Portugal, between the incumbent Portugal Telecom ("PT") and the Internet Service Providers ("ISPs"). Under the current scheme, applicable since August 1, 2001, the ISPs receive from PT the full amount of income generated from calls made by users of the Internet, and also establish the price of such calls, as opposed to 35% which was received previously. The ISPs pay PT, in addition to the interconnection charge, 1\$60 per call to cover the invoicing costs and cease to pay the so-called cost to subsidise the calls (difference between the price of local calls charged to clients and the price of the regional calls made). Application of the current scheme has significantly benefited the results of Clixgest. The Company is strongly convinced that the new scheme will be applied retroactively as from March 1, 2001 given that the delay in its implementation is the exclusive responsibility of the incumbent. The Company estimates that application of this scheme retroactively would increase its equity by approximately Euro 2,500,000, excluding the effect of taxes and minority interests. The Company has resorted to an arbitration process with ANACOM and is awaiting its outcome. In compliance with generally accepted accounting principles this income will only be recognised in the financial statements when it is realised.

iii) Accounts receivable from clients and payable to suppliers include Euro 43,112,621 and Euro 35,924,275, respectively, and accrued costs and accrued income include Euro 411,649 and Euro 6,856,200, respectively, resulting from a dispute between the subsidiary Optimus and the operator TMN. This dispute, which was referred to in the Report and Accounts for the year ended December 31, 2001 continues to be under examination by the Court and ANACOM. The Company has considered the most penalising tariffs in the financial statements and so resolution of the dispute will not result in any loss that should be provided for.

iv) In December 2002 the subsidiary Optimus acquired 24,388 mobile phones from Oniway Infocomunicações, S.A. at a cost of Euro 7,196,470 having to the date of this report sold part of that equipment. Other assets may come to be acquired from that company if certain conditions established under contract are complied with.

v) In the beginning of 2001 SonaeCom implemented a Stock Option plan, for the benefit of certain employees of the SonaeCom Group, under which these employees are granted annually, at no cost, a certain number of options to buy shares in the Company. The options, which are divided into the IPO Plan and the Regular Plan, may be exercised during a period of one year, beginning, respectively, two and three years after the options have been granted. The reference dates for granting the options under the IPO Plan and for the first and the second years of the Regular Plan were June 2, 2000, March 31, 2001, and March 31, 2002, respectively. The exercise price of the options granted under the IPO Plan is the price of the Public Offering (Euro 10). The exercise price of the options granted under the Regular Plan is the average trading price of the shares on the Lisbon and Oporto Stock Exchange during the month preceding the date the options are granted. The beneficiaries of the Regular Plan may opt to receive options or, alternatively, the number of shares equivalent to the value of the options. Eligibility depends on the level of responsibility and the value of the options or shares granted (valued using the Black and Scholes model) and is a function of the total individual remuneration, adjusted according to performance, measured using the staff evaluation methodology currently employed. The number of shares committed under each of the stock-option plans totalled 980,859, 124,952 and 743,018, respectively. The number of shares committed under the alternative plan to grant shares totalled 332,647 and 882,567 for the Regular Plans granted in 2001 and 2002, respectively. The terms of the plans may be modified in the future to reflect changes in the remuneration policy and/or in the financial position of the Company and its subsidiaries.

vi) During 2001 the Company implemented an incentive system based on shares being attributed to certain employees of the subsidiary We Do. Under this plan these employees have the right to receive shares in We Do on January 1, 2005, with a value of up to 30% of the increase in the company's adjusted equity value up to December 31, 2004 (using predefined variables).

The total liability at December 31, 2002 for the costs associated with the commitments described in paragraphs v) and vi) above amounts to approximately Euro 846,400, and is reflected under the caption Provision for liabilities and charges (Note 46).

62. Note added for translation

The accompanying consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal and the disclosures required by the Portuguese Official Chart of Accounts, some of which may not conform with or be required by generally accepted accounting principles in other countries. In the event of discrepancies the Portuguese language version prevails.