

* MODELO B *

INFORMAÇÃO TRIMESTRAL INDIVIDUAL/CONSOLIDADA (Não Auditada)

(Modelo aplicável às entidades sujeitas à disciplina normativa contabilística do Plano Oficial de Contabilidade)

A SonaeCom apresenta, desde o 1º trimestre de 2003, as suas contas consolidadas utilizando as Normas Internacionais de Contabilidade (IAS/IFRS).
As contas individuais da SonaeCom e das suas subsidiárias continuam a seguir as regras do Plano Oficial de Contabilidade.

Empresa: Sonaecom, Sociedade Gestora de Participações Sociais, S.A.			
Sede:	Lugar do Espido - Via Norte ; 4471 - 909 MAIA	NIPC:	502 028 351
Período de referência:		Início:	01.01.05
1º Trimestre <input checked="" type="checkbox"/>	3º Trimestre <input type="checkbox"/>	5º Trimestre⁽¹⁾ <input type="checkbox"/>	Fim: 31.03.05

Rubricas do Balanço (Valores em Euros)	Individual			Consolidada		
	n	n-1	Var. (%)	n	n-1	Var. (%)
ACTIVO						
Imobilizado (líquido)	489.025.101	433.979.470	13%	698.133.798	710.038.571	-2%
Imobilizações Incorpóreas	18.954	99.975	-81%	218.177.247	224.030.517	-3%
Imobilizações Corpóreas	209.354	272.556	-23%	478.063.562	479.229.564	0%
Investimentos Financeiros	488.796.793	433.606.939	13%	1.892.989	6.778.490	-72%
Dívidas de Terceiros (líquido)	3.312.125	3.544.327	-7%	149.960.473	179.554.246	-16%
Médio e Longo Prazo	0	0		2.841.369	0	
Curto Prazo	3.312.125	3.544.327	-7%	147.119.104	179.554.246	-18%
CAPITAL PRÓPRIO						
Capital Social	226.250.000	226.250.000	0%	226.250.000	226.250.000	0%
Nº. acções ordinárias	226.250.000	226.250.000	0%	226.250.000	226.250.000	0%
Nº. acções de outra natureza	0	0		0	0	
Acções Próprias	0	0		0	0	
Nº. acções com voto (Dto de voto inibido)	0	0		0	0	
Nº. acções sem voto	0	0		0	0	
Interesses Minoritários	0	0		178.433.789	166.723.181	7%
PASSIVO						
Provisões para Riscos e Encargos	54.772	266.684	-79%	3.674.535	4.494.529	-18%
Dívidas a Terceiros	35.952.452	14.103.013	155%	470.781.599	633.121.160	-26%
Dívidas a Médio e Longo Prazo				312.709.402	443.970.930	-30%
Dívidas a Curto Prazo	35.952.452	14.103.013	155%	158.072.197	189.150.230	-16%
TOTAL DO ACTIVO (líquido)	523.114.222	504.715.660	4%	1.031.525.151	1.171.018.306	-12%
TOTAL DO CAPITAL PRÓPRIO	484.699.308	488.442.875	-1%	439.733.040	405.538.447	8%
TOTAL DO PASSIVO	38.414.914	16.272.785	136%	591.792.111	765.479.859	-23%

Rubricas da Demonstração de Resultados (Valores em Euros)	Individual			Consolidada		
	n	n-1	Var. (%)	n	n-1	Var. (%)
Vendas e Prestação de Serviços	1.742.335	1.223.966	42%	196.866.435	206.852.189	-5%
Variação da Produção	0	0			0	
CMVMC	0	0		17.699.651	23.049.066	-23%
Resultados Brutos	1.742.335	1.223.966	42%	179.166.784	183.803.123	-3%
Resultados Operacionais	(255.069)	(529.133)	-52%	12.331.701	10.762.708	15%
Resultados Financeiros (líquido)	1.420.505	1.718.319	-17%	(2.765.886)	(5.125.525)	-46%
Resultados Correntes	1.165.436	1.189.186	-2%	9.565.815	5.637.182	70%
Resultados Extraordinários	(6.227)	(12.826)	-51,45%	0	0	
Imposto sobre o Rendimento ⁽²⁾	(2.226)	(1.593)	40%	(433.905)	(3.308.090)	-87%
Interesses Minoritários	0	0		(4.484.048)	(2.094.003)	114%
Resultado Líquido do Trimestre	1.156.983	1.174.767	-2%	4.647.862	235.090	1877%
Resultado Líquido do Trimestre por acção	0,0051	0,0052	-2%	0,0205	0,0010	1954%
Autofinanciamento ⁽³⁾	1.187.997	1.487.502	-20%	38.029.028	37.921.271	0%

⁽¹⁾ Aplicável no primeiro exercício económico das sociedades que adoptem um exercício anual diferente do correspondente ao ano civil (Art.65.º-A do Código das Sociedades Comerciais);

⁽²⁾ Estimativa de Imposto Sobre o Rendimento

⁽³⁾ Autofinanciamento = Resultado Líquido + Amortizações + Provisões

EVOLUÇÃO DA ACTIVIDADE NO TRIMESTRE

(Resumo da actividade da empresa por forma a permitir aos investidores formar uma opinião sobre a actividade desenvolvida pela empresa ao longo do trimestre).

CONSOLIDATED FINANCIALS

Turnover: Consolidated Turnover reached 197 million euros, 5% below that achieved in 1Q04. The primary reasons for this reduction were due to: (i) Optimus Operator Revenues falling by circa 9%, as a result of both lower incoming traffic from fixed operators and lower mobile termination rates as of 7 March; (ii) Público's generating Turnover 21% lower in 1Q05 compared to 1Q04 due primarily to lower sales of Associated Products, driven by the delayed launch of new products. Sonaecom Fixed Service Revenues increased marginally by 1% due to an increase in direct access revenues and the inclusion of KPNQwest Portugal as of April 2004. However, growth was constrained by the significantly lower indirect access voice revenues and the continued loss of narrowband traffic.

Total OPEX (incl. COGS): Consolidated Total OPEX was 152 million euros, 5% below that recorded in 1Q04 notwithstanding the inclusion of KPNQwest Portugal costs in 1Q05. OPEX represented 77% of Turnover compared to 78% in 1Q04. The reduction in costs was driven mostly by lower COGS (-23%), lower Network Expenses (-14%) and lower Marketing Costs (-12%). In contrast, Personnel Costs increased in 1Q05 compared to 1Q04 by 14% explained primarily by: (i) the additional Personnel Costs resulting from the acquisition of KPNQwest Portugal in April 2004; (ii) Optimus starting to expense UMTS related personnel costs as of December 2004, whereas before, these were being capitalized as tangible assets. Adjusting for these, underlying like-for-like growth in Personnel Costs was 4%.

Provisions and Impairment Losses: Provisions and Impairment Losses in the quarter were 1.7 million euros, which compares to 5.3 million euros in 1Q04. This reflects lower provisioning for Bad Debts and for Stock Depreciation resulting from the continued improvement in billing, collections and stock management particularly in our Telecoms companies. During 2004, Optimus and Sonaecom Fixed were both billing on average within 7 days compared to 12 and 10 days, respectively, in 2003. As regards collections, during 2004 Optimus was collecting 95% of total invoicing within 180 days (vs. 94% in 2003 and 91% in 2002) while Novis was collecting 96% within 180 days (vs 94% in 2003 and 88% in 2002).

EBITDA: Driven by the aforementioned performance in Turnover, OPEX and Provisions, Consolidated EBITDA increased by 2% in 1Q05 to 44 million euros, generating an EBITDA margin of 22% up from 21% in 1Q04.

During the quarter Optimus generated EBITDA of 43.5 million euros representing a margin of 29.6%, compared to 26.2% in 1Q04. Due to the strategy to move to a direct access business, Sonaecom Fixed generated negative EBITDA of 1.2 million euros compared to a break-even EBITDA result in 1Q04. SSI recorded EBITDA of circa 3 million euros, up 26% on 1Q04, representing a margin of 15%, the highest to date. Público's EBITDA result was negative 433 thousand euros, compared with positive 158 thousand euros in 1Q04 due primarily to the significantly lower Associated Product sales in the quarter.

EBT: Consolidated EBT increased by 70% to 9.6 million euros compared to 1Q04, driven by the EBITDA performance, a 2% reduction in depreciation and amortization charges and lower Net Financial Results that improved by 54% from negative 5 million euros to negative 2.8 million euros. The improvement in Net Financial Results was due to a combination of the significant reduction in average Nominal Gross Debt (from 457 million euros in 1Q04 to 326 million euros in 1Q05), the benefit of the Optimus refinancing completed in August 2004 and the recent reduction in spread from 75bp to 55bp under the new facility, resulting from Optimus' improved Net Debt/EBITDA ratio (discussed in further detail in our 3Q04 Earnings Announcement).

Net Results: Consolidated Net Results increased significantly in 1Q05 compared with 1Q04 to circa 9 million euros, driven primarily by the improvement in EBT, but also by a lower tax charge (impact of deferred tax assets).

FCF: Consolidated FCF was negative 18 million euros explained principally by: (i) the acquisition by Sonaecom of Maxistar's 2.77% stake in Optimus for 18.6 million euros; (ii) negative FCF of circa 9 million euros at Sonaecom Fixed; and (iii) a 19 million euros deterioration in working capital. Notwithstanding the improvements in billing and collections, investment in working capital increased in the quarter due primarily to seasonally higher payments to fixed assets suppliers and trade creditors related with year-end 2004 acceleration in CAPEX and acquisition of handsets at Optimus.

Capital Structure: Sonaecom's Consolidated Nominal Gross Debt as at 31 March 2005 stood at 327 million euros, the same level as at the end of the previous quarter and recorded a reduction of 98 million euros, or 23%, in comparison with 1Q04 due to the good performance of operating cash flow of the previous 4 quarters and the policy of minimizing Net Financial Expenses at Sonaecom.

Liquidity: Consolidated Liquidity fell by 19.5 million euros to 34 million euros during 1Q05. The main movement behind this fall in Liquidity was the 18.6 million euros investment made in acquiring Maxistar's 2.77% stake in Optimus.

Consolidated Nominal Net Debt recorded a 6% increase in 1Q05 compared with 4Q04 to 293 million euros, driven by the aforementioned reduction in Consolidated Liquidity. Nominal Debt to Equity at the end of 1Q05 was 43:57, the same as at the end of 4Q04 and Debt ratios continued relatively stable, namely Net Debt to EBITDA of 1.5x compared to 1.4x in 4Q04 and improved from 2.0x in 1Q04. Interest Coverage increased from 7.8x in 1Q04 to 16.6x in the same period, although lower than 16.9x recorded in 4Q04 as a result of marginally lower EBITDA and higher interest payments over 4Q04.

On 28 January Sonaecom SGPS signed a contract with a Portuguese financial institution for the arrangement of a 70 million euros Commercial Paper Programme ("CPP") with a one year term renewable over a 5 year period. In addition, Sonaecom secured a short-term line of 20 million euros. Both these facilities will provide Sonaecom SGPS with back-up credit capacity to support its short-term funding needs and those of its subsidiaries that are unable to raise non-recourse funding at this stage. As at 31 March, neither of these facilities had been used.

Sonaecom SGPS holding company liquidity fell by circa 50 million euros in the quarter to 27 million euros due to two main movements: firstly the conversion of treasury applications with Sonaecom Fixed totalling 49 million euros into Shareholder Loans; and secondly the funding of the acquisition of Maxistar's 2.77% holding in Optimus for 18.6 million euros. Net Liquidity at Sonaecom SGPS (i.e. net of treasury applications from Group companies) was negative 6 million euros.

TELECOM BUSINESSES

Optimus: Service Revenues were lower by 3% in 1Q05 compared to 1Q04 with Customer Revenues performing in line with 1Q04 but being offset by lower Operator Revenues. Customer revenues were underpinned by stable voice usage and higher mobile-data revenues driven by an increase in GPRS traffic of circa 21% to 326 thousand GB and in GPRS users to 134 thousand, almost double the number in 1Q04. The number of MMS on our network grew by 1.5 times to 1.6 million.

However, traffic from fixed operators continued to decline as a percentage of overall traffic, reflecting the continued trend in fixed to mobile substitution with a negative impact on Service Revenues. In 1Q05, the network imbalance (regarding the higher volume of calls terminating on other mobile networks versus incoming calls from other mobile operators) increased by 3% in comparison with 1Q04 to 4.2 million euros.

Interconnection Costs fell primarily as a result of the reduction in mobile to mobile termination rates. As a result, 1Q05 Service Margin (Service Revenues – Interconnection and Content Costs) as a percentage of Service Revenues was 74%, similar to that achieved in 1Q04.

Optimus re-launched its fixed-mobile convergent offer, 'Optimus Home', at the beginning of March and more than 14 thousand customers have already been activated. The impact of 'Home' on Optimus' Topline will only be felt in 2Q05, given the promotional airtime offered during March, the first month after re-launch.

New mobile termination rates came into effect on 7 March, thus causing downward pressure on both Service Revenues and operating margins, albeit only affecting a 24 day period in 1Q05. Mobile to mobile termination rates reduced from 18.7 eurocents to 14 eurocents per minute and fixed to mobile rates reduced from 27.8 eurocents to 20.5 eurocents per minute. Both the reductions caused a negative impact on Operator Revenues, although only the reduction in fixed to mobile rates causes a negative impact on EBITDA. As Optimus is a net payer of mobile interconnection to other mobile operators, the reduction in mobile to mobile tariffs has a positive net effect on profitability.

Optimus' EBITDA increased by 8% in 1Q05 compared with 1Q04, underpinned by OPEX savings, namely a 5% reduction in interconnection costs, an 11% reduction in leased line and network operating costs, a 16% reduction in COGS and a 1.5% increase in Marketing and Sales costs. The reduction in leased line and Network costs is explained primarily by the fact that these are now provisioned internally through Novis at better conditions than those offered by previous suppliers. The effect of Optimus Home on OPEX was circa 640 thousand euros increase in interconnection costs (not compensated by service revenues given the promotional traffic at launch) and circa 1 million euros of additional marketing spend. The improvement in working capital management, recovery of bad debt and stock management enabled a reduction in Provisions and Impairment

was circa 040 thousand euros increase in interconnection costs (not compensated by service revenues given the promotional traffic at launch) and circa 1 million euros of additional marketing spend. The improvement in working capital management, recovery of bad debt and stock management enabled a reduction in Provisions and Impairment Losses of 70% to 1.5 million euros, thus generating an important contribution to the improvement in EBITDA.

Sonaecom Fixed : As of 1Q05, Sonaecom is reporting all its fixed telecom businesses within one business unit, Sonaecom Fixed, which now consolidates Novis, KPNQwest Portugal and Clix. Mainroad (IT Services) has been excluded from Novis and consolidated within SSI. This decision to change the reporting format is driven primarily by the way in which these business units are already managed and is thus fully aligned with corporate strategy. In terms of brand positioning, the Novis brand is focused on the Business and Wholesale market and the Clix brand is focused on the Residential (Home) segment.

Service Revenues in 1Q05 reached 36.6 million euros, 1% above 1Q04, however it is not possible to establish a direct comparison between the two quarters given the acquisition of KPNQwest Portugal completed in April 2004. In 1Q05, Service Revenues were generated primarily by Direct Voice Services (17%), Indirect Service Revenues (39%) and Wholesale Revenues (44%).

Clix MEGA ADSL offers are gathering pace in terms of customer acquisition on the back of improving activation processes. By the end of March, Clix had circa 11.3 thousand direct services. The time it takes to activate a customer is still excessive and Management aims to have reduced activation time substantially by the end of 2Q05, thus permitting acceleration in customer acquisition and activation programmes.

At the end of March, 79 central offices (COs) had been unbundled and of those, 34 had ADSL2+ deployed. We chose to delay opening of new COs with ADSL2+ during 1Q05 in order to give priority to increasing capacity at existing COs, due to higher demand than originally anticipated. We underestimated the level of line capacity required at each CO and thus found that customer activation was also being delayed. We are now accelerating unbundling of new COs, and expect to have 130 COs unbundled by the end of 2005, representing total population coverage of circa 50% and circa 80% in both Lisbon and Oporto.

The new ULL pricing announced on 18 March by ANACOM (refer below to section on regulation) is a very positive development for Sonaecom Fixed and will improve overall payback on investment and the Net Present Value of customers acquired.

OPEX increased by 5% in 1Q05 compared with 1Q04 due primarily to three factors: (i) a 3,9 million euro increase in Leased Lines and Network costs explained firstly by Novis becoming the sole provider of leased lines for the Group, and thus responsible for contracting leased lines for Optimus as of September 2004 and secondly the inclusion of KPNQwest Portugal as of April 2004; (ii) a 0,6 million euro increase in Personnel expenses driven by the inclusion of KPNQwest Portugal; (iii) a 1,5 million euro increase in SG&A due to a combination of the inclusion of KPNQwest Portugal and higher IT/IS and Customer Service costs.

EBITDA deteriorated from 87 thousand euros in 1Q04 to losses of 1.2 million euros in 1Q05, explained by the continued loss in narrowband and indirect voice traffic causing pressure on topline growth, coupled with the increase in OPEX, mainly in Interconnect and Leased Line costs, Personnel and Outsourcing Costs.

OTHER BUSINESSES

Público Group generated Turnover in 1Q05 that was 21% lower than in 1Q04. This was due to a combination of factors but primarily due to lower sales of Associated Products. Newspaper sales were down on 1Q05 by 2% to 3.1 million euros while Advertising Revenues increased by 9% to 3.9 million euros in 1Q05. Público maintains its position as the third national daily paper in terms of circulation with a market share of 13.5% (APCT) although the average level of circulation declined by 5% compared with 1Q04 to circa 49 thousand copies. In 1Q05, Público had fewer active collections of Associated Products being commercialized than in 1Q04, thus resulting in almost 50% less revenues from Associated Product sales. During 1Q04, Público recorded a particularly good performance in terms of Associated Products sales due to the concentration of a number of high performing collections over the same period, namely Mil Folhas (Books) and Série Y (DVDs). However, at the end of 1Q05 and during April 2005, Público had launched a number of new collections: World History, Tintin and Jules Verne.

As a result of the delay in launching the new Associated Product collections, and of the decrease in newspaper circulation, Público's EBITDA deteriorated from 158 thousand euros in 1Q04 to a 433 thousand euro loss in 1Q05.

SSI: SSI revenues registered an 8% like-for-like growth in 1Q05 over 1Q04 to 20 million euros driven mainly by Enabler that recorded growth in stand-alone Turnover of 22% to 7.4 million euros and WeDo that increased Turnover by 13% to 5.4 million euros. With the aforementioned change in financial reporting format, the SSI division now includes Mainroad, the Group's IT division, whereas it was previously incorporated in Novis. Stand-alone Revenues at Mainroad in 1Q05 were 3.4 million euros compared with 3.9 million euros in 1Q04.

During 1Q05, Enabler and WeDo posted growth in their main markets and Mainroad won a key account to develop IT systems and processes for the new concert and exhibition Centre in Porto "Casa da Música". In March, FT confirmed WeDo as its global supplier of revenue assurance solutions with its proprietary software, RAID.

SSI generated a 26% increase in EBITDA in 1Q05 to circa 3 million euros, driven by the overall improvement in topline growth and high consultant occupancy rates recorded at both WeDo and Enabler. EBITDA margin posted strong growth from 13% in 1Q04 to 15% in 1Q05. Stand-alone EBITDA of Mainroad in 1Q05 was 0.4 million euros compared with 0.3 million euros in 1Q04.

REGULATORY ISSUES

During 1Q05, the main regulatory developments were:

On Friday, 25 February, ANACOM finally approved Optimus Home, Sonaecom's fixed-mobile convergent product for the residential voice market, circa 90 days after its original launch. We believe that the decision to allow Optimus Home to launch is truly good news for the consumer and the competitive development of the market as a whole.

The new mobile termination rates do not contemplate differentiated mobile-to-mobile rates in favour of Optimus. Across Europe, the determination of mobile termination rates has been based either on a "costing model" (long-run incremental costs) or on a benchmarking approach. In the case of Portugal, both of these approaches would have led to application of asymmetric mobile-to-mobile rates in favour of the smaller operator. Accordingly, we remain concerned with the continued lack of effective regulation of the mobile "Network Effect". This is caused by the strong pricing discrimination for different networks and high levels of mobile to mobile interconnection tariffs, and is an artificial barrier to competition that benefits the largest mobile operator as a net receiver of interconnection in detriment of the smaller operators. We consider this effect to be a structural barrier to competitive development of the Portuguese mobile segment in that it is effectively leading to subsidisation of the larger operator's business by the smaller operator.

Importantly for Sonaecom Fixed, on 18 April, ANACOM approved implementation of new conditions for local loop unbundling; namely a reduction in the monthly fee from 11.96 to 9.72 euros and in the set-up fee from circa 92 euros to 38 euros. In addition, it imposed a reduction in provisioning time by PT from 16 to 9 days all of which are positive actions to improve competition in the fixed sector and to support the development of broadband.

LOOKING FORWARD

Our decision to invest for growth during 2005 aimed at developing particular market opportunities, such as fixed-mobile substitution, ultra broadband and the launch of triple play, will result in Sonaecom increasing its spending in network development, in marketing expenses and in customer acquisition costs. The positive impact of this strategy on our topline and on EBITDA will not be immediately visible and will only materially affect our performance as from 2006. In this respect, the new pricing and provisioning

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(Pessoas que assumem responsabilidade pela informação, cargos que desempenham e respectivas assinaturas)

The Chief Accountant: Patrícia Maria Silva

The Investor Relations Officer: Maria João Carrapato

NOTAS EXPLICATIVAS

* Os valores solicitados, salvo indicação em contrário, deverão ser expressos em euros.

* Os valores negativos deverão figurar entre parêntesis ().

* O período definido como "n" diz respeito aos valores do trimestre em causa, enquanto que o período definido como

"n-1" diz respeito aos valores do trimestre homólogo anterior.

**CONSOLIDATED FINANCIAL
STATEMENTS**

March 2005

SONAECOM, S.G.P.S., S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2005 AND 2004 AND AT 31 DECEMBER 2004

(Amounts expressed in Euro)

<u>ASSETS</u>	<u>March 2005</u>	<u>March 2004</u>	<u>December 2004</u>
NON CURRENT ASSETS:			
Tangible assets	478.063.562	479.229.564	482.808.381
Intangible assets	177.973.006	195.427.315	183.943.968
Goodwill	40.204.241	28.603.202	31.614.130
Investments in associated companies	685.668	711.185	685.669
Investments available for sale	1.207.321	6.067.305	1.207.320
Other non current debtors	2.841.369	-	3.506.749
Deferred tax assets	68.850.471	81.851.051	68.693.940
Other non current assets	2.527.509	19.193.038	4.872.217
Total non current assets	<u>772.353.146</u>	<u>811.082.660</u>	<u>777.332.374</u>
CURRENT ASSETS:			
Inventories	12.703.331	10.791.246	12.827.545
Trade debtors	129.179.470	140.321.000	152.682.416
Other current debtors	17.939.634	39.233.245	11.339.437
Other current assets	65.580.339	74.990.357	51.149.794
Cash and cash equivalents	<u>33.769.231</u>	<u>94.599.798</u>	<u>53.265.132</u>
Total current assets	<u>259.172.005</u>	<u>359.935.646</u>	<u>281.264.324</u>
Total assets	<u>1.031.525.151</u>	<u>1.171.018.306</u>	<u>1.058.596.698</u>
<u>SHAREHOLDERS' FUNDS AND LIABILITIES</u>			
SHAREHOLDERS' FUNDS:			
Share capital	226.250.000	226.250.000	226.250.000
Reserves	30.401.389	12.330.176	12.356.470
Consolidated net income/(loss) for the year	<u>4.647.862</u>	<u>235.090</u>	<u>18.048.373</u>
	<u>261.299.251</u>	<u>238.815.266</u>	<u>256.654.843</u>
Minority interests	178.433.789	166.723.181	183.919.719
Total Shareholders' Funds	<u>439.733.040</u>	<u>405.538.447</u>	<u>440.574.562</u>
LIABILITIES:			
NON CURRENT LIABILITIES:			
Medium and long-term loans - net of short-term portion	306.184.359	400.000.000	305.138.566
Other non current creditors	3.581.902	39.664.944	3.425.011
Other non current financial liabilities	2.943.141	4.305.986	3.953.358
Provisions for other liabilities and charges	3.674.535	4.494.529	4.292.249
Other non current liabilities	4.259.255	4.812.709	9.794.878
Total non current liabilities	<u>320.643.192</u>	<u>453.278.168</u>	<u>326.604.062</u>
CURRENT LIABILITIES:			
Short-term loans and other loans	850.789	23.526.770	2.508.344
Trade creditors	129.710.898	113.246.878	153.049.344
Other current financial liabilities	3.621.052	3.275.397	4.070.891
Other creditors	23.889.458	49.101.185	17.612.868
Other current liabilities	113.076.722	123.051.461	114.176.627
Total current liabilities	<u>271.148.919</u>	<u>312.201.691</u>	<u>291.418.074</u>
Total Shareholders' Funds and liabilities	<u>1.031.525.151</u>	<u>1.171.018.306</u>	<u>1.058.596.698</u>

The notes are an integral part of the consolidated financial statements at 31 March 2005 and 2004

The Chief Accountant

Patricia Maria Cruz Ribeiro da Silva

The Board

Belmiro Mendes de Azevedo

Duarte Paulo Teixeira de Azevedo

António Castelo Branco Borges

António José Santos Silva Casanova

David Graham Shenton Bain

George Christopher Lawrie

Jean-François René Pontal

Luís Filipe Campos Dias de Castro Reis

Richard Henry O'Toole

SONAECOM, S.G.P.S., S.A. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT BY NATURE

FOR THE QUARTERS ENDED AT 31 MARCH 2005 AND 2004 AND FOR THE YEAR ENDED AT 31 DECEMBER 2004

(Amounts expressed in Euro)

	<u>March 2005</u>	<u>March 2004</u>	<u>December 2004</u>
Operating revenues:			
Sales	16.800.580	23.870.749	108.049.977
Services rendered	180.065.855	182.981.440	772.109.042
Other operating revenues	<u>1.294.760</u>	<u>2.398.222</u>	<u>6.967.530</u>
Total operating revenues	<u>198.161.195</u>	<u>209.250.411</u>	<u>887.126.549</u>
Operating costs:			
Cost of sales	(17.699.651)	(23.049.066)	(106.436.514)
External supplies and services	(105.518.051)	(111.677.971)	(454.292.910)
Staff expenses	(26.352.774)	(23.021.790)	(96.374.442)
Depreciation and amortisation	(31.676.465)	(32.341.428)	(125.197.734)
Provisions and impairment losses	(1.704.701)	(5.344.753)	(15.851.501)
Other operating costs	<u>(2.877.852)</u>	<u>(3.052.696)</u>	<u>(13.557.654)</u>
Total operating costs	<u>(185.829.494)</u>	<u>(198.487.703)</u>	<u>(811.710.755)</u>
Net operating income/(expenses)	12.331.701	10.762.708	75.415.794
Gains and losses in associated companies	-	(98.718)	(10.473)
Other net financial income/(expenses)	<u>(2.765.886)</u>	<u>(5.026.808)</u>	<u>(18.421.429)</u>
Current income/(loss)	9.565.815	5.637.182	56.983.892
Income taxation	<u>(433.905)</u>	<u>(3.308.090)</u>	<u>(18.151.692)</u>
Consolidated net income/(loss) after taxes	9.131.910	2.329.093	38.832.200
Attributed to:			
Shareholders of parent company	4.647.862	235.090	18.048.373
Minority interests	4.484.048	2.094.003	20.783.827
Earnings per share			
Including discontinued operations			
Basic	0,02	0,00	0,08
Diluted	0,02	0,00	0,08
Excluding discontinued operations			
Basic	0,02	0,00	0,08
Diluted	0,02	0,00	0,08

The notes are an integral part of the consolidated financial statements at 31 March 2005 and 2004

The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board

Belmiro Mendes de Azevedo

Duarte Paulo Teixeira de Azevedo

António Castelo Branco Borges

António José Santos Silva Casanova

David Graham Shenton Bain

George Christopher Lawrie

Jean-François René Pontal

Luis Filipe Campos Dias de Castro Reis

Richard Henry O'Toole

SONAECOM, S.G.P.S., S.A. AND SUBSIDIARIES

CONSOLIDATED MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE QUARTERS ENDED AT 31 MARCH 2005 AND 2004

(Amounts expressed in Euro)

	2005									
	Share capital	Legal reserves	Share premium	Other reserves	Initial adjustments for IAS	Hedging reserves	Total reserves	Minority Interests	Net income/(loss)	Total
Balance at 31 December 2004	226.250.000	114.360	335.819.541	(201.827.377)	(121.380.899)	(369.155)	12.356.470	-	18.048.373	256.654.843
Appropriation of consolidated result of 2004	-	-	-	18.048.373	-	-	18.048.373	-	(18.048.373)	-
Consolidated net income/(loss) for the quarter ended 31 March 2005	-	-	-	-	-	-	-	-	4.647.862	4.647.862
Hedging reserves (Swaps)	-	-	-	-	-	32.789	32.789	-	-	32.789
Adjustments in foreign currency translation reserves and others	-	-	-	(36.243)	-	-	(36.243)	-	-	(36.243)
Balance at 31 March 2005	226.250.000	114.360	335.819.541	(183.815.247)	(121.380.899)	(336.366)	30.401.389	-	4.647.862	261.299.251
<u>Minority interests</u>										
Balance at 31 December 2004	-	-	-	-	-	-	-	183.919.719	-	183.919.719
Hedging reserves (Swaps)	-	-	-	-	-	-	-	34.015	-	34.015
Minority interests on results	-	-	-	-	-	-	-	4.484.048	-	4.484.048
Minority changes and others	-	-	-	-	-	-	-	(10.003.993)	-	(10.003.993)
Balance at 31 March 2005	-	-	-	-	-	-	-	178.433.789	-	178.433.789
Total	226.250.000	114.360	335.819.541	(183.815.247)	(121.380.899)	(336.366)	30.401.389	178.433.789	4.647.862	439.733.040
<u>2004</u>										
	Reserves									
	Share capital	Legal reserves	Share premium	Other reserves	Initial adjustments for IAS	Hedging reserves	Total reserves	Minority Interests	Net income/(loss)	Total
Balance at 31 December 2003	226.250.000	114.360	335.819.541	(182.577.529)	(121.380.899)	(441.710)	31.533.763	-	(19.170.834)	238.612.929
Appropriation of consolidated result of 2003	-	-	-	(19.170.834)	-	-	(19.170.834)	-	19.170.834	-
Consolidated net income/(loss) for the quarter ended 31 March 2004	-	-	-	-	-	-	-	-	235.090	235.090
Changes on minorities percentages	-	-	-	196.299	-	-	196.299	-	-	196.299
Hedging reserves (Swaps)	-	-	-	-	-	(395.273)	(395.273)	-	-	(395.273)
New companies	-	-	-	34.960	-	-	34.960	-	-	34.960
Adjustments in foreign currency translation reserves and others	-	-	-	131.261	-	-	131.261	-	-	131.261
Balance at 31 March 2004	226.250.000	114.360	335.819.541	(201.385.843)	(121.380.899)	(836.983)	12.330.176	-	235.090	238.815.266
<u>Minority interests</u>										
Balance at 31 December 2003	-	-	-	-	-	-	-	164.420.927	-	164.420.927
New companies	-	-	-	-	-	-	-	(3.947)	-	(3.947)
Supplementary capital made by minorities	-	-	-	-	-	-	-	1.432.958	-	1.432.958
Hedging reserves (Swaps)	-	-	-	-	-	-	-	(970.083)	-	(970.083)
Minority interests on results	-	-	-	-	-	-	-	2.094.003	-	2.094.003
Minority changes and others	-	-	-	-	-	-	-	(250.677)	-	(250.677)
Balance at 31 March 2004	-	-	-	-	-	-	-	166.723.181	-	166.723.181
Total	226.250.000	114.360	335.819.541	(201.385.843)	(121.380.899)	(836.983)	12.330.176	166.723.181	235.090	405.538.447

SONAECOM, S.G.P.S., S.A. AND SUBSIDIARIES
 CONSOLIDATED CASH FLOW STATEMENT
 FOR THE QUARTERS ENDED AT 31 MARCH 2005 AND 2004
 (Amounts expressed in Euro)

	<u>31 March 2005</u>	<u>31 March 2004</u>
Operational results before amortisations, depreciations and provisions	45.712.867	48.448.888
Working capital variation	(21.842.403)	(13.339.651)
Cash flows from operating activities	<u>23.870.464</u>	<u>35.109.238</u>
New financial investment	(18.607.151)	(150.000)
Net tangible and intangible assets investment	(19.900.745)	(23.726.820)
Cash flows from investing activities	<u>(38.507.896)</u>	<u>(23.876.820)</u>
Variation of obtained and granted loans	(1.662.506)	(56.192.241)
Financial results	(3.195.963)	(4.755.887)
Cash flows from financing activities	<u>(4.858.469)</u>	<u>(60.948.128)</u>
Net Cash flows	<u>(19.495.901)</u>	<u>(49.715.710)</u>
Cash and cash equivalents at the beginning of the year	53.265.132	144.315.506
Cash and cash equivalents at end of the year	33.769.231	94.599.797
	19.495.901	49.715.710

The notes are an integral part of the consolidated financial statements at 31 March 2005 and 2004.

Chief Accountant

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**Notes to the
consolidated financial statements**

Notes to the consolidated financial statements at 31 March 2005

(Amounts expressed in Euro)

SONAECOM, S.G.P.S., S.A. (hereinafter referred to as “the Company” or “Sonaecom”) was established on 6 June 1988 under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal. It is the parent company of the group of companies listed in Notes 2 and 3 (“the Group”).

Pargeste, S.G.P.S., S.A.’s subsidiaries in the communications and information technology area were transferred to the Company through a demerger-merger process, executed by public deed dated 30 September 1997.

On 3 November 1999 the Company’s share capital was increased, its articles of association were modified and its name was changed to Sonae.com, S.G.P.S., S.A.. Since then the Company’s corporate object has been the management of investments in other companies. Also on 3 November 1999, the company’s share capital was re-denominated to Euro, being represented by one hundred and fifty million shares with a nominal value of 1 Euro each.

On 1 June 2000, the company carried out a Combined Share Offer, involving the following:

- A Retail Share Offer of 5,430,000 shares, representing 3.62% of the share capital, made in the domestic market and 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 investors.

In addition to the Combined Share Offer, the Company’s share capital was increased under the terms explained below. The new shares were fully subscribed for and paid up by Sonae, S.G.P.S., S.A. (a shareholder of Sonaecom, hereinafter referred to as Sonae). The capital increase was subscribed for and paid up on the date the price of the Combined Share Offer was determined, and paid up in cash, 31,000,000 new ordinary shares of 1 Euro each being issued. The subscription price for the new shares was the same as that fixed for the sale of shares in the aforementioned Combined Share Offer, which was Euro 10.

In addition, Sonae sold 4,721,739 Sonaecom shares under an option granted to the banks leading the Institutional Offer for Sale and 1,507,865 shares to Sonae Group managers and to the former owners of the companies acquired by Sonaecom.

By decision of the Shareholders’ General Meeting held on 17 June 2002, Sonaecom’s share capital was increased from Euro 181,000,000 to Euro 226,250,000 by public subscription reserved for the existing shareholders, 45,250,000 new shares of 1 Euro each having been fully subscribed for and paid up at the price of Euro 2.25 per share.

On 30 April 2003 the Company’s name was changed, by public deed, to SONAECOM, S.G.P.S., S.A..

The Group's business consists essentially of:

- Mobile telecommunications operations
- Fixed telecommunications operations and Internet
- Multimedia
- Information systems consultancy

The Group operates, essentially, in Portugal, with some subsidiaries (Information systems companies) in Brazil, United Kingdom, Holland and Germany.

Since 1 January 2001 all Group companies based in the Euro zone have adopted the Euro as their base currency for processing, systems and accounting.

The consolidated financial statements are also presented in Euro and the transactions in foreign exchange are included in accordance with the accounting policies detailed below.

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on a going concern basis, based on the accounting records of the companies included in the consolidation (Notes 2 and 3) maintained in accordance with generally accepted accounting principles in Portugal, adjusted during the consolidation process so that the consolidated financial statements conform with International Financial Reporting Standards ("IAS/IFRS") issued by the International Accounting Standards Board ("IASB"). Sonaecom adopted "IAS/IFRS" for the first time according to SIC 8 (First time adoption of IAS/IFRS) on 1 January 2003.

Certain accounting principles and policies used in the preparation of the attached consolidated financial statements, prepared in accordance with IAS/IFRS, differ from those used to prepare consolidated financial statements in accordance with generally accepted accounting principles in Portugal, namely the non-recognition of intangible assets relating to subscriber acquisition costs, start-up expenses, research and development expenses and the write-back of goodwill as an asset which, as from 1 January 2001, was recorded directly under the caption of "Reserves".

Sonaecom adopted, in advance and with effect from 1 January 2004, IFRS 2 – "Share – based Payments", related to the recognition of shares and share options plans.

Sonaecom decided to adopt, with effect from 1 January 2004, IFRS 3 – "Business Combinations", and accordingly has stopped the amortisation of goodwill generated in relation to the acquisition of financial investments and has performed the necessary impairment tests pursuant to the new version of IAS 36.

Under the terms of IFRS 5, on 31 March 2004, the shareholding in Investimento Directo, previously classified as available for sale in current assets, was reclassified to non-current assets.

In addition, Sonaecom decided to adopt the new version of IAS 1, and, consequently, decided to reclassify, on 31 March 2004, the balances of minority interests to "Shareholders' funds".

On 31 December 2004, Sonaecom changed the accounting treatment of costs relating to up-front fees of arranging and setting-up of bank financings. These costs are now treated as a deduction from the nominal debt and are expensed over the term of the financing, based on the effective interest rate (“amortised cost”), in accordance with the terms of IAS 18 e 39.

MAIN ACCOUNTING PRINCIPLES

The main accounting policies used in the preparation of the attached consolidated financial statements were as follows:

a) Investments in Group companies

Investments in companies in which the Group has direct or indirect voting rights at Shareholders’ General Meetings, in excess of 50%, or in which it has control over the financial and operating policies (definition of control used by the Group) were fully consolidated in the attached consolidated financial statements. Third party participations in the shareholders’ equity and net results of those companies are reflected separately in the consolidated balance sheet and in the consolidated statement of profit and loss, respectively, under the caption “Minority interests”.

When losses attributable to minority shareholders exceed minority interests in shareholders’ funds of the subsidiaries, the Group absorbs the excess together with any additional losses, except where the minority shareholders have the obligation and are able to cover those losses. If subsidiaries subsequently report profits, the Group appropriates all the profits until the amount of the minority interests in the losses absorbed by the Group is recovered.

When acquiring subsidiaries, the purchase method is used. The results of subsidiaries bought or sold during the year are included in the statement of profit and loss as from the date of acquisition or up to the date of sale. Intra Group transactions, balances and dividends are eliminated.

The fully consolidated companies are listed in Note 2.

b) Investments in associated companies

Investments in associated companies (generally investments representing between 20% and 50% of a company’s share capital) are recorded using the equity method.

In accordance with the equity method, investments are adjusted annually by an amount corresponding to the Group’s share of the net results of associated companies, against a corresponding entry to gain or loss for the year, and by the amount of dividends received, as well as by other changes in the equity of the associated companies, which are recorded by corresponding entry to the caption “Reserves”.

An assessment of the investments in associated companies is performed annually, with the aim of detecting possible impairment situations.

When the Group's share of accumulated losses of an associated company exceeds the book value of the investment, the investment is recorded at nil value, except when the Group has assumed commitments to the associated company, in which case a provision is recorded for that purpose under the caption "Provisions for other liabilities and charges".

Investments in associated companies are listed in Note 3.

c) Tangible assets

Tangible assets are recorded at cost less accumulated depreciation and less estimated accumulated impairment losses.

Depreciation is provided on a straight-line monthly basis as from the date the assets are brought into use, by corresponding charge to the statement of profit and loss caption "Depreciation and amortisation".

Impairment losses detected in the market value of tangible assets are recorded in the year in which they arise, by corresponding charge to the caption "Other operating costs" of the statement of profit and loss.

The annual depreciation rates used correspond to the estimated useful life of the assets, which are as follows:

	<u>Years of useful life</u>
Buildings	50
Other constructions	10
Network	10-20
Other plant and machinery	8
Vehicles	4
Fixtures and fittings	3-10
Tools	5-8
Other tangible assets	4-8

Current maintenance and repair costs of fixed assets are recorded as costs in the year in which they occur. Improvements of significant amount, which increase the estimated useful life of the assets, are capitalised and depreciated in accordance with the remaining estimated useful life of the corresponding assets.

Work in progress corresponds to fixed assets still in the construction/development stage which are recorded at cost. These assets are depreciated as from the moment they are completed or they are in condition to be used.

d) Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and less estimated impairment losses. Intangible assets are only recognised if it is likely that they will bring future economic benefit to the Group, if the Group controls them and if their value can be reasonably measured.

Intangible assets correspond, essentially, to software (excluding that included in tangible assets – telecommunication sites' software), industrial property and costs incurred with the mobile network operator licenses (GSM and UMTS) and the fixed network operator licences.

Amortisation is provided on a straight-line monthly basis, over the estimated useful life of the assets (three years) as from the month in which the corresponding expenses are incurred. Mobile and fixed network operator licences are amortised over the period for which they were granted (15 years). The UMTS license is being amortised for an 11 year period, which corresponds to the period between the commercial launch date and the maturity of the license.

Amortisation for the period is recorded in the statement of profit and loss under the caption "Depreciation and amortisation".

e) Brands and patents

Brands and patents are recorded at acquisition cost and are amortised on a straight-line basis over their respective estimated useful life.

f) Goodwill

Differences between the cost of investments in subsidiaries and associated companies and the amount attributed to the fair value of their identifiable assets and liabilities at the time of their acquisition, when positive, are recorded under the caption "Goodwill", and, when negative, are recorded directly in the statement of profit and loss. Until 1 January 2004, "Goodwill" was amortised over the estimated period of recovery of the investments, usually ten years, and the amortisation was recorded in the statement of profit and loss under the caption "Depreciation and amortisation". Since 1 January 2004 and in accordance with the IFRS 3 – "Business Combinations", the Group has stopped the amortization of the "Goodwill". Impairment losses of goodwill are recorded in the statement of profit and loss for the period under the caption "Other operating costs".

g) Investments

In accordance with IAS 39, the financial instruments may be classified as follows:

- “Investments held-to-maturity” – non-derivative financial assets with fixed or variable repayments, with a pre-determined maturity which the Board of Directors intends to retain until their respective maturity date;
- “Investments at fair value through profit or loss” – financial assets or liabilities that are held with the purpose of obtaining short-term capital gains (including all derivative instruments that are not part of hedge operations);
- “Loans and receivables” – non-derivative financial assets with a fixed or variable repayment, which are not quoted instruments, on markets with reasonable liquidity and that are not registered as “Investments at fair value through profit or loss” or as “Investments available for sale”;
- “Investments available for sale” – non-derivative financial assets that are designated as available for sale or those that do not fit into any of the previous categories.

“Investments held-to-maturity” are registered as non-current investments, except if their maturity falls within less than 12 months of the balance sheet date. “Investments at fair value through profit or loss” are registered as current investments. “Investments available for sale” are registered as non-current investments.

All purchases and sales of these investments are recognised at the date of signature of the respective contracts, regardless of the specific payment dates.

Investments are initially recorded at their acquisition value, which is the amount paid at the acquisition date, which corresponds to the respective fair value at that date, including transaction costs.

After the initial recognition, the “Investments at fair value through profit or loss” and the “Investments available for sale” are revaluated at their respective fair value, with reference to their market value at the balance sheet date, without deduction of any transaction costs that may arise on the sale.

Gains and losses derived from changes in the fair value of “Investments available for sale” are recognised in Shareholders’ Funds, under the heading “Fair value reserve”. At the moment these investments are sold or disposed off in any other way, or whenever the fair value of the investment is lower than the respective acquisition cost (such situation is considered result in an impairment loss), the cumulative gain or loss is registered in the profit and loss statement.

Gains and losses derived from changes in the fair value of “Investments at fair value through profit or loss” are registered in the profit and loss statement.

“Investments held-to-maturity” are registered at amortised cost, calculated using the effective interest rate, net of capital repayments and interest received.

Investments in Group companies excluded from the consolidation are recorded at the lower of their respective cost of acquisition and fair value.

h) Finance leases

The lease contracts are classified as (i) financial leases, if, in substance, all risks and rewards associated with the possession of the leased asset are transferred by the lease contract and as (ii) operational leases, if, in substance, there is no transfer of risks and rewards associated with the possession of the leased asset.

The lease contracts are classified as financial or operational in accordance with the substance and not with the form of the respective contracts.

Fixed assets acquired under finance lease contracts and the related liabilities are recorded in accordance with the financial method. Under this method the tangible assets, the corresponding accumulated depreciation and liabilities are recorded in accordance with the contractual financial plan. In addition, interest included in lease payments and depreciation of the tangible assets is recognised as expenses in the statement of profit and loss for the year to which they relate.

i) Operational leasing (long term rentals)

Leases are classified as financial whenever the terms of the respective contract indicate that a substantial transfer of risks and costs to the Company has occurred. All other leases are classified as Operational leasing.

Assets under long term rental contracts are recorded in accordance with the operational lease method. In accordance with this method, the rents paid are recognised as an expense, over the rental period.

j) Inventories

Inventories are stated at their acquisition cost net of eventual impairment losses.

Accumulated inventory impairment losses reflect the difference between the acquisition cost and the realisable value of inventories, as well as the estimated impairment losses due to low turnover, obsolescence and deterioration.

k) Trade and other current debtors

Trade debtors and other current debtors are recorded at their nominal value less impairment losses, reflecting their net realisable value.

l) Negotiable securities

Negotiable securities and other treasury applications which mature in more than three months are stated at fair value, and recorded under caption “Other current assets”.

m) Cash and cash equivalents

Amounts included under the caption “Cash and cash equivalents” correspond to amounts held in cash, demand and term bank deposits and other treasury applications which mature in less than three months, and where the risk of any change in value is insignificant.

n) Loans

Loans are recorded as liabilities at their fair value. Any expenses incurred in setting up loans are recorded as an “amortised cost” (recognised as a deduction to the nominal debt during the period of the financing and based on the effective interest rate).

o) Financial expenses relating to loans obtained

Financial expenses relating to loans obtained are generally recognised as expenses at the time they are incurred. Financial expenses relating to loans obtained directly for the acquisition, construction or production of fixed assets are capitalised as part of the cost of the assets. These expenses are capitalised starting from the time of preparation for the construction or development of the asset. The capitalization is interrupted when the assets are operating or at the end of the production or construction phases or when the associated project is suspended.

p) Derivatives

The Group only uses derivatives in the management of its financial risks to hedge against such risks. The Group does not use derivatives for trading (speculation) purposes.

The cash flow hedges used by the Group are related to interest rate swap operations to hedge against interest rate risks on loans obtained. The amounts, interest payment dates and repayment dates of the underlying interest rate swaps are identical in all respects to the conditions established for the contracted loans. Changes in the fair value of cash flow hedges are recorded in assets or liabilities, against the corresponding entry under the caption “Hedging reserves” in shareholders’ funds.

In the cases where the hedge instrument is not effective, the amounts derived from the adjustments to fair value are recorded directly in the profit and loss statement.

q) Provisions and contingencies

Provisions are recognised when, and only when, the Group has a present obligation (either legal or implicit) resulting from a past event, the resolution of which is likely to involve the disbursement of funds by an amount that can be reasonably estimated. Provisions are reviewed at the balance sheet date and adjusted to reflect the best estimate at that date.

Provisions for restructurings are only registered if the Group has a detailed plan and if that plan was already communicated to the parties involved.

The provisions for other liabilities and charges, outstanding as of 31 March 2004, were reclassified from current to non-current liabilities.

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes, provided that the possibility of a cash outflow affecting future economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes when future economic benefits are likely to occur.

r) Income tax

Income tax for the year is determined based on the taxable results of companies included in the consolidation and takes into consideration deferred taxation.

Current income tax is determined based on the taxable results of the companies included in the consolidation, in accordance with tax regulations in force in the location of the head office of each Group company.

Deferred taxes are calculated using the liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the respective amounts for tax purposes.

Deferred tax assets are only recognised when there is reasonable expectation that sufficient taxable profits will arise in the future to allow such deferred tax assets to be used. At the end of each year a review is made of the recorded and unrecorded deferred tax assets and they are reduced whenever their realisation ceases to be probable, or recorded if it is probable that taxable profits will be generated in the future to enable them to be recovered.

Deferred taxes are calculated with the tax rate that is expected to be in effect at the time the asset or liability is used.

Whenever deferred taxes derive from assets or liabilities directly registered in Shareholders' funds, its recording is also made in Shareholders' funds. In any other situation, deferred taxes are always registered in the profit and loss statement.

s) Government subsidies

Subsidies awarded to finance personnel training are recognised as income during the period where the Company incurs the associated costs and are included in the profit and loss statement as a deduction to such costs.

Subsidies awarded to finance investments in tangible assets are registered as deferred income and are included in the profit and loss statement over the estimated useful life of the corresponding assets.

t) Accruals basis and revenue recognition

Expenses and income are recorded in the year to which they relate, regardless of their date of payment or receipt. Estimated amounts are used where actual amounts are not known.

Expenses and income relating to the current period, where payment and receipt will occur in future periods, as well as payments and receipts in the current period but which relate to future periods, the amounts corresponding to each period being included in such periods, are reflected in the captions of “Other current assets” and “Other current liabilities”.

Revenue from telecommunications services is recognised in the period in which it occurs. Such services are invoiced on a monthly basis. Revenues not yet invoiced, from the last invoicing cycle to the end of the month, are estimated and recorded based on actual traffic. Differences between the estimated and actual amounts, which are usually not material, are recorded in the following period.

Sales revenues are recognised in the consolidated profit and loss statement when the significant risks and benefits associated with ownership of the assets are transferred to the buyer and the amount of the corresponding revenue can be reasonably quantified. Sales are recognised net of taxes and discounts.

The income related to pre-paid cards is recognised whenever the minutes are used. At the end of each period the minutes still to be used are estimated and the value of income associated with those minutes is deferred.

Non-current financial assets and liabilities are recorded at fair value and, in each period, the financial actualisation to the fair value is recorded in the statement of profit and loss under the captions “Financial income” and “Financial expenses”.

Dividends are recognised when the right of the shareholders to receive such amounts is appropriately established and communicated.

u) Balance sheet classification

Assets and liabilities due in more than one year from the date of the balance sheet are classified, respectively, as non-current assets and non-current liabilities.

In addition, considering their nature, the deferred tax assets and the provisions for other liabilities and charges, are classified as non current assets and liabilities.

v) Legal reserve

Portuguese commercial legislation requires that at least 5% of annual net profit must be appropriated to a legal reserve, until the reserve reaches at least 20% of the share capital. This reserve is not distributable, except in the case of liquidation of the company, but may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

w) Foreign currency

All assets and liabilities expressed in foreign currency were converted into Euro using the exchange rates in force on the balance sheet date.

Favourable and unfavourable foreign exchange differences resulting from changes in the rates in force at transaction date and those in force at the date of collection, payment or at the balance sheet date are recorded as income and expenses in the consolidated profit and loss statement of the year. In 2004, this recording begun to be made by the net amount between costs and income.

Entities operating abroad with organisational, economic and financial autonomy are treated as foreign entities.

Assets and liabilities in the financial statements of foreign entities are converted into Euro using the rates of exchange in force on the balance sheet date and expenses and income in such financial statements are converted into Euro using the average rates of exchange for the period ended at 31 March 2005 and 2004. The resulting exchange differences are recorded in the shareholders' funds caption "Other Reserves".

Goodwill and adjustments to fair value generated in acquisitions are converted into Euro on the balance sheet date.

The following rates were used for conversion into Euro of the accounts of foreign subsidiaries and associated companies:

	2005		2004	
	<u>31.03.05</u>	<u>Average</u>	<u>31.03.04</u>	<u>Average</u>
Pounds Sterling	1.45243	1.44179	1.50173	1.47092
Brazilian Real	0.28782	0.28582	0.28190	0.27640

x) Assets impairment

Impairment tests are performed at the date of each balance sheet and whenever an event or change of circumstances indicates that the recorded value of an asset may not be recoverable. Whenever the book value of an asset is greater than the amount recoverable, an impairment loss is recognised and recorded in the statement of profit and loss under the caption “Other operating costs”, in the case of fixed assets and goodwill, and under the caption “Provisions and impairment losses”, in relation to the other assets. The amount recoverable is the greater of the net sales price and the value of use. Net sales price is the amount obtainable upon sale of an asset in a transaction within the capability of the parties involved, less the costs directly related to the sale. The value of use is the present value of the estimated future cash flows expected to result from the continued use of the asset and its sale at the end of its useful life. The recoverable value is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

y) Deferred Performance Bonus Plans

As from 1 January 2004, Sonaecom has opted for early adoption of IFRS 2 – “Share-based Payments”, which relates to the Accounting Treatment of Share and Share Options Plans.

Under IFRS 2, when the settlement of plans established by the Group involves the delivery of Sonaecom’s own shares, the estimated responsibility is recorded, as a credit entry, under the caption “Reserves”, within the heading “Shareholders’ funds” and is charged as an expense under the caption “Staff expenses” in the profit and loss statement.

The quantification of this responsibility is based on fair value and responsibility is recognised over the vesting period of each plan (from the award date of the plan until its vesting or settlement date). The total responsibility is calculated based on the proportion of the vesting period that has elapsed up to the respective accounting date.

When the responsibilities associated with each plan are object of a hedging contract, i.e., they are replaced by a fixed amount payable to a third party and Sonaecom is no longer the party that will deliver the Sonaecom shares, at the settlement date of each plan, the above accounting treatment requires adapting, under IFRS2, as follows:

- a) The total gross fixed amounts payable are recorded in the balance sheet as either “Other non current liabilities” or “Other current liabilities”;
- b) The part of this responsibility that has not yet been recognised in the profit and loss statement (the “unelapsed” proportion of the cost of each plan) is deferred and is recorded, in the balance sheet as either “Other non current assets” or “Other current assets”;
- c) The net effect of the entries in (a) and (b) above eliminate the original entry to “Shareholders’ funds”;
- d) In the profit and loss account statement, the “elapsed” proportion continues to be charged as an expense under the caption “Staff expenses”.

The plans that are executed by the delivery of shares of Sonae are recorded under Provisions, pro-rata to the respective period. When these liabilities are the object of a hedging contract, its accounting is made as described before and the impacts of these contracts are recorded under Provisions, instead of Shareholders’ funds.

On December 2003, the Group signed a hedging arrangement, as a result of which, the responsibilities for delivering the Sonaecom and Sonae shares under Sonaecom's Deferred Performance Bonus Plans were substituted by fixed amounts payable on the vesting date of each plan. At 31 March 2005, all plans were hedged. As so, the total impact of the Deferred Performance Bonus Plans is recorded in the balance sheet as "Other current and non current assets" and "Other current and non current liabilities". On the profit and loss account, the impact is recorded under the caption "Staff expenses".

z) Subsequent events

Events occurring after the date of the balance sheet which provide additional information about conditions prevailing at the time of the balance sheet (adjusting events) are reflected in the consolidated financial statements. Events occurring after the balance sheet date that provide information on post-balance sheet conditions (non adjusting events), when material, are disclosed in the notes to the consolidated financial statements.

2. Companies included in the consolidation

Group companies included in the consolidation, their head offices, main activity, shareholders and percentage of share capital held at 31 March 2005 and 2004, are as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2005		2004	
				Direct	Effective*	Direct	Effective*
Parent company: SONAECOM, S.G.P.S., S.A. ("Sonaecom")	Maia	Management of shareholdings.	-	-	-	-	-
Subsidiaries: 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.	Sonae Matrix	56.67%	56.67%	56.67%	56.67%
Digitmarket – Sistemas de Informação, S.A. ("Digitmarket" using the brand name "Bizdirect")	Maia	Development of management platforms and commercialisation of products, services and information, with the internet as its main support.	Sonae.com Sistemas de Informação	75.1%	75.1%	75.1%	75.1%
Enabler – Informática, S.A. ("Enabler")	Maia	Rendering of services relating to the development, commercialisation and implementation of software solutions.	Retailbox	97.3%	66.25%	100%	70%
Enabler Brasil, Ltda. ("Enabler Brasil")	Curitiba- Paraná, Brazil	Commercialisation of software developed by the companies or by third parties; provision of technical consultancy services relating to software; investment in other companies.	Enabler	99.99%	66.24%	99.99%	69.99%
Enabler & Retail Consult, Gmbh (Enabler Germany)	Germany	Provision of services in the area of development, commercialisation and implementation of software solutions.	Enabler	85%	56.31%	85%	59.5%
Enabler UK, Limited ("Enabler UK")	United Kingdom	Provision of services in the area of development, commercialisation and implementation of software solutions.	Enabler	100%	66.25%	82.5%	57.75%
Exit Travel – Agência de Viagens e Turismo Online, S.A. ("Exit")	Maia	Supply of travel agency services, tourism, and leisure over the internet.	Sonaecom	75%	75%	75%	75%
Jaua, S.G.P.S.,S.A. ("Jaua") (a)	Lisbon	Management of shareholdings	Novis	100%	56.67%	-	-
KPNQwest Portugal – Telecomunicações, Lda ("KPNQwest") (a)	Lisbon	Supply of internet access	Jaua Noriema	51% 49%	28.9% 27.77%	- -	- -

* Sonaecom effective participation

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2005		2004	
				Direct	Effective	Direct	Effective
Mainroad – Serviços em Tecnologias de Informação, S.A.	Maia	Rendering of consultancy services in the area of software, including systems integration.	Novis	100%	56.67%	100%	56.67%
Miauger – Organização e Gestão de Leilões Electrónicos, S.A. (“Miauger”)	Maia	Organisation and management of electronic auctions of products and services on-line.	Sonaecom	100%	100%	100%	100%
Noriema, S.G.P.S., S.A. (“Noriem”) (a)	Lisbon	Management of shareholdings.	Novis	100%	56.67%	-	-
M3G – Edições Digitais, S.A. (“M3G”)	Lisbon	Digital publishing, electronic publishing and production of Internet contents.	Público.pt	100%	99.99%	100%	99.99%
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%	15%	15%
			Sonae Matrix	41.67%	41.67%	41.67%	41.67%
Optimus – Telecomunicações, S.A. (“Optimus”)	Maia	Rendering of mobile telecommunications services and the establishment, management and operation of telecommunications networks.	Sonae Telecom	49.06%	49.06%	46.29%	46.29%
Per-Mar – Sociedade de Construções, S.A. (“Per-Mar”)	Maia	Purchase, sale, renting and operation of property and commercial establishments.	Optimus	100%	49.06%	100%	46.29%
Público – Comunicação Social, S.A. (“Público”)	Porto	Editing, composition and publication of periodical and non-periodical material.	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%	99.99%	100%	99.99%
Retailbox BV (“Retailbox”)	Amsterdam	Management of shareholdings.	Sonaetelecom BV	68.09%	68.09%	70%	70%
Optimus Towering– Exploração de Torres de Telecomunicações e Sites, S.A. (ex “Situs”)	Maia	Implementation, installation and operation of towers and other sites for installing telecommunications equipment.	Optimus	100%	49.06%	100%	46.29%
Sonae Matrix Multimédia, S.G.P.S., S.A. (“Sonae Matrix”)	Maia	Management of shareholdings in the area of multimedia trade.	Sonaecom	100%	100%	100%	100%
Sonae Telecom, S.G.P.S., S.A. (“Sonae Telecom”)	Maia	Management of shareholdings in the area of mobile telecommunications.	Sonaecom	100%	100%	100%	100%

* Sonaecom effective participation

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2005		2004	
				Direct	Effective*	Direct	Effective*
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 shareholdings in the area of corporate ventures and joint ventures.	Sonaecom	100%	100%	100%	100%
Sonaetelecom BV	Amsterdam	Management of shareholdings.	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.	Sonae.com Sistemas de Informação	100%	100%	100%	100%
Wedo do Brasil Soluções Informáticas, Ltda. (“We Do Brasil”)	Rio de Janeiro, Brazil	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%

* Sonaecom effective participation

(a) These companies were included under the full consolidation method as from 1 April 2004.

All these companies were included under the full consolidation method under the terms of IAS 27 (majority of voting rights through the ownership of shares in the companies). Under the articles of association of Optimus, Sonaecom has 55.11% of the voting rights, although it has a participation of only 49.06%.

3. Investment in associated companies

At 31 March 2005 and 2004, this heading showed investments in associated companies and in companies excluded from consolidation, whose head offices, main activities, shareholders, percentage of share capital held and balance sheet value at 31 March 2005 and 2004 were as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held				Balance sheet value	
				2005		2004		2005	2004
				Direct	Effective*	Direct	Effective*		
Associated companies:									
Net Mall, S.G.P.S., S.A. ("Net Mall")	Maia	Management of shareholdings.	Sonae.Com Sistemas de Informação	50%	50%	50%	50%	(a)	(a)
Sociedade Independente de Radiodifusão Sonora, S.A. ("S.I.R.S." using the brand name "Rádio Nova")	Porto	Sound broadcasting. Radio station.	Público	45%	45%	45%	45%	(a)	(a)
Unipress – Centro Gráfico, Lda. ("Unipress")	V.N.Gaia	Trade and industry of graphic design and publishing	Público	40%	40%	40%	40%	685,668	661,185
Global S – Centro Comercial, Lda.	Matosinhos	Information technology services to promote and manage multimedia stores. Operation of shopping centres (Global Shop).	Global S	2.4%	0.8%	2.4%	0.8%	(b)	(b)
			Global S 24	97.5%	15.8%	97.5%	15.8%	(b)	(b)
Global S, S.G.P.S., S.A. ("Global S" using the brand name "Global Shop")	Matosinhos	Management of shareholdings.	Net Mall	64.7%	32.4%	64.7%	32.4%	(b)	(b)
Global S – Tecnologias de Informação, Lda.	Matosinhos	Development, production, commercialisation, training and services in the area of information technology, communications and security.	Global S	75%	24.3%	75%	24.3%	(b)	(b)
Global S 24, S.G.P.S., S.A.	Matosinhos	Management of shareholdings.	Global S	50%	16.2%	50%	16.2%	(b)	(b)

* Sonaecom effective participation

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held				Balance sheet value	
				2005		2004		2005	2004
				Direct	Effective*	Direct	Effective*		
Group companies excluded from consolidation:									
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	(Liquidated)	100%	46.29%	-	50,000	
							<u>685,668</u>	<u>711,185</u>	

* Sonaecom effective participation

(a) A full provision has been made against the holding cost of these companies.

(b) The participations in the Global S group of companies held by Net Mall had a nil valuation.

The associated companies were included in the consolidated financial statements in accordance with the equity method, as explained in the Note 1.b).