



SONAECON
THIRD QUARTER
2006 RESULTS
JULY - SEPTEMBER

Notes:

- (i) These Consolidated Financial Statements are unaudited and have been prepared in accordance with International Financial Reporting Standards ("IAS/IFRS") issued by the International Accounting Standards Board ("IASB"), as adopted by European Union;
- (ii) Optimus and Sonaecom Fixed individual accounts have been subject to a Limited Review;
- (iii) Enabler was sold on 30 June 2006 and, in order to facilitate comparisons against prior year for 3Q06 and 9M06, the 3Q05 and 9M05 comparative figures have been restated to exclude Enabler's contribution to Sonaecom and SSI Consolidated Results. All comparisons, when stated, are made on this "like-for-like" basis.

1. Message from Paulo Azevedo, CEO of Sonaecom

This was a strong quarter for Sonaecom; our Telco companies achieved growth in customers and Customer Revenues, costs were kept under control, productivity and profitability improved and the group generated positive Net Results and improved Free Cash Flow (FCF). EBITDA increased by 12.6% and FCF was up by 8.3% when compared to the same quarter last year.

Optimus continued to grow its customer base and partially compensated the decrease of Mobile Termination Rates (MTRs), achieving EBITDA growth of 6.5% year on year and generating a margin of 29.4%, as a result of its successful commercial activity and its efforts to contain operating costs. During the quarter, Optimus continued to invest in expanding its 3G/HSDPA network and in developing its wireless broadband products, with the launch of Kanguru Fixo, a new broadband internet offer targeting in-house and in-office usage with speeds up to 3.6 Mbps. In addition, further investment was made to build its brand image, with a new communication approach and refinement of its market positioning.

Sonaecom Fixed continued to strengthen its position in the broadband market capturing, based on the latest market figures available, 37% of net adds in the Broadband market in 2Q06. Importantly, our strategy focused on direct access broadband and wholesale business has started to pay-off with Sonaecom Fixed achieving positive EBITDA in the quarter.

The restructuring programme at Público is now well under way with a number of agreed actions to reduce fixed costs, improve processes and productivity and significantly redesign the newspaper. Restructuring costs have had an impact of 2 million euros to date which have added to the underlying negative performance caused by continuing pressure on all revenue lines.

During the quarter, we reached an agreement with EDP and Parpública, for a share-for-share exchange of their shareholdings in Optimus for shares in Sonaecom. As a result of this agreement, EDP and Parpública will receive 58.3 million and 11.4 million shares, respectively, in the enlarged share capital of Sonaecom representing stakes of 15.9% and 3.1%, respectively. Following these roll-ups, Sonaecom will own 100% of Optimus, which will allow us to achieve greater operating and financial flexibility going forward.

On 27 September 2006, the Competition Authority announced its preliminary decision regarding our proposed Public Tender Offer for Portugal Telecom, disclosing the commitments to be undertaken by Sonaecom to allow our bid for Portugal Telecom to proceed. This was an important step forward in our bid process, clearing the way for us to integrate TMN and Optimus should our bid be successful. However, the conditions laid out by Competition Authority are significantly more onerous than we originally expected, and will have a substantial negative impact on our combined mobile business plan. Over and above the required content divestments and the vertical separation of the copper network, the remedies will incentivise and create a third mobile network operator as a result of the combination of the sale of sites and spectrum, co-location requirements and other remedies that will effectively subsidise the growth of the third operator through interconnection tariffs and on-net off-net pricing protection.

On 4 October 2006, we sought to clarify CMVM's position on Sonaecom's options as regards pricing of the Tender Offer for Portugal Telecom resulting from Portugal Telecom's increased dividend for 2005. CMVM has declined to render an opinion until Sonaecom submits a formal decision by the Board on a revised pricing for the Offer. The terms of the initial registration of our Offer, 9.50 euros per share, which assumed a dividend of 0.385 euros, now unfortunately imply a much larger premium over the stand-alone value of Portugal Telecom, in view of the systematic lowering of EBITDA and FCF forecasts that has followed the declining operational figures presented in each of the last three quarters. As far as the bid process is concerned, we will continue to push for timely decisions.

2. Quarterly Highlights

During 3Q06, Sonaecom saw positive operational and financial developments at both Optimus and Sonaecom Fixed in terms of the underlying leading operational indicators and operational profitability.

Operational Highlights

OPERATING KPI's	3Q05	3Q06	y.o.y	2Q06	9M05	9M06	y.o.y
Optimus							
Customers (EOP) ('000)	2,270.5	2,491.5	9.7%	2,430.3	2,270.5	2,491.5	9.7%
Net Additions ('000)	91.8	61.1	-33.4%	46.9	141.7	138.3	-2.4%
Data as % Service Revenues	11.5%	14.1%	2.7pp	13.8%	10.5%	13.8%	3.3pp
MOU ⁽¹⁾ (min.)	115.3	117.3	1.7%	114.7	112.1	115.2	2.8%
Sonaecom Fixed							
Total Services (EOP)	255,092	0	-100.0%	327,347	255,092	336,471	31.9%
Direct	49,024	0	-100.0%	194,240	49,024	219,160	-
Direct access as % Customer Revenues	38.2%	67.9%	29.6pp	64.6%	32.4%	63.3%	30.9pp
Sonaecom							
Employees	2,294.0	1,939.0	-15.5%	2,265.0	2,294.0	1,939.0	-15.5%

(1) Minutes of Use per Customer (Home is included since 4Q05).

- Optimus: Customers increased by 9.7% to 2.5 million in 3Q06, compared to 2.3 million at the end of 3Q05; Data Revenues represented 14.1% of Service Revenues in the quarter, up from 11.5% in 3Q05.
- Sonaecom Fixed: Direct Access Services increased by 170.1 thousand to 219.2 thousand at the end of 3Q06, from 49 thousand, at the end of 3Q05. When compared to 2Q06, direct access services increased by 12.8%; Direct Access Revenues represented 67.9% of Customer Revenues in 3Q06, compared to 38.2% in 3Q05.
- Sonaecom: total employees decreased 15.5% compared to 3Q05 and 14.4% from the previous quarter, reflecting the sale of Enabler in June 2006. Excluding Enabler's 309 employees included in 3Q05, Sonaecom's headcount would have decreased by 2.3% in 3Q06 compared to 3Q05, consistent with our pursuit of productivity gains and a simplified and integrated structure.

Consolidated Financial Highlights

Million euros

CONSOLIDATED FINANCIAL KPI's	3Q05	3Q05 ^(R)	3Q06	y.o.y	2Q06	9M05	9M05 ^(R)	9M06	y.o.y
Turnover	221.6	214.8	214.5	-0.1%	212.6	627.5	620.7	624.0	0.5%
EBITDA	41.6	40.7	45.8	12.6%	66.5	125.2	124.3	151.3	21.7%
EBITDA Margin (%)	18.8%	18.9%	21.3%	2.4pp	31.3%	20.0%	20.0%	24.2%	4.2pp
EBIT	10.1	9.3	11.9	27.9%	32.7	31.2	30.4	51.1	68.1%
EBT	6.4	5.6	7.1	25.9%	28.5	21.7	20.9	38.6	84.3%
Net Results - Group Share ⁽¹⁾	1.5	1.0	2.2	122.2%	24.1	7.3	6.8	26.5	-
CAPEX	28.9	28.8	28.3	-1.8%	134.8	93.5	93.4	199.1	113.2%
CAPEX as % of Turnover	13.0%	13.4%	13.2%	-0.2pp	63.4%	14.9%	15.0%	31.9%	16.9pp
EBITDA - CAPEX	12.7	11.9	17.5	47.6%	-68.3	31.7	30.9	-47.9	-
FCF ⁽²⁾	18.1	17.4	18.9	8.3%	-93.9	3.1	2.4	-93.9	-

(1) Net Results after Minority Interests; (2) FCF Levered after Financial Expenses but before Capital Flows and Raising Finance related up-front Costs; (R) Restated Values, excluding Enabler's contribution.

- Turnover reached 214.5 million euros, similar to 3Q05(R) level, driven by growth of the new mobile products and direct broadband services, notwithstanding the regulated decrease in MTRs.
- Consolidated Customer Revenues increased by 6.5% to 133.8 million euros in 3Q06 when compared to 125.7 million euros in 3Q05(R), driven by a 2.2% increase at Optimus and a 28.9% increase at Sonaecom Fixed.
- EBITDA increased by 12.6% to 45.8 million euros compared to 40.7 million euros in 3Q05(R), and EBITDA-CAPEX increased by 47.6% to 17.5 million euros compared to 3Q05(R).

3. Consolidated Results

3.1. Consolidated Income Statement

Million euros

CONSOLIDATED INCOME STATEMENT	3Q05	3Q05 ^(R)	3Q06	y.o.y	2Q06	9M05	9M05 ^(R)	9M06	y.o.y
Turnover	221.6	214.8	214.5	-0.1%	212.6	627.5	620.7	624.0	0.5%
Optimus	167.5	167.5	162.5	-3.0%	150.0	466.1	466.1	453.7	-2.7%
Sonaecom Fixed	41.8	41.8	52.4	25.3%	49.3	117.0	117.0	146.2	24.9%
Público	10.4	10.4	8.2	-21.7%	10.5	33.2	33.2	27.4	-17.5%
SSI	21.4	14.6	15.3	4.4%	24.0	64.6	57.8	61.4	6.2%
Other & Eliminations	-19.6	-19.6	-23.8	-21.5%	-21.2	-53.4	-53.4	-64.6	-20.9%
Other Revenues	2.2	1.8	1.1	-40.1%	27.3	4.5	4.1	29.6	-
Operating Costs	179.7	173.4	167.2	-3.6%	169.7	501.3	495.0	494.2	-0.2%
COGS	33.3	33.3	25.7	-22.8%	30.7	78.3	78.3	72.4	-7.6%
Network Costs ⁽¹⁾	67.1	67.1	64.3	-4.1%	61.4	188.8	188.8	189.4	0.3%
Personnel Costs	25.2	21.8	24.4	11.9%	25.9	78.0	74.6	77.3	3.6%
Marketing & Sales	24.4	24.3	25.2	3.8%	22.6	68.3	68.1	67.4	-1.0%
Outsourcing Services ⁽²⁾	15.3	13.9	14.0	0.6%	14.7	43.6	42.2	45.4	7.5%
General & Administrative Expenses	11.4	10.1	10.9	7.2%	11.8	34.1	32.8	34.3	4.3%
Other Operating Costs	3.0	3.0	2.8	-7.1%	2.6	10.1	10.1	8.0	-21.4%
Provisions and Impairment Losses	2.5	2.5	2.6	6.1%	3.7	5.5	5.5	8.2	49.7%
EBITDA	41.6	40.7	45.8	12.6%	66.5	125.2	124.3	151.3	21.7%
EBITDA Margin (%)	18.8%	18.9%	21.3%	2.4pp	31.3%	20.0%	20.0%	24.2%	4.2pp
Optimus	44.8	44.8	47.7	6.5%	42.5	130.7	130.7	134.6	3.0%
Sonaecom Fixed	-4.3	-4.3	0.6	-	-2.6	-8.3	-8.3	-6.4	22.6%
Público	-1.1	-1.1	-3.2	-188.1%	-0.7	-1.9	-1.9	-5.9	-
SSI	2.3	1.4	0.8	-44.8%	27.3	7.5	6.6	30.0	-
Other & Eliminations	-0.1	-0.2	-0.2	15.2%	0.0	-2.8	-2.8	-1.0	65.1%
Depreciation & Amortization	31.5	31.4	33.9	8.1%	33.8	94.0	93.9	100.2	6.7%
EBIT	10.1	9.3	11.9	27.9%	32.7	31.2	30.4	51.1	68.1%
Net Financial Results	-3.7	-3.6	-4.8	-31.1%	-4.2	-9.5	-9.5	-12.5	-32.2%
Financial Income	1.4	1.5	1.4	-6.1%	1.3	3.5	3.5	4.6	31.5%
Financial Expenses	5.1	5.1	6.1	20.5%	5.5	12.9	12.9	17.1	32.0%
EBT	6.4	5.6	7.1	25.9%	28.5	21.7	20.9	38.6	84.3%
Taxes	1.5	1.3	4.3	-	1.1	3.2	3.0	3.2	6.4%
Net Results	4.9	4.4	2.8	-35.9%	27.4	18.5	17.9	35.4	97.4%
Group Share	1.5	1.0	2.2	122.2%	24.1	7.3	6.8	26.5	-
Attributable to Minority Interests	3.4	3.4	0.6	-81.8%	3.2	11.1	11.1	8.9	-20.0%

(1) Network Costs = Interconnection plus Leased Lines plus Content plus Other Network Operating Costs; (2) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (R) Restated Values, excluding Enabler's contribution.

Turnover

Consolidated Turnover reached 214.5 million euros in 3Q06, similar to 3Q05^(R), notwithstanding the negative effect of the declining MTRs and the continuing fall of incoming fixed traffic at Optimus. The main contributions for this positive performance came from: (i) 2.2% increase in Optimus' Customer Revenues, partially offsetting the negative impact of lower MTRs on Operating Revenues; and (ii) 25.3% higher Turnover at Sonaecom Fixed driven by strong growth in both Customer Revenues of 28.9% and in Operator Revenues of 21.8%, the former driven by the strong performance of the direct access business.

Operating Costs

Total Operating Costs excluding COGS totalled 141.5 million euros in 3Q06, just 1.0% over 140.1 million euros in 3Q05^(R), and represented 73.7% of Service Revenues, compared to 74.9% in 3Q05^(R), reflecting the Group's continued focus on the cost base. Cost savings are mainly achieved by lower Network Costs, down 4.1% on 3Q05^(R), driven by: (i) lower Maintenance Costs of Optimus' network, as result of the price renegotiation completed in January 2006 for the network outsourcing services; notwithstanding the higher energy and rental costs associated with the extension of the Optimus 3G network and higher maintenance costs related with Sonaecom Fixed network capillarity expansion; and (ii) lower Interconnection costs by 3.9% compared to 3Q05^(R), as a result of MTRs reduction and notwithstanding the Traffic increase in 3Q06 at Optimus and Sonaecom Fixed when compared to 3Q05^(R). Notwithstanding, Leased Lines were up by 4.8%, driven by: (i) the extension of Sonaecom Fixed direct access coverage, through 134 unbundled Central Offices with ADSL2+; (ii) the related monthly fees per unbundled local loop; and (iii) the higher number of wholesale circuits in the quarter.

Personnel Costs increased by 11.9% as compared to 3Q05^(R), as a result of the restructuring programme under implementation at Público and the related severance costs recognized in the quarter. Marketing & Sales costs increased by 3.8% to 25.2 million euros, driven by Sonaecom Fixed active promotion of its direct broadband double play offers and notwithstanding Optimus lower marketing investment in the quarter.

Provisions and Impairment Losses increased to 2.6 million euros in 3Q06 from 2.5 million euros in 3Q05^(R), resulting from increased Provisions for Bad Debt at our telecom businesses and despite a reduction of Provisions for Inventories due to improvements in stock management at Optimus.

EBITDA

Consolidated EBITDA totalled 45.8 million euros in 3Q06 generating a margin of 21.3%, compared to an EBITDA of 40.7 million euros and a margin of 18.9% in 3Q05^(R), driven by higher EBITDA contributions from Optimus and Sonaecom Fixed: (i) Optimus recorded an EBITDA of 47.7 million euros, compared to 44.8 million euros in 3Q05^(R), reflecting the results of investments focused on convergent products and mobile internet access; and (ii) Sonaecom Fixed achieved EBITDA break-even of 0.6 million euros, compared to a negative EBITDA of 4.3 million euros in 3Q05^(R), as the investment in ADSL2+ broadband services over ULL began to show tangible results.

Net Profit

Depreciation and Amortization charges increased by 8.1% in 3Q06, from 31.4 million euros in 3Q05^(R) to 33.9 million euros, as a result of the extension of Optimus' UMTS/HSDPA network and Sonaecom Fixed access network capillarity.

Net Financial Charges increased by 31.1% to 4.8 million euros in 3Q06, as compared to 3.6 million euros in 3Q05^(R), primarily explained by: (i) higher Financial Expenses increasing by 20.5% to 6.1 million euros due to higher average cost of debt of 4.87% in 3Q06, compared to 3.95% in 3Q05^(R); and (ii) lower Interest Income in 3Q06, driven by the decrease in Liquidity in the quarter mainly explained by the use of cash for the acquisition of just over 1% of PT's share capital during 2Q06.

Taxes in 3Q06 showed a charge of 4.3 million euros, compared to a charge of 1.3 million euros in 3Q05^(R), which comprises a current tax cash charge of 0.2 million euros compared to 0.3 million in 3Q05^(R) and movements of deferred tax assets at Optimus generating a net charge of 4.1 million euros compared to a net charge of 1.2 millions in 3Q05^(R).

Net Results Group Share were positive 2.2 million euros, up from positive 1.0 million euros in 3Q05^(R). This increase is mainly due to the higher level of EBITDA in the quarter, notwithstanding the 2.5 million euros higher Depreciation charges and higher Net Financial charges in the quarter compared to 3Q05^(R). Net Results Group Share reflect the impact on Minority Interest of the share-for-share exchange agreements with EDP and Parpública, reached during 3Q06, and France Telecom's roll-up reached during 4Q05.

3.2. Consolidated Balance Sheet

Million euros					
CONSOLIDATED BALANCE SHEET	3Q05	3Q06	y.o.y	4Q05	y.o.y
Total Assets	1,188.0	1,488.5	25.3%	1,451.8	2.5%
Non Current Assets	754.9	1,103.7	46.2%	1,010.2	9.3%
Tangible and Intangible Assets	638.6	642.1	0.6%	652.7	-1.6%
Goodwill	41.5	282.1	-	285.5	-1.2%
Investments	1.9	113.3	-	1.9	-
Deferred Tax Assets	66.6	63.5	-4.7%	66.2	-4.2%
Others	6.3	2.7	-57.3%	3.9	-30.1%
Current Assets	433.1	384.9	-11.1%	441.6	-12.9%
Trade Debtors	140.9	150.0	6.4%	143.6	4.4%
Liquidity	199.8	114.9	-42.5%	209.4	-45.1%
Others	92.4	119.9	29.8%	88.6	35.3%
Shareholders' Funds	449.1	724.7	61.4%	686.9	5.5%
Group Share	264.4	603.7	128.4%	571.8	5.6%
Minority Interests	184.7	121.1	-34.5%	115.2	5.1%
Total Liabilities	739.0	763.8	3.4%	764.8	-0.1%
Non Current Liabilities	473.7	490.3	3.5%	480.6	2.0%
Bank Loans	454.8	459.4	1.0%	455.9	0.8%
Other Loans	1.7	0.0	-100.0%	0.0	-
Provisions for Other Liabilities and Charges	2.3	16.9	-	5.1	-
Others	14.9	14.0	-6.2%	19.7	-28.7%
Current Liabilities	265.3	273.5	3.1%	284.2	-3.8%
Bank Loans	0.7	0.7	-6.3%	0.1	-
Trade Creditors	123.9	119.9	-3.2%	143.3	-16.3%
Others	140.7	152.9	8.7%	140.9	8.6%
CAPEX	28.9	28.3	-2.1%	47.3	-40.3%
CAPEX as % of Turnover	13.0%	13.2%	0.1pp	21.9%	-8.7pp
EBITDA - CAPEX	12.7	17.5	37.7%	-15.7	-
FCF ⁽¹⁾	18.1	18.9	3.9%	10.3	82.6%
Gross Debt	462.1	464.0	0.4%	461.1	0.6%
Net Debt	262.3	349.1	33.1%	251.6	38.7%
Net Debt/ EBITDA last 12 months	1.5 x	1.9 x	0.4x	1.6 x	0.3x
EBITDA/Interest Expenses ⁽²⁾	11.9 x	9.8 x	-2x	8.9 x	0.9x
Debt/(Debt + Shareholders' Funds)	50.7%	39.0%	-11.7pp	40.2%	-1.1pp

(1) FCF Levered after Financial Expenses but before Capital Flows and Raising Finance related up-front Costs ; (2) Interest Cover.

Capital Structure

Consolidated Gross Debt at the end of September 2006 was 464.0 million euros, similar to the level in December 2005. Consolidated liquidity decreased by 94.5 million euros to 114.9 million euros, compared to 209.4 million euros at the end of 4Q05, reflecting the 105.9 million euros cash outflow related to the acquisition of approximately 1% in PT and the proceeds from the sale of Enabler during 2Q06. Consolidated Net Debt as at 3Q06 stood at 349.1 million euros, an increase of 97.5 million euros compared to 4Q05.

At the end of 3Q06 and compared to end 4Q05, Leverage or Net Debt to annualised EBITDA deteriorated to 1.9x from 1.6x, Gearing or Debt to Equity improved to 39.0% from 40.2%, while Interest Cover improved significantly to 9.8x, from 8.9x.

Net Debt at Sonaecom SGPS stood at 166.5 million euros at the end of 3Q06, reflecting a total cash position of 62.3 million euros, external debt of 146.5 million euros and treasury applications made by subsidiaries with Sonaecom of 82.3 million euros.

CAPEX

Consolidated CAPEX was 28.3 million euros in 3Q06, 2.1% lower than in 3Q05 and represented 13.2% of Turnover. This level of CAPEX is primarily a result of the lower investment level at Sonaecom Fixed, down by 20.8% in 3Q06 when compared to 3Q05, due to the less aggressive policy in expanding capacity and direct coverage during the quarter, compared to the strong investment effort undertaken during 3Q05.

Of total CAPEX, 41% was invested in the deployment of UMTS/HSDPA network, 19.8% was related to Information Technology/Information Systems investments, 8.8% was invested in the network to support ULL broadband and 1.8% was capitalized Triple Play development costs.

Other balance sheet items

Gross Assets were 1,424 million euros in 3Q06, compared to 1,341 million euros in 4Q05 and Depreciations and Amortizations totalled 782 million euros, compared to 688 million euros in 4Q05. Total Investments reached 113.3 million euros, compared to 1.9 million euros in 4Q05, including 111.2 euros related with the acquisition of just over 1% of Portugal Telecom's share capital in 2Q06.

FCF

Million euros

LEVERED FREE CASH FLOW	3Q05	3Q05 ^(R)	3Q06	y.o.y	2Q06	9M05	9M05 ^(R)	9M06	y.o.y
EBITDA-CAPEX	12.7	11.9	17.5	47.6%	-68.3	31.7	30.9	-47.9	-
Change in WC	6.1	5.7	1.2	-79.3%	-32.7	-25.2	-25.6	-56.4	-120.7%
Non Cash Items & Other	2.2	2.4	2.8	17.1%	10.2	4.4	4.7	18.6	-
Operating Cash Flow	21.0	20.0	21.5	7.6%	-90.9	10.9	10.0	-85.6	-
Financial results	-2.6	-2.5	-2.5	-0.1%	-2.8	-6.6	-6.6	-7.5	-13.2%
Income taxes	-0.3	-0.1	-0.1	-79.0%	-0.3	-1.2	-1.0	-0.8	19.2%
FCF	18.1	17.4	18.9	8.3%	-93.9	3.1	2.4	-93.9	-

(R) Restated Values, excluding Enabler's contribution.

Consolidated FCF in 3Q06 was positive 18.9 million euros, compared to a positive 17.4 million euros in 3Q05^(R). This 8.3% increase is primarily a result of the higher EBITDA generated in the quarter and the lower level of CAPEX incurred. The 1.2 million euros improvement in Working Capital in 3Q06 is mainly explained by the better managed stock levels at Optimus.

4. Optimus

4.1. Operational Data

OPTIMUS OPERATIONAL KPI's	3Q05	3Q06	y.o.y	2Q06	9M05	9M06	y.o.y
Customers (EOP) ('000)	2,270.5	2,491.5	9.7%	2,430.3	2,270.5	2,491.5	9.7%
% Pre-paid Customers	82.2%	78.9%	-3.2pp	80.3%	82.2%	78.9%	-3.2pp
Active Customers ⁽¹⁾	1,818.9	1,970.0	8.3%	1,922.5	1,755.1	1,927.5	9.8%
Net Additions ('000)	91.8	61.1	-33.4%	46.9	141.7	138.3	-2.4%
Data as % Service Revenues	11.5%	14.1%	2.7pp	13.8%	10.5%	13.8%	3.3pp
Total #SMS/month/user	44.8	50.6	12.9%	52.0	33.6	50.9	51.3%
MOU ⁽²⁾ (min.)	115.3	117.3	1.7%	114.7	112.1	115.2	2.8%
ARPU (euros)	23.0	20.9	-9.0%	19.4	22.4	19.9	-11.1%
ARPM ⁽³⁾ (euros)	0.20	0.18	-10.5%	0.17	0.20	0.17	-13.5%
CCPU ⁽⁴⁾ (euros)	17.4	15.4	-11.2%	14.8	16.7	14.9	-10.8%
SAC&SRC ⁽⁵⁾ ('000 000 euros)	30.3	27.3	-9.7%	24.8	76.9	70.9	-7.8%
Employees ⁽⁶⁾	987	1,056	7.0%	1,054	987	1,056	7.0%

(1) Active Customers with Revenues generated on last 90 days; (2) Minutes of Use per Customer (Home is included since 4Q05); (3) Average Revenue per Minute; (4) Cash Cost per Customer = Total Operational Costs per Customer less Equipment Sales; (5) Total Acquisition & Retention Costs; (6) Includes Shared Services Division.

Optimus continued to achieve solid growth in its subscriber base and Customer Revenues, as a result of its focus on obtaining more value from voice and data, and in broadening market boundaries through its wireless internet products and Fixed-Mobile convergent products, partially compensating lower Operating Revenues resulting from the decrease of MTRs.

Growth Initiatives

During 3Q06, Optimus further developed its convergent products on offer, both in the residential and business segments, reinforced its brand positioning and expanded its residential offer. The new products launched include: (i) Kanguru Fixo, a new broadband internet offer targeted at in-house and in-office usage, with monthly prices starting at 22.5 euros and speeds up to 3.6 Mbps; (ii) Kanguru Light, a new portable broadband internet product based on HSDPA technology priced at 29.9 euros, targeting internet soft users and providing speeds up to 640 Kbps; (iii) *Serviço Local* and *Serviço Nacional*, complementary offers to business clients which eliminate the need for a fixed line service, offering free calls within a user group and very cheap calls to fixed destinations, while at the office; and (iv) launch of new tariff plans, Limo and Limo+, targeted at young consumer segments.

Customer Base

Optimus' customer base increased by 9.7% to 2.50 million, at the end of 3Q06, compared to 2.27 million at the end of 3Q05, with Net Additions of 61.1 thousand in 3Q06, reflecting the success of its growth strategy. Active customers at the end of 3Q06 totalled 1.97 million, as compared to 1.82 million in 3Q05, an increase of 8.3% over 3Q05.

During 3Q06, Optimus Customers generated an ARPU of 20.9 euros, down from an ARPU of 23.0 euros in 3Q05, of which 14.5 euros related to Customer Monthly Bill. The ARPU decrease of 9.0% when compared to 3Q05 is mainly explained by the impact of the phased reductions in MTRs and the continued decrease of incoming Fixed traffic.

Data Usage

Data Revenues represented 14.1% of Service Revenues in 3Q06, an improvement of 2.7pp over 3Q05, as the result of Optimus' focus on increasing data services usage. Total monthly SMS's per user increased by 12.9%, mainly explained by the success of the chat plans on offer. Non-SMS related data services accounted for 36.5% of total Data Revenues in 3Q06, compared to 28.8% in 3Q05.

Traffic

In 3Q06, total voice traffic¹ was 11% higher than that recorded in 3Q05, with Minutes of Use per customer increasing by 1.7% to 117.3 minutes, compared to 115.3 minutes in 3Q05, mainly driven by the performance of the new products and services launched. Optimus' Operator Revenues continued to be negatively affected by the continued reduction in fixed to mobile traffic, which decreased by 10.7% compared to 3Q05 and was similar to 2Q06 incoming traffic.

Mobile Network

During 3Q06, Optimus' continued to invest in extending its network reach and capacity, with the deployment of new UMTS sites and upgrade of the 3G network. By the end of 3Q06, UMTS network covered almost 65% of the population with the delivery of speeds up to 384Kbps, of which 53% has been upgraded with HSDPA technology with bandwidth of up to 3.6 Mbps.

¹ Total Traffic = total incoming traffic plus total outgoing traffic plus total Roaming out

4.2. Financial Data

Million euros							
OPTIMUS CONSOLIDATED INCOME STATEMENT							
	3Q05	3Q06	y.o.y	2Q06	9M05	9M06	y.o.y
Turnover	167.5	162.5	-3.0%	150.0	466.1	453.7	-2.7%
Service Revenues	150.6	149.6	-0.7%	136.8	428.4	420.0	-1.9%
Customer Revenues	101.3	103.4	2.2%	98.1	291.4	298.8	2.5%
Operator Revenues	49.3	46.1	-6.5%	38.7	137.0	121.3	-11.5%
Equipment Sales	16.9	12.9	-23.8%	13.2	37.7	33.6	-10.8%
Other Revenues	7.0	8.0	13.6%	9.1	19.5	26.0	33.1%
Operating Costs	127.4	120.4	-5.5%	113.6	350.1	337.9	-3.5%
COGS	25.6	18.8	-26.6%	20.3	54.8	47.8	-12.8%
Interconnection & Contents	35.6	34.5	-3.2%	32.5	104.7	98.5	-6.0%
Leased Lines & Other Network Operating Costs	12.6	13.4	5.7%	11.7	35.2	38.2	8.6%
Personnel Costs	11.3	13.0	14.6%	12.1	34.9	37.7	7.9%
Marketing & Sales	19.4	18.8	-3.0%	16.0	53.3	49.5	-7.2%
Outsourcing Services ⁽¹⁾	13.4	12.5	-6.5%	12.0	37.9	37.9	-0.1%
General & Administrative Expenses	7.0	7.0	0.7%	6.9	20.5	21.1	3.0%
Other Operating Costs	2.5	2.4	-3.3%	2.1	8.7	7.3	-16.8%
Provisions and Impairment Losses	2.3	2.3	0.8%	3.0	4.8	7.2	50.2%
Service Margin ⁽²⁾	114.9	115.0	0.1%	104.3	323.6	321.6	-0.6%
Service Margin (%)	76.3%	76.9%	0.6pp	76.2%	75.5%	76.6%	1pp
EBITDA	44.8	47.7	6.5%	42.5	130.7	134.6	3.0%
EBITDA Margin (%)	26.8%	29.4%	2.6pp	28.3%	28.0%	29.7%	1.6pp
Depreciation & Amortization	27.0	29.5	9.2%	29.3	81.2	87.0	7.1%
EBIT	17.8	18.2	2.4%	13.2	49.5	47.6	-3.9%
Net Financial Results	-3.4	-3.0	11.8%	-3.1	-10.1	-9.3	8.1%
Financial Income	0.4	1.1	-	0.8	1.0	2.5	151.5%
Financial Expenses	3.8	4.1	8.7%	3.9	11.1	11.8	6.4%
EBT	14.3	15.2	5.9%	10.1	39.4	38.3	-2.8%
Taxes	-0.3	4.2	-	0.7	1.4	2.2	51.7%
Net Results	14.6	10.9	-25.1%	9.4	38.0	36.2	-4.8%
CAPEX	22.2	23.4	5.3%	21.2	48.8	70.8	45.2%
CAPEX as % of Turnover	13.2%	14.4%	1.1pp	14.1%	10.5%	15.6%	5.1pp
EBITDA - CAPEX	22.6	24.4	7.7%	21.3	81.9	63.8	-22.2%
FCF ⁽³⁾	28.2	30.5	8.1%	11.0	47.7	44.4	-7.0%
Gross Debt	313.4	316.8	1.1%	316.1	313.4	316.8	1.1%
Net Debt	254.7	185.5	-27.2%	215.1	254.7	185.5	-27.2%
Net Debt/ EBITDA last 12 months	1.5 x	1.1 x	-0.4x	1.3 x	1.5 x	1.1 x	-0.4x
EBITDA/Interest Expenses	19.3 x	15.8 x	-3.5x	15.6 x	18.0 x	16.4 x	-1.6x
Debt/(Debt + Shareholders' Funds)	46.4%	43.9%	-2.5pp	44.5%	46.4%	43.9%	-2.5pp

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Service Margin = Service Revenues minus Interconnection & Content Costs; (3) FCF Levered after Financial Expenses but before Capital Flows and Raising Finance related up-front Costs.

Turnover

Customer Revenues increased by 2.2% to 103.4 million euros compared to 101.3 million euros in 3Q05, mainly driven by the success of the growth strategy implemented. The large investment focused on innovation and growth initiatives partially compensated lower MTRs that were reduced further as of 1 July 2006 and impacted by 5.8 million euros Operator Revenues, resulting in a reduction of Service Revenues of just over 0.7% to 149.6 million euros as compared with 3Q05. Excluding the impact of the MTRs, Service Revenues would have increased by 3.2% as compared to 3Q05.

EBITDA

EBITDA in 3Q06 reached 47.7 million euros and a margin of 29.4%, an increase of 6.5% and 2.6pp over 3Q05. This growth was primarily a result of higher Customer Revenues and a 5.5% reduction in total Operating Costs, despite the decrease in MTRs that led to a reduction of 2.3 million euros in EBITDA compared to 3Q05. Excluding the impact of the MTRs, EBITDA would have increased by 11.6% as compared to 3Q05.

Total OPEX excluding COGS and Marketing & Sales reached 82.8 million euros, similar to 3Q05 level, consistent with Optimus investment in growing market share and achieving profitability while maintaining a commitment to managing costs and operating efficiencies. Marketing & Sales and Handset Subsidisation costs reached 24.7 million euros in 3Q06, 3.4 million euros less than in 3Q05, primarily as a result of the lower subsidization down by 2.8 million euros, although still reflecting a strong promotional activity at Optimus, primarily related to Optimus' brand repositioning. Network Costs were down by 6.6%, due to lower Maintenance Costs of Optimus network that more than compensated for higher energy and rental costs associated with the extension of the Optimus 3G

network. Outsourcing Services decreased by 6.5%, reflecting Optimus' effort to contain operating costs while Leased Lines were up by 27.4%, primarily due to the extension of the 3G and HSDPA network, resulting in higher number of circuits rented.

5. Sonaecom Fixed

5.1. Operational Data

SONAEOM FIXED OPERATIONAL KPI's	3Q05	3Q06	y.o.y	2Q06	9M05	9M06	y.o.y
Total Services (EOP)	255,092	336,471	31.9%	327,347	255,092	336,471	31.9%
Direct	49,024	219,160	-	194,240	49,024	219,160	-
ULL	47,110	216,871	-	192,063	47,110	216,871	-
Other	1,914	2,289	19.6%	2,177	1,914	2,289	19.6%
Indirect	206,068	117,311	-43.1%	133,107	206,068	117,311	-43.1%
Voice	103,392	61,078	-40.9%	67,770	103,392	61,078	-40.9%
Internet Broadband	15,273	12,381	-18.9%	13,486	15,273	12,381	-18.9%
Internet Narrowband	87,403	43,852	-49.8%	51,851	87,403	43,852	-49.8%
Total Accesses ⁽¹⁾	n.a.	283,232	n.a.	248,116	n.a.	283,232	n.a.
PSTN/ISDN	n.a.	153,318	n.a.	133,452	n.a.	153,318	n.a.
ULL ADSL	n.a.	117,533	n.a.	101,178	n.a.	117,533	n.a.
Wholesale ADSL	n.a.	12,381	n.a.	13,486	n.a.	12,381	n.a.
Unbundled Central Offices with transmission	126	138	9.5%	138	126	138	9.5%
Unbundled Central Offices with ADSL2+	26	134	-	130	26	134	-
Direct access as % Customer Revenues	38.2%	67.9%	29.6pp	64.6%	32.4%	63.3%	30.9pp
Total Voice Traffic ('000 Min.)	334,316	358,721	7.3%	348,797	905,551	1,078,548	19.1%
Total Internet Traffic							
Narrowband ('000 Min.)	103,000	48,429	-53.0%	60,661	369,608	187,998	-49.1%
Broadband ('000 Gigabytes)	703	2,918	-	2,470	1,496	7,433	-
Employees	278	174	-37.4%	174	278	174	-37.4%

(1) Reporting criteria according to Anacom standard: ISDN services equivalent to 2 or 30 accesses depending on whether they are basic rate (BRI) or primary rate (PRI); Accesses do not include indirect voice or narrowband services and data and wholesale services.

Sonaecom Fixed investment in the expansion of its ADSL services over ULL begun to show tangible financial results in the quarter, with the company achieving a positive EBITDA for the first time since 4Q04, when the company started to focus its strategy on a direct access business from an indirect model.

Growth initiatives

During 3Q06, Sonaecom Fixed further developed its broadband services, by launching a new range of eServices to complement its business services portfolio, including: (i) the new ebackup, a network based backup service that takes advantage of the higher bandwidths available; and (ii) the revamping of ePacks, a network storage service; eFax, a converged email based fax replacement service; and eConference, an integrated conferencing service.

Sonaecom Fixed focused on improving customer experience and reducing costs and CAPEX per user of its double play offerings, by better monitoring and controlling customer activation delays and service breakdowns, as well as by improving response time to customer support requests and increasing customer product knowledge.

In the quarter, Sonaecom Fixed continued upselling its IPTV product to its eligible double play customer base, making the offer available in limited areas where both the quality of Portugal Telecom's copper network is appropriate and where Sonaecom Fixed has local Central Offices unbundled. As is the case with other European companies offering IPTV, this is a nascent business and one in which the company is still climbing the learning curve, both technically and commercially.

Customer Base

At the end of 3Q06, Sonaecom Fixed Total services reached 336.5 thousand, an increase of 31.9% compared to 3Q05 and 2.8% over the previous quarter. The acquisition of direct access services more than compensated for the decline in indirect access customers, with total Direct Services representing close to 65.1% of Sonaecom Fixed Customer base in 3Q06, compared to 19.2% in 3Q05, and to 59.3% in 2Q06. Average ULL net adds exceeded 8 thousand services in 3Q06.

Traffic

Sonaecom Fixed voice traffic increased by 7.3% in 3Q06 to 358.7 million minutes compared to 334.3 million minutes in 3Q05, mainly as a result of the increase of Direct Voice traffic by 148%, more than compensating the decrease of the indirect voice traffic of 37%.

Fixed Network

With the focus on extending the reach of its direct connections to capture broadband growth, Sonaecom Fixed increased the number of central offices unbundled with ADSL2+, from 130 in 2Q06 to 134 Central Offices in 3Q06, reaching 1.6 million homes in Portugal, approximately 50% of the Portuguese population. Of these Central Offices, 60% are prepared with full triple play capability.

5.2. Financial Data

Million euros							
SONAEOM FIXED INCOME STATEMENT	3Q05	3Q06	y.o.y	2Q06	9M05	9M06	y.o.y
Turnover	41.8	52.4	25.3%	49.3	117.0	146.2	24.9%
Service Revenues	41.8	52.2	24.9%	48.2	117.0	144.9	23.9%
Customer Revenues	18.4	23.7	28.9%	22.8	57.0	68.5	20.2%
Direct Access Revenues	7.0	16.1	128.9%	14.7	18.4	43.3	135.1%
Indirect Access Revenues	11.2	6.9	-37.8%	7.8	37.6	23.9	-36.5%
Other	0.2	0.7	-	0.3	0.9	1.3	32.7%
Operator Revenues	23.4	28.5	21.8%	25.4	60.0	76.5	27.5%
Equipment Sales	0.0	0.2	-	1.0	0.1	1.2	-
Other Revenues	1.1	0.9	-18.7%	1.0	2.7	3.3	22.1%
Operating Costs	47.1	52.3	11.0%	52.2	127.9	155.2	21.4%
COGS	0.0	0.1	-	1.2	0.0	1.4	-
Interconnection	24.3	27.3	12.2%	24.9	61.6	77.9	26.5%
Leased Lines & Other Network Operating Costs	6.3	7.8	22.6%	8.0	19.6	23.6	20.8%
Personnel Costs	3.3	2.2	-35.4%	2.1	10.2	7.0	-31.6%
Marketing & Sales	4.0	5.4	33.5%	5.4	11.6	15.2	30.6%
Outsourcing Services ⁽¹⁾	6.8	7.0	3.5%	8.2	17.4	22.8	30.7%
General & Administrative Expenses	2.1	2.2	4.3%	2.1	6.7	6.5	-3.7%
Other Operating Costs	0.2	0.4	79.7%	0.4	0.7	0.8	14.7%
Provisions and Impairment Losses	0.0	0.3	-	0.6	0.2	0.7	-
Service Margin ⁽²⁾	17.5	24.9	42.6%	23.3	55.4	67.0	21.0%
Service Margin (%)	41.9%	47.8%	5.9pp	48.4%	47.3%	46.2%	-1.1pp
EBITDA	-4.3	0.6	-	-2.6	-8.3	-6.4	22.6%
EBITDA Margin (%)	-10.2%	1.2%	11.5pp	-5.2%	-7.1%	-4.4%	2.7pp
Depreciation & Amortization	3.7	4.1	10.3%	4.1	10.6	12.0	13.3%
EBIT	-8.0	-3.4	57.0%	-6.7	-18.9	-18.4	2.5%
Net Financial Results	-0.6	-0.9	-63.3%	-0.8	-1.5	-2.2	-46.1%
Financial Income	0.1	0.0	-69.1%	0.0	0.4	0.1	-69.8%
Financial Expenses	0.7	0.9	37.1%	0.8	1.9	2.3	22.3%
EBT	-8.5	-4.3	49.2%	-7.4	-20.4	-20.6	-1.1%
Taxes	1.6	0.0	-98.9%	0.0	0.7	0.0	-93.7%
Net Results	-10.1	-4.3	57.1%	-7.4	-21.0	-20.6	1.9%
CAPEX	6.2	4.9	-20.8%	7.4	19.2	21.0	9.5%
CAPEX as % of Turnover	14.9%	9.4%	-5.5pp	15.1%	16.4%	14.4%	-2pp
EBITDA - CAPEX	-10.5	-4.3	59.1%	-10.0	-27.5	-27.5	0.2%
FCF ⁽³⁾	-12.1	-2.8	76.7%	-17.4	-25.1	-38.9	-55.1%
Gross Debt	60.4	89.9	49.0%	87.1	60.4	89.9	49.0%
Net Debt	59.1	89.5	51.4%	86.7	59.1	89.5	51.4%
Net Debt/ EBITDA last 12 months	-9.4 x	-7.0 x	2.4x	-4.9 x	-9.4 x	-7.0 x	2.4x
EBITDA/Interest Expenses	-6.9 x	.7 x	7.5x	-3.2 x	-5.0 x	-2.8 x	2.2x
Debt/(Debt + Shareholders' Funds)	78.0%	99.0%	21pp	94.4%	78.0%	99.0%	21pp

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Service Margin = Service Revenues minus Interconnection Costs; (3) FCF Levered after Financial Expenses but before Capital Flows and Raising Finance related up-front Costs.

Turnover

Turnover in 3Q06 totalled 52.4 million euros, an increase of 25.3% over 3Q05, mainly driven by the significant increase in Direct Access Revenues up 128.9% and Wholesale Revenues up 21.8%, which represented 30.8% and 54.6% of Service Revenues respectively, as compared to 16.8% and 56.0% in 3Q05, respectively. Direct Access Revenues accounted for 67.9% of Customer Revenues in the quarter, reinforcing Sonaecom Fixed transformation to a direct access business with its current double play offering.

EBITDA

Sonaecom Fixed generated a positive EBITDA of 0.6 million euros, compared to a negative 4.3 million euros in 3Q05 and negative 2.6 million euros in 2Q06, an improvement that is primarily due to the performance of the ULL direct business, that began to generate a positive contribution to profitability.

Sonaecom Fixed Operating Costs increased by 11.0% as compared to 3Q05, reflecting the effort in developing and expanding the direct access broadband business: (i) Network costs were up by 64.2%, mainly as a result of higher Maintenance Costs related with increased number of Central Offices unbundled; (ii) Marketing & Sales costs increased by 33.5% to 5.4 million euros compared to 4.0 million euros in 3Q05, as a result of increased advertising efforts in the quarter and higher commissions related with higher level of customer acquisitions; (iii) Interconnection Costs were up by 12%, due to higher ULL related Set-Up costs and Monthly Fees, as well as the increased Voice Traffic in 3Q06 compared to 3Q05; and (iv) Outsourcing Services increased by 3.5% compared to 3Q05, driven primarily by customer activation support services. Personnel Costs reduced by 35.4%, explained by the integration of Sonaecom Fixed technical team of 110 employees into Optimus' shared services technical structure as of 1Q06.

During the quarter, Sonaecom Fixed's Service Margin increased by 5.9pp over 3Q05, with an implied margin of 47.8% as compared to 41.9% in 3Q05.

6. Público

6.1. Operational Data

PÚBLICO OPERATIONAL KPI's	3Q05	3Q06	y.o.y	2Q06	9M05	9M06	y.o.y
Average Paid Circulation ⁽¹⁾	50,669	44,187	-12.8%	47,441	48,984	46,112	-5.9%
Market Share of Advertising (%)	15.8%	13.9%	-1.9pp	15.0%	15.9%	15.5%	-0.4pp
Employees	363	334	-8.0%	351	363	334	-8.0%

(1) Estimated value updated in the following quarter.

Público continued to face significant pressures on all its revenue streams. However, a restructuring plan has been approved with the aim of redesigning the newspaper and the internet operations whilst reducing significantly Público's fixed costs structure. This plan has already achieved approximately 1 million euros annual savings in Personnel Costs going forward. Furthermore, several General and Administrative Expenses contracts and policies have been revisited and renegotiated, which should achieve approximately 1 million euros of annual savings in fixed costs going forward. Público expects to continue to implement its restructuring plan until the end of 2006, with further fixed costs reductions expected to be generated.

Público's average paid circulation decreased by 12.8%, from an average level of 50.7 thousand units in 3Q05 to 44.2 thousand units in 3Q06, continuing to suffer from the competitive pressures of tabloid newspapers and free newspapers, as well as the reduction of the size of the paid press market. According to the latest market figures available, the press market average paid circulation reduced by 13.5 thousand units in 2Q06 when compared to 2Q05, a declining trend that is expected to continue. Público's advertising market share was impacted by circulation performance, reaching an average of 15.5% at the end of 9M06, down 0.4pp as compared to 9M05.

6.2. Financial Data

Million euros							
PÚBLICO CONSOLIDATED INCOME STATEMENT	3Q05	3Q06	y.o.y	2Q06	9M05	9M06	y.o.y
Turnover	10.43	8.16	-21.7%	10.53	33.25	27.42	-17.5%
Advertising Sales ⁽¹⁾	3.59	3.34	-7.1%	4.44	12.50	11.21	-10.3%
Newspaper Sales	3.40	3.06	-9.9%	3.19	9.66	9.20	-4.7%
Associated Product Sales	3.44	1.76	-48.7%	2.90	11.09	7.01	-36.8%
Other Revenues	0.11	0.03	-73.7%	0.06	0.39	0.22	-44.0%
Operating Costs	11.59	11.39	-1.7%	11.33	35.25	33.44	-5.1%
COGS	3.68	2.21	-40.1%	3.11	10.91	8.17	-25.1%
Personnel Costs	3.23	4.97	53.7%	3.56	10.28	12.26	19.3%
Marketing & Sales	0.78	0.68	-13.7%	0.94	2.75	2.12	-22.7%
Outsourcing Services ⁽²⁾	2.90	2.62	-9.6%	2.90	8.22	8.32	1.2%
General & Administrative Expenses	0.99	0.91	-7.4%	0.76	3.07	2.55	-16.8%
Other Operating Costs	0.01	0.00	-40.0%	0.06	0.04	0.02	-45.9%
Provisions and Impairment Losses	0.08	0.03	-61.3%	0.00	0.26	0.08	-69.7%
EBITDA	-1.12	-3.22	-188.1%	-0.74	-1.87	-5.88	-
EBITDA Margin (%)	-10.7%	-39.5%	-28.8pp	-7.0%	-5.6%	-21.5%	-15.8pp
Depreciation & Amortization	0.31	0.18	-42.5%	0.19	0.98	0.59	-40.2%
EBIT	-1.43	-3.40	-138.6%	-0.93	-2.85	-6.47	-127.1%
Net Financial Results	-0.06	-0.09	-44.7%	-0.07	-0.18	-0.21	-16.1%
Financial Income	0.00	0.00	-	0.00	0.00	0.00	-11.1%
Financial Expenses	0.06	0.09	46.8%	0.07	0.18	0.21	15.5%
EBT	-1.49	-3.49	-134.7%	-1.00	-3.03	-6.68	-120.5%
Taxes	0.00	0.00	-25.0%	0.01	0.02	0.01	-30.0%
Net Results	-1.49	-3.49	-134.3%	-1.00	-3.05	-6.69	-119.6%
CAPEX	0.19	0.03	-85.0%	0.05	0.67	0.17	-75.2%
CAPEX as % of Turnover	1.8%	0.3%	-1.5pp	0.4%	2.0%	0.6%	-1.4pp
EBITDA - CAPEX	-1.31	-3.25	-149.0%	-0.79	-2.54	-6.05	-138.2%
FCF ⁽³⁾	-1.76	-3.18	-80.6%	-0.78	-4.26	-6.14	-44.3%
Gross Debt	7.7	9.7	26.4%	6.8	7.7	9.7	26.4%
Net Debt	7.6	9.7	27.8%	6.5	7.6	9.7	27.8%
Net Debt/ EBITDA last 12 months	-5.3 x	-1.7 x	3.6x	-1.8 x	-5.3 x	-1.7 x	3.6x
EBITDA/Interest Expenses	-19.3 x	-36.2 x	-16.9x	-11.6 x	-11.1 x	-29.9 x	-18.8x
Debt/(Debt + Shareholders' Funds)	449.0%	-	-	561.0%	449.0%	-	-

(1) Includes Contents; (2) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (3) FCF Levered after Financial Expenses but before Capital Flows and Raising Finance related up-front Costs.

During 3Q06, Turnover decreased by 21.7% to 8.2 million euros, compared to 10.4 million euros in 3Q05, primarily due to the decrease in Associated Product Sales by 48.7%, as a result of market competition and saturation, lower Newspaper Sales that were down by 9.9% and by a decrease in Advertising Sales of 7.1%, which reflects the difficult economic outlook in Portugal, the reduction of the circulation market share and concentration of advertising on TV.

EBITDA decreased to a negative 3.2 million euros, from a negative 1.1 million euros in 3Q05, mainly due to lower Advertising Sales, lower margins from Associated Products and higher Personnel costs in the quarter, up by 53.7% as compared to 3Q05, including severance costs of 1.7 million euros. Excluding this severance cost, Personnel costs would have increased by 1.2% and EBITDA would have been negative 1.5 million euros. Nevertheless, total fixed costs excluding severance costs decreased by 5.4% as compared to 3Q05, mainly reflecting reductions of General and Administrative Expenses and content outsourcing.

Additional restructuring costs might impact the company's financials in the following quarters, as a result of the extensive redesign of the business case currently under implementation. Results are expected to materially affect Público's performance as from 2007 and halt the trend of negative operating performance and profitability posted in the last quarters.

7. Software and Systems Integration

7.1. Operational Data

SSI OPERATIONAL KPI's	3Q05	3Q05 ^(R)	3Q06	y.o.y	2Q06	9M05	9M05 ^(R)	9M06	y.o.y
IT Serv Revenues/Employee ('000 euros) ⁽¹⁾	50.6	28.2	26.8	-4.7%	25.8	92.1	78.4	76.0	-3.0%
Equipment Sales as % Turnover	22.7%	33.2%	38.6%	5.4pp	30.1%	23.5%	26.3%	31.1%	4.8pp
Equipment Sales/Employee ⁽²⁾ ('000 euros)	502.2	502.2	535.2	6.6%	657.6	1,543.7	1,543.7	1,736.4	12.5%
EBITDA/Employee ('000 euros) ⁽³⁾	7.4	4.6	2.4	-47.9%	3.0	14.7	13.0	8.6	-33.9%
Employees	622	313	331	5.8%	643	622	622	331	-46.8%

(1) Excluding employees dedicated to Equipment Sales; (2) Bizdirect; (3) EBITDA excluding capital gains from Enabler sale; (R) Restated Values, excluding Enabler's contribution.

SSI IT Service Revenues per employee totalled 26.8 thousand euros in 3Q06, 3.9% above the previous quarter and 4.7% below 3Q05^(R). Headcount increased by 18 to 331 as compared to 3Q05^(R), due to the growth projects at WeDo and the resulting need for more internal consultants. WeDo Group continued to invest in reinforcing its international footprint, mainly through its Revenue Assurance product RAID, with the renewal of the RAID maintenance contract with Telefónica Brasil, the brasilian fixed telecom operator, with France Telecom Spain and with the acquisition of new RAID projects with PTSA, a polish fixed operator, and ERA, a polish mobile telecom operator.

7.2. Financial Data

Million euros

SSI CONSOLIDATED INCOME STATEMENT	3Q05	3Q05 ^(R)	3Q06	y.o.y	2Q06	9M05	9M05 ^(R)	9M06	y.o.y
Turnover	21.41	14.61	15.25	4.4%	24.03	64.57	57.78	61.38	6.2%
Service Revenues	16.55	9.76	9.37	-4.0%	16.80	49.39	42.60	42.32	-0.7%
Equipment Sales	4.86	4.86	5.89	21.1%	7.23	15.18	15.18	19.06	25.6%
Other Revenues	0.58	0.18	0.15	-18.0%	26.39	1.28	0.88	27.06	-
Operating Costs	19.56	13.23	14.59	10.3%	22.95	58.20	51.88	58.22	12.2%
COGS	4.77	4.77	5.63	18.0%	6.98	14.61	14.61	18.33	25.4%
Personnel Costs	7.48	4.05	4.47	10.1%	8.57	23.30	19.88	20.94	5.3%
Marketing & Sales	0.23	0.10	0.20	97.1%	0.27	0.64	0.52	0.68	31.3%
Outsourcing Services ⁽¹⁾	4.32	2.87	2.72	-5.2%	3.92	11.64	10.19	10.68	4.8%
General & Administrative Expenses	2.67	1.34	1.55	16.2%	3.12	7.56	6.23	7.41	19.1%
Other Operating Costs	0.10	0.10	0.02	-77.0%	0.09	0.46	0.46	0.18	-61.3%
Provisions and Impairment Losses	0.12	0.12	0.01	-90.3%	0.18	0.19	0.19	0.24	26.3%
EBITDA	2.30	1.43	0.79	-44.8%	27.28	7.47	6.60	29.99	-
EBITDA Margin (%)	10.8%	9.8%	5.2%	-4.6pp	113.6%	11.6%	11.4%	48.9%	37.4pp
Depreciation & Amortization	0.63	0.48	0.30	-36.4%	0.42	1.76	1.60	1.14	-28.8%
EBIT	1.67	0.96	0.49	-48.9%	26.86	5.71	4.99	28.84	-
Net Financial Results	-0.02	0.01	0.16	-	0.16	0.41	0.43	0.48	11.1%
Financial Income	0.10	0.09	0.23	161.4%	0.17	0.73	0.72	0.67	-7.4%
Financial Expenses	0.12	0.08	0.07	-11.1%	0.01	0.32	0.29	0.19	-35.2%
EBT	1.66	0.97	0.65	-32.9%	27.02	6.12	5.43	29.33	-
Taxes	0.08	-0.12	0.02	-	0.37	1.08	0.88	0.97	9.9%
Net Results	1.58	1.09	0.63	-42.6%	26.65	5.04	4.55	28.36	-
CAPEX	0.14	0.04	0.14	-	0.10	0.57	0.47	0.47	-1.3%
CAPEX as % of Turnover	0.6%	0.3%	0.9%	0.6pp	0.4%	0.9%	0.8%	0.8%	-0.1pp
EBITDA - CAPEX	2.17	1.39	0.65	-53.0%	27.18	6.90	6.12	29.52	-
FCF ⁽²⁾	2.39	1.66	2.51	51.5%	22.89	3.11	2.37	24.35	-
Gross Debt	6.3	5.3	0.1	-98.0%	0.1	6.3	5.3	0.1	-98.0%
Net Debt	-7.7	-1.4	-34.5	-	-32.0	-7.7	-1.4	-34.5	-
Net Debt/ EBITDA last 12 months	-0.8 x	-0.2 x	-1.1 x	-0.9x	-1.0 x	-0.8 x	-0.2 x	-1.1 x	-0.9x
EBITDA/Interest Expenses	29.5 x	24.7 x	396.0 x	371.3x	-	37.0 x	36.2 x	-	-
Debt/(Debt + Shareholders' Funds)	23.7%	29.6%	0.2%	-29.4pp	0.3%	23.7%	29.6%	0.2%	-29.4pp

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) FCF Levered after Financial Expenses but before Capital Flows and Raising Finance related up-front Costs; (R) Restated Values, excluding Enabler's contribution.

SSI Turnover increased by 4.4% in 3Q06 to 15.3 million euros as compared to 3Q05^(R), mainly due to higher IT equipment sales, which increased by 21.1% to 5.9 million euros. In 3Q06, Equipment sales represented 38.6% of Turnover, compared to 33.3% in 3Q05^(R). SSI Service Revenues decreased by 4.0%, as a result of the 3.6% decrease in Turnover at Wedo Group when compared to 3Q05^(R).

SSI EBITDA totalled 0.8 million euros in 3Q06, generating a margin of 5.2%, compared to an EBITDA of 1.43 million euros and a margin of 9.8% in 3Q05^(R), mainly explained by the lower EBITDA generated by WeDo when compared to the same quarter last year.

8. Other Issues

8.1. Regulatory Developments

On 1 July 2006, a further reduction in MTRs became effective for all the Portuguese mobile operators, in accordance with ANACOM's decision in February 2005. For Optimus, Fixed to Mobile termination rates decreased by 13.3% to 0.13 euros per minute, down from 0.15 euros per minute, and Mobile to Mobile and International Mobile termination rates decreased by 4.2% to 0.115 euros per minute, down from 0.12 euros per minute. This programmed reduction in MTRs is due to culminate with the reduction of mobile to mobile and fixed to mobile rates to 0.11 euros per minute as from 1 October 2006.

8.2. Corporate Developments

Public Tender Offer for Portugal Telecom

On 27 September 2006, the Competition Authority announced its preliminary decision regarding Sonaecom's Offer for Portugal Telecom and disclosed the commitments to be undertaken by Sonaecom in order for the bid to be approved.

Sonaecom believes this preliminary non-opposition decision was a significant step forward for Sonaecom's Offer. However, the final remedies included in the preliminary decision were more aggressive than those initially proposed and expected, particularly: (i) obligation to implement vertical separation of the retail and wholesale businesses in the event that Sonaecom decides to keep the copper network; (ii) obligation to divest all content assets held by PTM; and (iii) obligation to facilitate the entrance of a third mobile network operator into the market by divesting the spectrum of one of the operators; selling sites at regulated conditions; assuring co-location; providing financial compensation related to traffic imbalance; implementing similar on-net and off-net tariff plans and; ending some client loyalty contract clauses. These conditions are considerably more onerous and, their combination will lead to more competition in the mobile market and unexpected CAPEX and subscriber acquisition and retention costs.

EDP and Parpública Roll-Up

On 28 July and 14 August 2006 agreements were reached with EDP and Parpública for the exchange of their shareholdings in Optimus of 25.72% and 5.04% for 58.3 million and 11.42 million new Sonaecom ordinary shares, respectively, representing stakes in Sonaecom of 15.9% and 3.1%, respectively. As a result, Sonaecom share capital will be increased by 69.72 million euros, from 296.5 million euros to 366.2 million euros, through the issuance of 69.72 new shares with a share premium of 275.7 million euros. Furthermore, Sonaecom's Shareholders Funds will increase by 345.4 million euros.

9. Additional Information

Consolidated Nominal Net Debt before application of IAS 39

Million euros

CONSOLIDATED NOMINAL DEBT	3Q05	3Q06	y.o.y	2Q06	9M05	9M06	y.o.y
Gross Debt	482.1	479.2	-0.6%	479.2	482.1	479.2	-0.6%
Liquidity	199.8	114.9	-42.5%	96.0	199.8	114.9	-42.5%
Net Debt	282.3	364.3	29.0%	383.3	282.3	364.3	29.0%
Net Debt/ EBITDA last 12 months	1.7 x	2.0 x	0.3x	2.1 x	1.7 x	2.0 x	0.3x
Debt/(Debt + Shareholders' Funds)	51.8%	39.8%	-12pp	40.1%	51.8%	39.8%	-12pp

Optimus Nominal Net Debt before application of IAS 39

Million euros

OPTIMUS NOMINAL DEBT	3Q05	3Q06	y.o.y	2Q06	9M05	9M06	y.o.y
Gross Debt	329.5	328.5	-0.3%	329.0	329.5	328.5	-0.3%
Liquidity	58.7	131.2	123.6%	101.1	58.7	131.2	123.6%
Net Debt	270.8	197.2	-27.2%	227.9	270.8	197.2	-27.2%
Net Debt/ EBITDA last 12 months	1.6 x	1.1 x	-0.5x	1.4 x	1.6 x	1.2 x	-0.4x
Debt/(Debt + Shareholders' Funds)	47.7%	44.8%	-2.9pp	45.5%	47.7%	44.8%	-2.9pp

Reconciliation of Consolidated Net Debt

Million euros

CONSOLIDATED NET DEBT	Debt ⁽¹⁾	Shareholder Loans	Liquidity	Net Debt
Aggregate Debt	464.0	207.8	206.5	465.3
Optimus	316.8	0.0	131.2	185.5
Sonaecom Fixed	0.1	89.8	0.4	89.5
Público	0.5	9.3	0.1	9.7
SSI	0.1	0.0	11.9	-11.8
Sonaecom SGPS ⁽²⁾	146.5	82.3	62.3	166.5
Others	0.0	26.5	0.6	25.9
Intra-groups	0.0	207.8	91.5	116.2
Optimus	0.0	0.0	73.4	-73.4
Sonaecom Fixed	0.0	89.8	0.0	89.8
Público	0.0	9.3	0.0	9.3
SSI	0.0	0.0	8.5	-8.5
Sonaecom SGPS	0.0	82.3	9.3	73.0
Others	0.0	26.5	0.3	26.1
Total	464.0	0.0	114.9	349.1

(1) Debt= Bank Loans plus Other Financial Liabilities; (2) Sonaecom Holding Company Shareholder Loans relates to Treasury Applications from Operating Companies (Operating Companies' Liquidity intra-group).

CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED BALANCE SHEET FOR THE PERIOD ENDED AT 30 SEPTEMBER 2006 AND 2005 AND FOR THE YEAR ENDED AT 31 DECEMBER 2005

(Amounts expressed in Euro)

ASSETS	Notes	September 2006	September 2005	December 2005
NON CURRENT ASSETS:				
Tangible assets	1.c), 1.h) and 5	476.025.816	464.464.469	477.432.375
Intangible assets	1.d), 1.e) and 6	166.087.741	174.123.297	175.275.138
Goodwill	1.f) and 7	282.070.076	41.509.013	285.468.452
Investments in associated companies	1.b) and 3	714.434	685.669	685.661
Investments available for sale	1.g) and 8	112.430.144	1.207.320	1.207.320
Other non current debtors		1.927.036	3.549.055	1.903.493
Deferred tax assets	1.q) and 9	63.484.152	66.628.069	66.239.165
Other non current assets	1.r), 1.s), 1.w) and 10	914.992	2.771.526	1.952.890
Total non current assets		1.103.654.391	754.938.419	1.010.164.494
CURRENT ASSETS:				
Inventories	1.i)	16.229.227	17.413.739	23.212.665
Trade debtors	1.j)	149.960.994	140.890.234	143.573.014
Other current debtors	1.j)	19.538.751	19.967.647	20.660.299
Other current assets	1.r), 1.s) and 1.w)	83.410.602	53.459.273	43.439.057
Investments recorded at fair value through profit or loss	1.g) and 11	770.625	1.590.505	1.321.690
Cash and cash equivalents	1.k) and 12	114.942.043	199.788.612	209.414.711
Total current assets		384.852.242	433.110.009	441.621.436
Total assets		1.488.506.633	1.188.048.428	1.451.785.930
SHAREHOLDERS' FUNDS AND LIABILITIES				
SHAREHOLDERS' FUNDS:				
Share capital		296.526.868	226.250.000	296.526.868
Reserves	1.t)	280.698.275	30.775.676	273.093.218
Consolidated net income/(loss) for the period		26.471.081	7.344.883	2.156.198
		603.696.224	264.370.560	571.776.283
Minority interests		121.051.791	184.694.254	115.163.114
Total Shareholders' Funds		724.748.015	449.064.814	686.939.397
LIABILITIES:				
NON CURRENT LIABILITIES:				
Medium and long-term loans - net of short-term portion	1.l), 1.m) and 13	459.363.451	454.787.156	455.863.338
Other non current creditors		7.877.940	5.144.642	9.698.642
Other non current financial liabilities	1.h) and 14	1.981.974	3.408.617	1.886.588
Provisions for other liabilities and charges	1.o) and 15	16.895.582	2.322.388	5.092.476
Other non current liabilities	1.r), 1.s), 1.w) and 24	4.150.864	8.057.983	8.077.712
Total non current liabilities		490.269.811	473.720.785	480.618.757
CURRENT LIABILITIES:				
Short-term loans and other loans	1.l), 1.m) and 13	688.693	805.519	54.420
Trade creditors		119.882.913	123.857.131	143.303.460
Other current financial liabilities	1.h) and 16	1.964.648	3.098.590	3.257.037
Other creditors		15.263.953	18.823.960	18.798.148
Other current liabilities	1.r), 1.s), 1.w) and 24	135.688.600	118.677.629	118.814.711
Total current liabilities		273.488.807	265.262.829	284.227.776
Total Shareholders' Funds and liabilities		1.488.506.633	1.188.048.428	1.451.785.930

The notes are an integral part of the consolidated financial statements at 30 September 2006 and 2005.

The Chief Accountant

The Board of Directors

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT BY NATURE

FOR THE QUARTERS AND PERIODS ENDED AT 30 SEPTEMBER 2006 AND 2005 AND FOR THE YEAR ENDED AT 31 DECEMBER 2005

(Amounts expressed in Euro)

	Notes	September 2006	July to September 2006 (Not audited)	September 2005	July to September 2005 (Not audited)	December 2005
Operating revenues:						
Sales		66.621.719	22.619.920	70.977.829	27.732.090	102.297.934
Services rendered		557.408.559	191.866.556	556.471.114	193.830.510	741.162.926
Other operating revenues		29.623.061	1.081.809	4.536.509	2.203.852	5.826.910
Total operating revenues		<u>653.653.339</u>	<u>215.568.285</u>	<u>631.985.452</u>	<u>223.766.452</u>	<u>849.287.770</u>
Operating costs:						
Cost of sales		(72.414.665)	(25.695.092)	(78.329.251)	(33.295.974)	(114.924.806)
External supplies and services	17	(336.470.466)	(114.338.384)	(334.826.720)	(118.243.202)	(454.823.366)
Staff expenses		(77.312.005)	(24.368.397)	(77.996.498)	(25.181.623)	(102.848.384)
Depreciation and amortisation	5, 6 and 7	(100.190.269)	(33.893.103)	(94.042.558)	(31.518.939)	(128.222.823)
Provisions and impairment losses	1.o), 1.v) and 15	(8.234.222)	(2.628.747)	(5.501.717)	(2.477.757)	(7.770.367)
Other operating costs	1.v)	<u>(7.964.324)</u>	<u>(2.763.478)</u>	<u>(10.124.348)</u>	<u>(2.972.694)</u>	<u>(12.044.965)</u>
Total operating costs		<u>(602.585.951)</u>	<u>(203.687.201)</u>	<u>(600.821.092)</u>	<u>(213.690.189)</u>	<u>(820.634.711)</u>
Net operating income/(expenses)		51.067.388	11.881.084	31.164.360	10.076.263	28.653.059
Gains and losses in associated companies	18	(121.234)	(86.425)	-	-	-
Other financial expenses	1.m), 1.n), 1.u), 1.v and 18	(16.901.510)	(6.051.649)	(12.944.383)	(5.123.745)	(17.857.418)
Other financial income	1.m), 1.n), 1.u), 1.v and 18	<u>4.527.797</u>	<u>1.362.028</u>	<u>3.458.266</u>	<u>1.444.286</u>	<u>4.766.660</u>
Current income/(loss)		38.572.441	7.105.038	21.678.243	6.396.804	15.562.301
Income taxation	1.p), 9 and 19	<u>(3.191.061)</u>	<u>(4.290.573)</u>	<u>(3.199.888)</u>	<u>(1.451.767)</u>	<u>(4.008.288)</u>
Consolidated net income/(loss)		35.381.380	2.814.465	18.478.355	4.945.037	11.554.013
Attributed to:						
Shareholders of parent company		26.471.081	2.194.962	7.344.883	1.542.173	2.156.198
Minority interests		8.910.299	619.503	11.133.472	3.402.864	9.397.815
Earnings per share						
Including discontinued operations						
Basic		0,12	0,01	0,08	0,02	0,05
Diluted		0,12	0,01	0,08	0,02	0,05
Excluding discontinued operations						
Basic		0,12	0,01	0,08	0,02	0,05
Diluted		0,12	0,01	0,08	0,02	0,05

The notes are an integral part of the consolidated financial statements at 30 September 2006 and 2005.

The Chief Accountant

The Board of Directors

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

CONSOLIDATED MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE PERIODS ENDED AT 30 SEPTEMBER 2006 AND 2005

(Amounts expressed in Euro)

	2006									
	Reserves									
	Share capital	Legal reserves	Share premium	Other reserves	Hedging reserves	Fair value reserves	Total reserves	Minority Interests	Net income/(loss)	Total
Balance at 31 December 2005	296.526.868	114.360	499.633.160	(226.654.302)	-	-	273.093.218	-	2.156.198	571.776.284
Appropriation of consolidated result of 2005	-	444.718	-	1.711.480	-	-	2.156.198	-	(2.156.198)	-
Consolidated net income/(loss) for the period ended 30 September 2006	-	-	-	-	-	-	-	-	26.471.081	26.471.081
Fair value reserves	-	-	-	-	-	5.234.793	5.234.793	-	-	5.234.793
Adjustments in foreign currency translation reserves and others	-	-	-	214.066	-	-	214.066	-	-	214.066
Balance at 30 September 2006	296.526.868	559.078	499.633.160	(224.728.756)	-	5.234.793	280.698.275	-	26.471.081	603.696.224
<u>Minority interests</u>										
Balance at 31 December 2005	-	-	-	-	-	-	-	115.163.114	-	115.163.114
Minority interests on results	-	-	-	-	-	-	-	8.910.299	-	8.910.299
Sales of participations	-	-	-	-	-	-	-	(3.035.780)	-	(3.035.780)
Other changes	-	-	-	-	-	-	-	14.158	-	14.158
Balance at 30 September 2006	-	-	-	-	-	-	-	121.051.791	-	121.051.791
Total	296.526.868	559.078	499.633.160	(224.728.756)	-	5.234.793	280.698.275	121.051.791	26.471.081	724.748.015
	2005									
	Reserves									
	Share capital	Legal reserves	Share premium	Other reserves	Hedging reserves	Fair value reserves	Total reserves	Minority Interests	Net income/(loss)	Total
Balance at 31 December 2004	226.250.000	114.360	335.819.541	(323.208.276)	(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 period 30 September 2005	-	-	-	-	-	-	-	-	7.344.883	7.344.883
Premium and reserves to cover losses	-	-	(78.641.576)	78.641.576	-	-	-	-	-	-
Hedging reserves (Swaps)	-	-	-	-	330.212	-	330.212	-	-	330.212
Adjustments in foreign currency translation reserves and others	-	-	-	40.621	-	-	40.621	-	-	40.621
Balance at 30 September 2005	226.250.000	114.360	257.177.965	(226.477.706)	(38.943)	-	30.775.676	-	7.344.883	264.370.560
<u>Minority interests</u>										
Balance at 31 December 2004	-	-	-	-	-	-	-	183.919.719	-	183.919.719
Hedging reserves (Swaps)	-	-	-	-	-	-	-	365.956	-	365.956
Minority interests on results	-	-	-	-	-	-	-	11.133.472	-	11.133.472
Minority changes and others	-	-	-	-	-	-	-	(10.724.893)	-	(10.724.893)
Balance at 30 September 2005	-	-	-	-	-	-	-	184.694.254	-	184.694.254
Total	226.250.000	114.360	257.177.965	(226.477.706)	(38.943)	-	30.775.676	184.694.254	7.344.883	449.064.814

The notes are an integral part of the consolidated financial statements at 30 September 2006 and 2005.

SONAECON, S.G.P.S., S.A. AND SUBSIDIARIES
 CONSOLIDATED CASH FLOW STATEMENT
 FOR THE PERIODS ENDED AT 30 SEPTEMBER 2006 AND 2005

(Amounts expressed in Euro)

	30 September 2006		30 September 2005	
Operating activities				
Receipts from trade debtors	607.742.404		607.242.199	
Payments to trade creditors	(420.240.769)		(371.357.492)	
Payments to employees	(88.310.510)		(82.067.619)	
Cash flows from operating activities	99.191.125		153.817.088	
Payments/receipts relating to income taxes, net	(1.249.198)		(2.604.442)	
Other payments/receipts relating to operating activities, net	(17.854.676)		(40.072.880)	
Cash flows from operating activities (1)	80.087.251	80.087.251	111.139.766	111.139.766
Investing activities				
Receipts from:				
Loans obtained	10		-	
Investments	27.659.875		-	
Tangible assets	2.197.161		4.094.454	
Intangible assets	8.235		280.525	
Investment Subsidies	-		131.331	
Interest and similar income	4.102.794	33.968.075	2.646.369	7.152.679
Payments for:				
Loans granted			(2.500)	
Investments	(106.702.871)		(21.902.837)	
Tangible assets	(74.382.675)		(75.970.076)	
Intangible assets	(11.941.736)	(193.027.282)	(9.975.156)	(107.850.569)
Cash flows from investing activities (2)		(159.059.207)		(100.697.890)
Financing activities				
Receipts from:				
Loans obtained	-	-	146.090.945	146.090.945
Payments for:				
Interest and similar expenses	(11.862.861)	(11.862.861)	(9.259.016)	(9.259.016)
Cash flows from financing activities (3)		(11.862.861)		136.831.929
Net cash Flows (4)=(1)+(2)+(3)		(90.834.817)		147.273.805
Effect of the foreign exchanges		(3.511)		(190.906)
Cash and cash equivalents at the beginning of the year		(205.084.656)		(51.588.430)
Cash and cash equivalents at end of the year		114.253.350		199.053.141

The notes are an integral part of the consolidated financial statements at 30 September 2006 and 2005

Chief Accountant

The Board of Directors

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIODS ENDED AT 30 SEPTEMBER 2006 AND 2005

(Amounts expressed in Euro)

	2006	2005
1 - Acquisition or sale of subsidiaries or other businesses		
a) Acquisitions		
Profimetrics - Software Solutions, S.A.	150.000	-
Enabler - Informática, S.A.	-	298.000
Retailbox BV	-	1.653.596
Optimus - Telecomunicações, S.A.	-	16.262.801
b) Amount of other assets and liabilities acquired		
Acquisition of Sonae SGPS, S.A.shares	-	1.344.089
Acquisition of Sonae Indústria, S.G.P.S., S.A. Shares	414.842	-
Increases in Supplementary Capital of Profimetrics - Software Solutions, SA	150.000	-
Acquisition of Portugal Telecom, S.G.P.S., S.A. Shares	105.988.029	-
Increases in Supplementary Capital of Optimus - Telecomunicações, S.A.	-	2.344.350
	<u>106.702.871</u>	<u>21.902.836</u>
c) Sales		
Retailbox	33.268.381	-
d) Amount to be paid related to financial investments sold		
Retailbox BV	5.819.950	-
e) Amounts of cash and cash equivalents in the subsidiary sold		
Retailbox BV		
Cash and cash equivalents	4.274.718	-
f) Amounts of other assets and liabilities sold		
Sonae Indústria, S.G.P.S., S.A.		
Shares	211.445	-
Retailbox BV		
Fixed assets	611.599	
Debtors - short term	6.490.798	
Investimentos registados ao justo valor	391.216	
Creditors - short term	(2.416.842)	
2 - Details of cash and cash equivalents		
Cash in hand	200.961	516.370
Cash at bank	2.078.458	7.172.736
Treasury applications	112.662.624	192.099.506
Overdrafts	(688.693)	(735.471)
Cash and cash equivalents	<u>114.253.350</u>	<u>199.053.141</u>
Overdrafts	688.693	735.471
Cash assets	114.942.043	199.788.612
The difference between Cash and cash equivalents at 31 December 2005 and Cash and cash equivalents at the beginning of the period ended on 30 September 2006 relates to the change of the consolidation perimeter.		
Cash and cash equivalents at 31 December 2005		209.360.291
Changes on the consolidation perimeter:		
Retailbox BV		(247.394)
Enabler - Informática, S.A.		(3.166.663)
Enabler Brasil, Lda.		(118.161)
Enabler Retail &Consult, GmbH		(17.900)
Enabler UK, Limited		(570.900)
Enabler France		(155.860)
Other variations		1.243
Cash and cash equivalents at the beginning of the period ended on 30 September 2006		205.084.656
3 - Description of non monetary financing activities		
a) Bank credit granted and not used	225.412.569	227.641.176
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 distribution by activity

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net Cash Flows
Rede Móvel	110.448.235	(64.513.061)	(8.924.406)	29.711.253
Rede Fixa e Internet	1.186.383	(18.462.153)	(13.146)	(89.651)
Multimédia	(4.345.415)	(246.200)	(29.516)	(697.845)
Sistemas de Informação	(9.542.549)	28.424.394	(39.470)	27.927.678
Outras	(17.659.403)	(104.262.187)	(2.856.323)	(147.686.252)
	<u>80.087.251</u>	<u>(159.059.207)</u>	<u>(11.862.861)</u>	<u>(90.834.817)</u>

The notes are an integral part of the consolidated financial statements at 30 September 2006 and 2005

Chief Accountant

The Board of Directors

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements at 30 September 2006 and 2005

(Amounts expressed in Euro)

SONAECON, 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 SONAECON, S.G.P.S., S.A..

By decision of the Shareholders' General Meeting held on 12 September 2005, Sonaecom's share capital was increased in Euro 70,276,868, from Euro 226,250,000 to Euro 296,526,868, by the issuance of 70,276,868 new shares of 1 Euro each and with a share premium of Euro 242,455,195, entirely subscribed by France Telecom. The corresponding public deed was executed on 15 November 2005.

By decision of the Shareholders General Meeting held on 18 September 2006, Sonaecom's share capital was increased in Euro 69,720,000, from Euro 296,526,868 to Euro 366,246,868, by the issuance of 69,720,000 new shares of 1 Euro each and with a share premium of Euro 275,657,217, subscribed by 093X – Telecomunicações Celulares, S.A. and Parpública – Participações Públicas, SGPS, S.A.. The corresponding public deed was executed on 18 October 2006.

The Group's business consists essentially of:

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

The Group operates, since 30 June 2006 and after the sale of Retailbox sub-group, essentially, in Portugal, with one of its subsidiaries (Information systems consultancy companies) in Brazil.

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 currencies 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) under International Financial Reporting Standards ("IFRS/IAS") as adopted by the European Union ("EU"), and including all interpretations of the International Financial Reporting Interpretation Committee ("IFRIC") as at 30 September 2006.

Sonaecom adopted "IAS/ IFRS" for the first time according to SIC 8 (First time adoption of IAS) on 1 January 2003.

The interim financial statements are prepared every quarter in accordance with IAS 34 – "Interim Financial Reporting". In comparison with the financial statements as of 31 December 2005, no changes in the accounting policies or in the valuations methods occurred.

Main accounting policies

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) Financial 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 'Other 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 their acquisition 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 a 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 a 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	10-20
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.

The estimated costs related with the mandatory dismantling and removal of tangible assets, incurred by the Group, are capitalised and amortised according to the useful life of the corresponding assets.

Work in progress corresponds to fixed assets still in the construction/development stage which are recorded at their acquisition 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 their acquisition 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 the one 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 licenses.

Amortisation is provided on a straight-line monthly basis, over the estimated useful life of the assets (three to six 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 on a straight-line basis for an 11 year period, which corresponds to the period between the commercial launch date and the maturity date 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, after a reapreciation of its calculation, 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'.

In subsequent acquisitions of financial investments already held by the Group, an amount of Goodwill is registered equal to the difference between the cost of acquisition of such financial investments and the proportional amount of the shareholders funds of the acquired company.

g) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

The classification of the investments is determined at initial recognition and re-evaluated every quarter.

a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if the adoption of this method allows to reduce or eliminate an accounting mismatch. Derivatives are also registered as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or variable payments that are not quoted in an active market. These financial investments arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are recorded as current assets, except when its maturity is greater than twelve months from the balance sheet date, situations when they are classified as non-current assets. Loans and receivables are included in the caption 'trade debtors' and 'other current debtors' in the balance sheet.

c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or variable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives investments that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred substantially all risks and rewards of its ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets classified at fair value through profit or loss are recognised in the income statement. Realised and unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

h) Financial and operational leases

The lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the possession of the leased asset are transferred by the lease contract or as 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 at fair value or, if less, at present value of payments. 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.

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.

i) 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 (Note 15).

j) 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.

k) 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 where the risk of any change in value is insignificant.

l) Loans

Loans are recorded as liabilities and measured by the "amortised cost". Any expenses incurred in setting up loans are recorded as a deduction to the nominal debt and recognised during the period of the financing, based on the effective interest rate method.

m) 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.

n) 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.

o) 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.

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.

p) Income tax

Income tax for the year is determined based on the taxable results of the 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 the 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 (Note 9).

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 all other situations, deferred taxes are always registered in the profit and loss statement.

q) Government subsidies

Subsidies awarded to finance personnel training are recognised as income during the period where the Group 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 during the estimated useful life of the corresponding assets.

r) Accrual 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 when actual amounts are not known.

The captions of 'Other non current assets', 'Other current assets', 'Other non current liabilities' and 'Other current liabilities' include 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 latest ones will be included by the corresponding amount in the results of the periods that they relate to.

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 rewards 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 amount 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 caption 'Financial results'.

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

s) 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 (Notes 9 and 15).

t) 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.

u) Foreign currency

All assets and liabilities expressed in foreign currency were translated 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 financial results.

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 translated 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. The resulting exchange differences are recorded in the shareholders' funds caption 'Other reserves'.

Goodwill and adjustments to fair value generated in acquisitions of foreign entities reporting in a functional currency other than Euro are converted into Euro using the exchange rates prevailing on the balance sheet date.

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

	2006		2005	
	30.09.06	Average	30.09.05	Average
Pounds Sterling	1.47558	1.46094	1.46638	1.45992
Brazilian Real	0.36603	0.36834	0.37441	0.31947

v) 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, under the caption 'Financial expenses' in the case of financial investments and under the caption 'Provisions and impairment losses', in relation to the other assets. The amount recoverable is the

greater of the net selling price and the value of use. Net selling 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.

w) Medium Term Incentive Plans

The Accounting Treatment of Share and Share Options Plans is based on IFRS 2 – “Share-based Payments”.

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 ‘Other 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 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, at any point of time, is calculated based on the proportion of the vesting period that has “elapsed” up to the respective accounting date.

When the responsibilities associated with any plan are covered by a hedging contract, i.e., when those responsibilities are replaced by a fixed amount payable to a third party and when Sonaecom is no longer the party that will deliver the Sonaecom shares, at the settlement date of each plan, the above accounting treatment is subject to the following changes:

- a) The total gross fixed amounts payable to third parties 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 settled by the delivery of shares of Sonae S.G.P.S., S.A. are recorded under ‘Provisions’, pro-rata to the respective vesting periods. When those responsibilities are covered by an hedging contract, the accounting treatment is as described above with the effects of such contracts being recorded against ‘Provisions’, instead of Shareholders’ funds.

On 2003, the Group signed hedging contracts, as a result of which, the responsibilities for delivering the Sonaecom and Sonae S.G.P.S., S.A. shares under Sonaecom’s Medium Term Incentive Plans were transferred to entities external to the group and substituted by fixed amounts payable on the vesting date of each plan. At 30 September 2006, only two of the six plans weren’t hedged and, the total impact of the Medium Term Incentive Plans is recorded in the balance sheet in the captions ‘Other current and non current assets’ and ‘Other current and non current liabilities’. In the profit and loss statement, the impact is recorded under the caption ‘Staff expenses’.

x) 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 30 September 2006 and 2005, are as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2006		2005	
				Direct	Effective*	Direct	Effective*
Parent company: SONAECON, S.G.P.S., S.A. ("Sonaecom")	Maia	Management of shareholdings.	-	-	-	-	-
Subsidiaries: Clixgest – Internet e Conteúdos, S.A. ("Clixgest" using the brand name "Clix") (a)	Maia	All activities relating to information and multi- media technologies, namely Internet, contents and electronic commerce.	Sonae Matrix	-	-	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	(Sold)		98.5%	74.4%
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.	Enabler	(Sold)		99.99%	74.39%
Enabler & Retail Consult, GmbH (Enabler Germany)	Germany	Rendering of services in the area of development, commercialisation and implementation of software solutions.	Enabler	(Sold)		85%	63.24%
Enabler UK, Limited ("Enabler UK")	United Kingdom	Rendering of services in the area of development, commercialisation and implementation of software solutions.	Enabler	(Sold)		100%	74.4%
Enabler FR, ("Enabler FR") (b)	France	Rendering of services in the area of development, commercialisation and implementation of software solutions.	Enabler	(Sold)		-	-
Mainroad – Serviços em Tecnologias de Informação, S.A. ("Mainroad")	Maia	Rendering of consultancy services in IT areas.	Sonae.com Sistemas de Informação	100%	100%	100%	56.67%

* Sonaecom effective participation

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2006		2005	
				Direct	Effective*	Direct	Effective*
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%
M3G – Edições Digitais, S.A. ("M3G")	Lisbon	Digital publishing, electronic publishing and production of Internet contents.	Público.pt	-	-	100%	99.99%
			Público	100%	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	58.33%	58.33%	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%	49.06%	49.06%
			Sonaecom	20.18%	20.18%	-	-
Per-Mar – Sociedade de Construções, S.A. ("Per-Mar")	Maia	Purchase, sale, renting and operation of property and commercial establishments.	Optimus	100%	69.24%	100%	49.06%
Público – Comunicação Social, S.A. ("Público")	Oporto	Editing, composition and publication of periodical and non-periodical material.	Sonaetelecom BV	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	(Liquidated)		100%	99.99%
Retailbox BV ("Retailbox")	Amsterdam	Management of shareholdings.	Sonaetelecom BV	(Sold)		71%	75.53%
Optimus Towering – Exploração de Torres de Telecomunicações, S.A. ("Optimus Towering")	Maia	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment.	Optimus	100%	69.24%	100%	49.06%

* Sonaecom effective participation

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2006		2005	
				Direct	Effective*	Direct	Effective*
Sonae Matrix Multimédia, S.G.P.S., S.A. ("Sonae Matrix")	Maia	Management of shareholdings in the area of multimedia trade.	Sonaecon	100%	100%	100%	100%
Sonae Telecom, S.G.P.S., S.A. ("Sonae Telecom")	Maia	Management of shareholdings in the area of mobile telecommunications.	Sonaecon	100%	100%	100%	100%
Sonae.com - Sistemas de Informação, S.G.P.S., S.A. ("Sonae.com Sistemas de Informação")	Maia	Management of shareholdings in the area of corporate ventures and joint ventures.	Sonaecon	100%	100%	100%	100%
Sonaecon BV (c)	Amsterdam	Management of shareholdings	Sonaecon	100%	100%	-	-
Sonaetelecom BV	Amsterdam	Management of shareholdings.	Sonaecon	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	97.58%	97.58%	94.56%	94.56%
Wedo do Brasil Soluções Informáticas, Ltda. ("We Do Brasil")	Rio de Janeiro	Commercialisation of software and hardware. Rendering of consultancy and technical assistance.	We Do	99.89%	97.47%	99.89%	94.46%
XS – Comunicação, Informação e Lazer, S.A. ("XS" using the brand name "Xis") (d)	Maia	Editing, composition and publication of periodical and non-periodical material, through the magazine Xis.	Público	-	-	100%	99.99%

* Sonaecon effective participation

(a) On 2 December 2005, Clix merged into Novis. This merger produced accounting effects from 1 January 2005.

(b) Company created in December 2005.

(c) Company created in February 2006.

(d) On 2 December 2005, XS merged into Público. This merger produced accounting effects from 1 January 2005.

All the above companies were included in the consolidation in accordance with the full consolidation method under the terms of IAS 27 (majority of voting rights, through the ownership of shares in the companies). Although, in 2005, Sonaecon only controls 49.06% of the shares in Optimus (69.24% in September 2006), it has 55.11% of the voting rights in that subsidiary (65.20% in September 2006). In July 2006, were celebrated agreements with EDP and Parpública, in the scope of which these companies compromise to exchange their participation in Optimus of 25.72% and 5.04%, respectively, for a participation in Sonaecon. With these agreements Sonaecon controls 100% of the shares in Optimus, and incorporate the totality of the results since 31 July 2006.

3. Investments in associated companies

At 30 September 2006 and 2005, this caption included investments in associated companies, which head offices, main activities, shareholders, percentage of share capital held and book value was as follows:

			Percentage of share capital held				Book value		
Company (Commercial brand)	Head office	Main activity	Shareholder	2006		2005		2006	2005
				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	39.51%	39.51%	50%	50%	(a)	(a)
Sociedade Independente de Radiodifusão Sonora, S.A. ("S.I.R.S." using the brand name "Rádio Nova")	Oporto	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%	714,434	685,669
Profimetrics – Software Solutions, S.A. (Profimetrics) (b)	Maia	Development of software solutions to optimize the retail sales	Sonae.com Sistemas de Informação	30%	30%	-	-	(a)	-
Global S – Centro Comercial, Lda.	Matosinhos	Information technology services to promote and manage multimedia stores. Operation of shopping centres (Global Shop).	Global S	(Sold)		2.4%	0.8%	-	(c)
			Global S 24			97.5%	15.8%	-	(c)
Global S, S.G.P.S., S.A. ("Global S" using the brand name "Global Shop")	Matosinhos	Management of shareholdings.	Net Mall	(Sold)		64.7%	32.4%	-	(c)
Global S – Tecnologias de Informação, Lda.	Matosinhos	Development, production, commercialisation, training and services in the area of information technology, communications and security.	Global S	(Liquidated)		75%	24.3%	-	(c)
Global S 24, S.G.P.S., S.A.	Matosinhos	Management of shareholdings.	Global S	(Sold)		50%	16.2%	-	c)
								714,434	685,669

* Sonaecom effective participation

(a) Investment recorded at a nil book value.

(b) Company incorporated in March 2006.

(c) In 2005, the investments in the Global S group of companies held by Net Mall had a nil book value.

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

4. Changes in the Group

During the periods ended 30 September 2006 and 2005 the following changes occurred in the composition of the Group:

4. a) Acquisitions

2006

<u>Purchaser</u>	<u>Subsidiary</u>	<u>Date</u>	<u>% acquired</u>	<u>Current % Shareholding</u>
Sonae.com SI	We Do	Mar-06	0.99%	96.46%
Sonae.com SI	We Do	Apr-06	0.07%	96.53%
Sonae.com SI	We Do	May-06	0.09%	96.62%
Sonae.com SI	We Do	Jun-06	0.09%	96.71%
Sonae.com SI	We Do	Jul-06	0.12%	96.83%
Sonae.com SI	We Do	Aug-06	0.17%	97%
Sonae.com SI	We Do	Sep-06	0.58%	97.58%

As a result of the above mentioned acquisition, additional Goodwill of Euro 275,683 was recorded (Note 7).

2005

<u>Purchaser</u>	<u>Subsidiary</u>	<u>Date</u>	<u>% acquired</u>	<u>Current % Shareholding</u>
Sonae Telecom	Optimus	Mar-05	2.77%	49.06%
Retailbox	Enabler	Apr-05	1.2%	98.5%
Sonaetelecom BV	Retailbox	May-05	7%	71%
Sonae.com SI	We Do	Sep-05	3.53%	94.56%

As a result of the above mentioned acquisitions, additional Goodwill of Euro 9,900,238 was recorded (Note 7).

Subsequent to the legal process between Maxistar and Optimus' shareholders, Sonae Telecom acquired Maxistar's 2.77% shareholding in Optimus, for an amount of Euro 18,607,151, which led to Maxistar making the indemnity payment to Optimus' shareholders due as the result of the legal process (Note 25).

4. b) Supplementary Capital

2006				
Shareholder	Subsidiary	Date	Amount	% Shareholding
Optimus	Optimus Towering	Jan-06	6,800,000	100%
Optimus	Optimus Towering	Feb-06	650,000	100%
Optimus	Optimus Towering	Mar-06	(2,200,000)	100%
Optimus	Optimus Towering	Apr-06	(800,000)	100%
Sonae.com SI	Profimetrics	Apr-06	150,000	30%
Optimus	Optimus Towering	May-06	(800,000)	100%
Optimus	Optimus Towering	Jun-06	(1,500,000)	100%
Optimus	Optimus Towering	Jul-06	2.400.000	100%
Optimus	Optimus Towering	Aug-06	(1.950.000)	100%
Optimus	Optimus Towering	Sep-06	(2.650.000)	100%

4. c) Transfers of Supplementary Capital to cover accumulated losses

2006				
Shareholder	Subsidiary	Date	Amount	% Shareholding
Público	M3G	Mar-06	119,669	100%
Sonaecon	Sonae Matrix	Mar-06	18,412,208	100%
Sonaecon	Miauger	Mar-06	4,458,099	100%
Sonae.com SI	Mainroad	Mar-06	3,250,919	100%
Sonae Matrix	Novis	Mar-06	67,345,006	41.67%
Sonaecon	Novis	Mar-06	112,278,781	58.33%
Optimus	Optimus Towering	Mar-06	547,499	100%
Sonaetelecom BV	Público	Mar-06	11,518,473	100%
Sonaecon	Sonae.com SI	Mar-06	25,421,587	100%

4. d) Cash contributions to cover accumulated losses

2006				
Shareholder	Subsidiary	Date	Amount	% Shareholding
Sonaecon	Miauger	Mar-06	110,000	100%

4. e) Sales

2006				
Seller	Subsidiary	Date	% Sold	% Shareholding
Net Mall	Global S, SGPS, SA	Jan-06	64.73%	-
Sonaetelecom BV	Retailbox BV	Jun-06	68.47%	-

2005				
Seller	Subsidiary	Date	% Sold	% Shareholding
Sonaecon	Exit	Jul-05	75%	-

The sale of Retailbox BV generated a gain in Sonaecom group of 25,370,915 Euros which was recorded in profit and loss statements under the caption 'Other operational revenues'.

The assets and liabilities sold, as well as the calculation of the gain were as follows:

Net assets sold:

Tangible assets (Note 5)	570,807
Intangible assets (Note 6)	40,792
Deferred tax assets (Note 9)	122,892
Other non current assets	160,697
Non current assets:	895,188

Trade debtors	4,822,693
Other current debtors	1,668,105
Other current assets	2,384,622
Investments at fair value through profit and loss	391,216
Cash and cash equivalents	4,274,718
Current assets:	13,541,354

Provisions for other liabilities and charges (Note 15)	(339,409)
Non current liabilities:	(339,409)

Trade creditors	(660,626)
Other creditors	(1,756,216)
Other liabilities	(3,847,277)
Liabilities:	(6,264,119)

Minority interests	(3,035,780)
Goodwill (Note 7)	3,674,059
Suspended gains	(573,827)
Total	7,897,466

Sale price	33,268,381
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Gain	25,370,915
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The sale price includes a variable amount, payable in two years, with a minimum of circa 4,45 million Euros that can be higher according with the future performance of the subgroup sold.

4. f) Incorporations

2006				
Shareholder	Subsidiary	Date	Amount	Current % Shareholding
Sonaecom	Sonaecom BV	Feb-06	100,000	100%
Sonae.com SI	Profimetrics	Mar-06	500,000	30%

4. g) Liquidated companies

2006			
Shareholder	Subsidiary	Date	% Shareholding
Optimus	S.E.S.I.	Feb-06	9.75%

4. h) Internal transactions

Purchaser	Seller	Subsidiary	Date	% acquired	Current % Shareholding
Sonae.com SI	Novis	Mainroad	Jul-05	100%	100%
We Do	Sonae.com SI	We Do	Sep-05	8.97%	-

The public deed of the merger by incorporation of KPNQwest Portugal – Telecomunicações, Lda, Noriema, S.G.P.S.,S.A. and Jaua, S.G.P.S.,S.A. into Novis Telecom, S.A. was executed on 1 June 2005. All these subsidiaries were included in the consolidation under the full consolidation method.

Additionally, the Shareholders General Meeting of the respective companies have already approved the merger by incorporation of Clixgest – Internet e Conteúdos, S.A. into Novis Telecom, S.A.. The formal registration of this merger is still pending but the merger will be considered, for accounting purposes, as effective from 1 January 2005.

In accordance with its Deferred Performance Bonus Plan, We Do acquired own shares from Sonae.com SI at a value of Euro 1,507,094, and gave all these shares to its employees.

5. Tangible Assets

The movement in tangible assets and corresponding accumulated depreciation and impairment losses in the periods ended 30 September 2006 and 2005 was as follows:

	2006								
	Land	Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Tools	Other Tangible assets	Work in progress	Total
GROSS ASSETS:									
Balance at 31December 2005	1,391,593	193,802,186	669,946,802	168,785	132,463,176	1,046,912	2,769,153	11,914,444	1,013,503,051
Companies no longer consolidated (Note 4 e))	-	-	(2,414,413)	(89,507)	(546,614)	-	(268,965)	-	(3,319,499)
Additions	-	11,090,562	2,573,347	58,428	1,534,275	1,466	28,585	64,704,280	79,990,943
Disposals	-	(720,428)	(287,097)	(80,811)	(2,477,287)	(2,933)	(1,763)	(171,610)	(3,741,929)
Transfers and write-offs	-	11,161,470	48,569,109	8,208	3,415,017	40,667	8,266	(64,481,192)	(1,278,455)
Balance at 30 September 2006	1,391,593	215,333,790	718,387,748	65,103	134,388,567	1,086,112	2,535,276	11,965,922	1,085,154,111
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:									
Balance at 31December 2005	-	89,408,263	350,360,883	102,913	93,059,285	1,010,003	2,129,329	-	536,070,676
Companies no longer consolidated (Note 4 e))	-	-	(2,109,812)	(18,153)	(366,872)	-	(253,855)	-	(2,748,692)
Depreciation for the period	-	14,654,839	52,063,297	11,946	11,700,883	11,272	285,094	-	78,727,331
Impairment losses in the period	-	-	-	-	(20,302)	-	(8,012)	-	(28,314)
Disposals	-	(100,799)	(163,869)	(43,014)	(2,260,737)	(2,933)	(558)	-	(2,571,910)
Transfers and write-offs	-	(74,666)	(110,933)	2,778	(95,706)	(65)	(42,204)	-	(320,796)
Balance at 30 September 2006	-	103,887,637	400,039,566	56,470	102,016,551	1,018,277	2,109,794	-	609,128,295
Net Value	1,391,593	111,446,153	318,348,182	8,633	32,372,016	67,835	425,482	11,965,922	476,025,816

2005									
	Land	Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Tools	Other Tangible assets	Work in progress	Total
GROSS ASSETS:									
Balance at 31 December 2004	1,391,593	171,509,272	617,944,093	130,289	119,741,012	1,203,681	2,820,556	9,157,745	923,898,241
Companies no longer consolidated (Note 4 e))	-	-	-	-	(5,201)	(1,176)	-	-	(6,377)
Additions	-	510,506	6,415,685	139,442	795,756	1,450	187,320	52,738,692	60,788,851
Disposals	-	(919,303)	(2,051,856)	(113,825)	(2,641,966)	(134,499)	(15,915)	(1,310,020)	(7,187,384)
Transfers and write-offs	-	11,299,472	33,616,984	12,787	11,100,298	(24,787)	(398,195)	(55,138,342)	468,217
Balance at 30 September 2005	1,391,593	182,399,947	655,924,906	168,693	128,989,899	1,044,669	2,593,766	5,448,075	977,961,548
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:									
Balance at 31 December 2004	-	71,011,417	303,963,767	109,914	62,977,644	1,140,982	1,886,136	-	441,089,860
Companies no longer consolidated (Note 4 e))	-	-	-	-	(3,619)	(1,127)	-	-	(4,746)
Depreciation for the period	-	12,661,723	46,956,043	8,155	12,725,650	27,075	343,146	-	72,721,792
Disposals	-	(96,277)	(846,261)	(23,489)	(2,502,754)	(129,073)	(15,915)	-	(3,613,769)
Transfers and write-offs	-	94,266	(15,154,118)	2,548	18,632,946	(32,069)	(239,631)	-	3,303,942
Balance at 30 September 2005	-	83,671,129	334,919,431	97,128	91,829,867	1,005,788	1,973,736	-	513,497,079
Net Value	1,391,593	98,728,818	321,005,475	71,565	37,160,032	38,881	620,030	5,448,075	464,464,469

The additions to Fixed assets in the this period of 2006 include: assets associated with the UMTS operation (Universal Mobile Telecommunications Service); HSDPA (Kanguru Express); ULL assets (unbundling of the local loop); and assets related with the Triple Play project.

At 30 September 2005, the heading 'Transfers and write-offs' in 'Accumulated depreciation' includes circa Euro 15 million that are associated with the reclassification of accumulated depreciation between the headings 'Plant and machinery' and 'Fixtures and fittings'.

The acquisition cost of Tangible assets held by the Group under finance lease contracts amounted to Euro 9,378,039 and Euro 14,483,194 as of 30 September 2006 and 2005, respectively and their net book value as of those dates amounted to Euro 4,934,645 and Euro 5,510,914, respectively.

Tangible assets in progress at 30 September 2006 and 2005 were made up as follows:

	2006	2005
Development of mobile network	4,491,500	2,099,935
Development of fixed network	4,575,324	2,214,895
Information systems	2,739,754	1,004,571
Other projects in progress	159,344	128,674
	<u>11,965,922</u>	<u>5,448,075</u>

At 30 September 2006 and 2005, the amounts of commitments to third parties relating to investments to be made were as follows:

	2006	2005
Technical investments	30,389,134	20,593,284
Investments in information systems	7,294,150	6,438,551
	37,683,284	27,031,835

6. Intangible assets

The movement in Intangible assets and in the corresponding accumulated amortisation and impairment losses in the periods ended 30 September 2006 and 2005 was as follows:

	2006			
	Brands and patents	Software	Intangible assets in progress	Total
GROSS ASSETS:				
Balance at 31December 2005	147,155,167	172,425,905	7,085,344	326,666,416
Companies no longer consolidated (Note 4 e))	(32,035)	(386,943)	-	(418,978)
Additions	47,087	143,424	11,786,959	11,977,470
Disposals	(6,853)	(17,600)	(434,262)	(458,715)
Transfers and write-offs	27,102	9,401,904	(8,464,533)	964,473
Balance at 30 September 2006	147,190,468	181,566,690	9,973,508	338,730,666
ACCUMULATED DEPRECIATION AND IMPAIMENT LOSSES:				
Balance at 31December 2005	18,483,941	132,907,337	-	151,391,278
Companies no longer consolidated (Note 4 e))	(22,740)	(355,446)	-	(378,186)
Amortisation for the period	9,939,592	11,551,660	-	21,491,252
Disposals	(1,725)	(1,941)	-	(3,866)
Transfers and write-offs	(16,393)	158,640	-	142,247
Balance at 30 September 2006	28,382,675	144,260,250	-	172,642,925
Net value	118,807,793	37,306,440	9,973,508	166,087,741

	2005				Total
	Brands and patents	Software	Others	Intangible assets in progress	
GROSS ASSETS:					
Balance at 31 December 2004	145,655,058	159,789,572	638,200	6,141,825	312,224,655
Companies no longer consolidated (Note 4 e))	(16,890)	(479,586)	-	-	(496,476)
Additions	87,661	113,174	-	10,108,011	10,308,846
Disposals	(21,000)	(116,622)	(441,464)	(276,094)	(855,180)
Transfers and write-offs	217	6,110,490	-	(9,011,811)	(2,901,104)
Balance at 30 September 2005	145,705,046	165,417,028	196,736	6,961,931	318,280,741
ACCUMULATED DEPRECIATION AND IMPAIEMENT LOSSES:					
Balance at 31 December 2004	5,186,364	122,823,729	270,594	-	128,280,687
Companies no longer consolidated (Note 4 e))	(12,578)	(477,917)	-	-	(490,495)
Amortisation for the period	9,688,329	11,558,728	73,709	-	21,320,766
Disposals	-	(56,105)	(171,682)	-	(227,787)
Transfers and write-offs	43,047	(4,710,912)	(57,862)	-	(4,725,727)
Balance at 30 September 2005	14,905,162	129,137,523	114,759	-	144,157,444
Net value	130,799,884	36,279,505	81,977	6,961,931	174,123,297

As at 30 September 2006 and 2005, the Group has recorded under the heading 'Intangible assets' an amount of Euro 118,191,153 and Euro 130,968,575, respectively, that correspond to the investments net of depreciations made in the development of the UMTS network, including Euro 83,257,995 (amount of Euro 92,258,859 in 2005) related to the license and Euro 27,819,549 (amount of Euro 30,827,067 in 2005) related to the agreement reached in 2002 between Oni Way and the other three mobile telecommunication operators in Portugal with UMTS licenses.

The intangible assets in progress, at 30 September 2006 and 2005, were mainly composed by software development.

Intangible and tangible assets include interest and other financial expenses incurred, directly related to the construction of certain items of work in progress. At 30 September 2006 and 2005 such expenses amounted to Euro 12,819,322 and Euro 12,344,873, respectively. The amount capitalised on the periods ended 30 September 2006 and 2005 were Euro 365,721 and Euro 242,363, respectively. An interest capitalization rate of 3.5% was used in 2006 (3.055% in 2005), which corresponds to the average interest rate supported by the Group.

7. Goodwill

At 30 September 2006 and 2005, the movements occurred in goodwill and in the corresponding accumulated amortisation and impairment losses were as follows:

	2006	2005
Gross Assets:		
Opening balance	285,468,452	31,614,130
Increase of participations (Note 4. a))	275,683	9,900,238
Companies no longer consolidated (Note 4. e.))	(3,674,059)	-
Others	-	(5,355)
Net value	282,070,076	41,509,013

In accordance with IFRS 3, the Group suspended the amortization of the 'Goodwill' from 1 January 2004.

Goodwill at 30 September 2006 and 2005 was made up as follows:

		<u>2006</u>	<u>2005</u>
	Date of acquisition	Net Book Value	Net Book Value
Sonaecom / SRD	Jan-98	2,960	2,960
Novis / IPG	May-99	3,221,708	3,221,708
Optimus / Per-Mar	Dec-99	47,253	47,253
Sonae Telecom BV / Público	Apr-00	20,000,000	20,000,000
Público / SIRS	Apr-00	72,820	72,820
Sonaecom / Enabler	Jun-00	-	946,696
Novis / IPG	Jun-00	723,694	723,694
WeDo / Sidra	Jan-01	931,089	931,089
Novis / IPG (a)	May-01	292,628	292,628
Novis / IPG (a)	May-02	332,532	332,532
Enabler / Enabler UK	Jul-03	-	356,001
Optimus / Optimus Towering	Oct-03	10,713	10,713
Enabler / Enabler DE	Jan-04	-	71,647
Sonaetelecom BV / Retailbox	Feb-04	-	1,182,785
Novis / Noriema	Apr-04	2,090,054	2,090,054
Novis / Jaua	Apr-04	1,121,554	1,121,554
Enabler / Enabler UK	Apr-04	-	48,067
Enabler / Enabler UK	Dec-04	-	156,574
Sonae Telecom SGPS/ Optimus	Mar-05	8,595,469	8,595,469
Retailbox/ Enabler	Apr-05	-	94,567
Sonaetelecom BV/ Retailbox	Apr-05	-	859,172
Sonae.com SI/ WeDo	Sep-05	351,030	351,030
Sonae.com SI/ WeDo	Oct-05	93,515	-
Sonae.com SI/ WeDo	Nov-05	17,079	-
Sonaecom/ Optimus	Nov-05	156,485,670	-
Sonaecom/ Novis	Nov-05	76,120,306	-
Sonaecom/ Clix	Nov-05	11,284,319	-
Sonae.com SI/ WeDo	Mar-06	124,824	-
Sonae.com SI/ WeDo	Apr-06	8,964	-
Sonae.com SI/ WeDo	May-06	12,968	-
Sonae.com SI/ WeDo	Jun-06	12,283	-
Sonae.com SI/ WeDo	Jul-06	16,661	-
Sonae.com SI/ WeDo	Aug-06	22,546	-
Sonae.com SI/ WeDo	Sep-06	77,437	-
		<u>282,070,076</u>	<u>41,509,013</u>

SRD – Sonae Rede de Dados (Currently Novis)

IPG – IP Global (company merged into Novis)

(a) – In 2001 and 2002 Novis made additional payments of Euro 399,038 each year, under the contract to purchase IP Global.

8. Investments available for sale

At 30 September 2006 and 2005, this caption included investments classified as available for sale and was made up as follows:

	2006			2005		
	Gross amount	Accumulated impairment losses (Note 15)	Net amount	Gross amount	Accumulated impairment losses (Note 15)	Net amount
Portugal Telecom, S.G.P.S., S.A.	111,222,824	-	111,222,824	-	-	-
Despegar.com	2,539,229	(2,539,229)	-	2,539,229	(2,539,229)	-
Altitude, SGPS, S.A.	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Lusa – Agência de Notícias de Portugal, S.A.	197,344	-	197,344	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	7,482	-	7,482
Others	2,494	-	2,494	2,494	-	2,494
Investments available for sale	<u>114,969,373</u>	<u>(2,539,229)</u>	<u>112,430,144</u>	<u>3,892,797</u>	<u>(2,685,477)</u>	<u>1,207,320</u>

The investment held in Portugal Telecom, SGPS, S.A. corresponds to 1% of the share capital of that company and is recorded at fair value. As a consequence of the Public Tender Offer made by Sonaecom, the Board of Directors decided to classify this investment as non current.

9. Deferred tax assets

Deferred tax assets at 30 September 2006 and 2005, in the amount of Euro 63,484,152 and Euro 66,628,069, respectively, result mainly from timing differences relating to tax losses carried forward and non tax deductible provisions.

The movements in deferred tax assets in the periods ended 30 September 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Opening balance	66,239,165	68,693,940
Impact on results		
Tax losses carried forward	(10,802,530)	(11,082,726)
Adjustments to the estimated taxable income of prior year	-	541,419
Movements in provisions not deductible for tax purposes and on tax benefits	685,695	1,084,851
Recognition of deferred taxes, not recorded in previous years, as, at that time, the existence of future taxable profits was considered to be uncertain (Optimus)	8,600,000	-
Temporary differences between the tax and accounting value of fixed assets	(849,891)	8,100,000
Write-off of the deferred tax assets recorded in previous years, due to impairments (KPN in 2005)	-	623,709
Others	-	(7.693)
Sub-total (Note 19)	<u>(2,366,726)</u>	<u>(1,987,858)</u>
Others (Retailbox sub-Group Sale) (Note 4 e))	(388,287)	(78,013)
Closing balance	<u>63,484,152</u>	<u>66,628,069</u>

The heading Tax losses carried forward is comprised mainly by the movement in the subsidiary Optimus (utilisations of circa Euro 10,450,000 and Euro 9,990,000 – negative amounts- on 30 September 2006 and 2005, respectively).

At 30 September 2006 and 2005 assessments were made of the deferred taxes to be recognised. Potential deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and deductible tax differences could be used. These assessments were made based on the business plans of the Group companies involved, periodically reviewed and updated, and on tax planning opportunities available or identified.

At 30 September 2006 and 2005, a corporate tax rate of 27.5% was used to calculate the deferred tax assets.

In accordance with the tax returns and other information prepared by the companies that have registered deferred tax assets, the detail of such deferred tax assets by nature at 30 September 2006 were as follows:

Nature	Optimus	We Do	Público	We Do Br	Total
Tax losses:					
To be used until 2007	-	-	531,390	-	531,390
To be used until 2008	-	425,881	724,680	-	1,150,561
To be used until 2009	5,029,308	257,725	57,224	-	5,344,257
To be used until 2010	-	66,882	-	-	66,882
	5,029,308	750,488	1,313,294	-	7,093,090
Provisions not accepted for tax purposes	9,247,469	256,806	165,014	-	9,669,289
Adjustments in the conversion to IAS/IFRS	30,902,233	(56,553)	29,871	-	30,875,551
Temporary differences between the tax and accounting value of fixed assets	15,843,529	-	-	2,693	15,846,222
Total	61,022,539	950,741	1,508,179	2,693	63,484,152

At 30 September 2006 and 2005, the Group has other situations where potential deferred tax assets could result which were not recognised since it was not expected that sufficient taxable profits could be generated in the future to cover those losses:

	2006	2005
Tax losses	104,643,887	103,875,456
Temporary differences (mainly provisions not accepted for tax purposes)	22,548,637	25,616,037
Adjustments in the conversion to IAS/IFRS	2,336,180	6,263,890
Temporary difference between the tax and accounting value of assets	-	482,739
	129,528,704	136,238,122

During the periods ended 30 September 2006 and 2005, the effective rate used for calculating the income tax was 8.27% and 14.7%, respectively, and could be summarized as follows:

	<u>2006</u>	<u>2005</u>
Earning before taxes	38,572,441	21,678,243
Income tax rate (27.5%)	(10,607,421)	(5,961,517)
Deferred taxes assets not recognised in the individual accounts and/or resulting from consolidation adjustments	(10,955,791)	(17,608,925)
Adjustments to taxable income of the current year	10,622,042	12,270,554
Deferred taxes assets not recognised in previous years	8,600,000	-
Temporary differences between the tax and accounting value of assets	(849,891)	8,100,000
Income taxation recorded in the period	<u>(3,191,061)</u>	<u>(3,199,888)</u>
Effective tax rate	8.27%	14.7%

Portuguese Tax Authorities can review the income tax returns of the Company and of its subsidiaries for a period of four years (ten years for Social Security till 31 December 2000 and five years after that date) or six years when tax losses have been generated. Consequently, tax returns of each year, since the year 2000 are still subject to such review.

The Board of Directors believe that any correction that may arise as a result of such review would not produce a significant impact in the attached financial statements.

10. Other non current assets

At 30 September 2006 and 2005 this caption was comprised mainly by loans granted to group companies and was made up as follows:

	2006			2005		
	Gross amount	Accumulated impairment losses (Note 15)	Net amount	Gross amount	Accumulated impairment losses (Note 15)	Net amount
FINANCIAL ASSETS:						
Loans granted to companies recorded under the equity method:						
Profimetrics	150,000	(4,085)	145,915	-	-	-
Rádio Nova	118,500	(118,500)	-	118,500	(118,500)	-
Net Mall	-	-	-	844,140	(844,140)	-
	<u>268,500</u>	<u>(122,585)</u>	<u>145,915</u>	<u>962,640</u>	<u>(962,640)</u>	<u>-</u>
Other loans granted:						
S.E.S.I.	-	-	-	24,316	(24,316)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,316</u>	<u>(24,316)</u>	<u>-</u>
NON FINANCIAL ASSETS:						
Medium Term Incentive Plans (Notes 1.w) e 24)	769,077	-	769,077	2,771,526	-	2,771,526
	<u>769,077</u>	<u>-</u>	<u>769,077</u>	<u>2,771,526</u>	<u>-</u>	<u>2,771,526</u>
	<u>1,037,577</u>	<u>(122,585)</u>	<u>914,992</u>	<u>3,758,482</u>	<u>(986,956)</u>	<u>2,771,526</u>

The loans granted are recorded at their nominal value and are subject periodically to impairment tests.

The associated companies Net Mall, Rádio Nova/SIRS and Profimetrics are included in the consolidation under the equity method. Since the proportion of the Group in the accumulated losses of these companies is greater than the recorded amount of the investment, and due to the fact that the Group committed itself in relation to these associated companies, a provision for other liabilities and charges was recorded, which covers the potential losses that could arise from the non recoverability of those loans.

On 12 October 2005, the associated company Netmall increased its share capital, through the conversion of shareholder loans. As a result of this operation, the loan that Sonaecom had outstanding to Netmall, which was fully provisioned, was transferred to the heading 'Investments in associated companies'.

11. Investments recorded at fair value through profit and loss

During the periods ended 30 September 2006 and 2005, the movements in this heading were as follows:

	2006	2005
Balance at the beginning of the year	1,321,690	-
Acquisitions in the period	414,842	1,344,089
Disposals in the period	(1,237,987)	-
Increases/reductions to fair value (Note 18)	272,080	246,416
Balance at closing of the period	770,625	1,590,505

As at 30 September 2006, 'Investments recorded at fair value through profit and loss' correspond to 562,501 shares of Sonae, S.G.P.S., S.A., acquired to fulfil future obligations under the Medium Term Incentive Plans (1,120,074 shares in September 2005).

12. Cash and cash equivalents

At 30 September 2006 and 2005, the detail of cash and cash equivalents was as follows:

	2006	2005
Cash	200,961	516,370
Bank deposits repayable on demand	2,078,458	7,172,736
Treasury applications	112,662,624	192,099,506
Cash and cash equivalents	114,942,043	199,788,612
Bank overdrafts (Note 13)	(688,693)	(735,471)
	114,253,350	199,053,141

At 30 September 2006 and 2005, the heading 'Treasury applications' had the following breakdown:

	2006	2005
<u>Funds placed in Sonae:</u>		
Sonaecon	52,900,004	181,100,004
<u>Bank term deposits:</u>		
Optimus	56,465,000	8,780,000
WEDO Brasil	2,312,620	-
Mainroad	520,000	740,000
Digitmarket	240,000	250,000
Sonaecon	60,000	70,000
Enabler	-	634,502
Sonae.com SI	-	150,000
Others	165,000	375,000
	112,662,624	192,099,506

During the period ended 30 September 2006, the treasury applications were remunerated at market rates, between 1.94% and 3.6%.

13. Loans

At 30 September 2006 and 2005, the heading Loans had the following breakdown:

a) Medium and long-term loans - net of short-term portion

Subsidiary	Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
					2006	2005
Sonaecom SGPS	'Obrigações Sonaecom SGPS 2005'	-	June 2013	Final	150,000,000	150,000,000
	Costs associated with setting-up the financing	-	-	-	(3,472,318)	(3,909,375)
					146,527,682	146,090,625
Optimus	European Investment Bank (a)	324,458,200	June 2009	30% - Jun 08 70% - Jun 09	324,458,200	324,458,200
	Revolving credit facility (syndicate)	125,541,800	June 2009	Final	-	-
	Costs associated with setting-up the financing	-	-	-	(11,728,406)	(16,123,257)
	Fair value of swaps	-	-	-	105,975	361,588
					312,835,769	308,696,531
					459,363,451	454,787,156

(a) As a guarantee of the EIB loans, the banks participating in the Optimus syndicated credit facility have issued bank guarantee in favour of the EIB.

b) Short-term loans and other loans

Subsidiary	Lender	Type	2006	2005
Various	Various	Bank overdrafts	688,693	735,471
Various	Various	Others	-	70,048
			688,693	805,519

These loans bear interest at market rates, indexed to the Euribor of the respective term and were all contracted in Euro. The spread applicable to the long term financings is 87.5 basis points in the case of the "Sonaecom SGPS 2005" Bonds and, currently, 55 basis points in the Optimus syndicated loan (in this case, the spread may vary based on the level of Net Debt to EBITDA of that subsidiary).

All of the above loans are unsecured and the fulfilment of the obligations under these loans is exclusively guaranteed by the underlying activities and the companies respective cash flows.

As at 30 September 2006, the repayment Schedule of medium and long term loans and bonds was as follows:

Maturity year	2006	2005
2008	97,337,460	97,337,460
2009	227,120,740	227,120,740
2013	150,000,000	150,000,000

Interest Rate Risk Hedging

Group only uses derivatives and similar transactions as hedges for interest rate risks considered as relevant. To hedge interest rate risk, three main principles are respected in all instruments selected and used:

- For each derivative or instrument used for hedging a specific transaction, the dates in which interest payments are made should be exactly the same as those in the facility / transaction which is being hedged;
- Perfect match between the base rates: the base rate used in the derivative or instrument should be exactly the same as the one in the facility / transaction which is being hedged;
- At the start of a deal, the maximum cost of debt associated to a facility is known and limited, even in the scenario of an extreme increase or decrease of the market interest rates, and an effort is made so that level is compliant to the company's business plan acceptable cost of funds.

All of Sonaecom's borrowings are currently at variable rates and, as such, interest rate swaps and other derivatives are used as cash flow hedges of future interest payments. Interest rate swaps have the economic effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties (Banks) to exchange, at specified limits in pre-determined periods, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The following interest rate hedging instruments were outstanding as at 30 September 2006 and 2005:

Subsidiary	Hedged loan	Notional Amount	Expiry date	Base rate	Fixed rate contracted	Fair value of the derivative transaction	
						2006	2005
Optimus	European Investment Bank	55,000,000	Dec-07	Euribor 3m	4.1% (a)	(105,975)	-
					4.75% (b)	-	(282,209)
Optimus	European Investment Bank	50,000,000	Dec-05	Euribor 3m	2.77%	-	(79,379)
105,000,000						(105,975)	(361,588)

(a) This rate corresponds to the cap (maximum rate) contracted and effective until 15 September 2006 exclusive.

(b) This rate corresponds to the cap (maximum rate) contracted and effective after 15 September 2006. The rate effectively paid corresponds to the simple average of the 2 year swap rates verified during the period (3.767% in the last period of exchange).

Derivative counterparties are limited to highly rated financial institutions and it is Group policy to give preference to financial institutions that form part of its financing transactions.

In assessing the fair value of the derivatives, the Company uses certain methods, such as option pricing models and estimated discounted value of future cash flows, and makes assumptions that are based on market conditions prevailing at each balance sheet date. Dealer quotes for the specific or similar instruments are used as a benchmark for the assessment.

The fair value of derivatives that are not considered as hedges for the purposes of IAS 39 or that are not sufficiently effective in that coverage (in accordance with the conditions stipulated in that rule), are recognised under Debts to financial institutions. Changes in the fair value of such derivatives are recognised directly in the profit and loss statement of the period.

14. Other non current financial liabilities

At 30 September 2006 and 2005, this caption was made up of accounts payable to fixed assets suppliers related to leasing contracts that are due in more than one year and loans by minority shareholders to some subsidiaries, as follows:

	2006	2005
Fixed assets suppliers – leasing	1,981,974	1,735,055
Clix (France Telecom)	-	1,673,562
	<u>1,981,974</u>	<u>3,408,617</u>

At 30 September 2006, accounts payable to fixed assets suppliers related to leasing contracts are due as follows:

	Lease payments	Present value of lease payments
2006	917,688	885,845
2007	1,549,868	1,446,175
2008	959,885	908,212
2009	477,035	457,943
2010	228,719	220,614
2011	27,909	27,833
	4,161,104	3,946,622
Interest	(214,483)	-
	3,946,621	3,946,622
Short term liability (Note 16)	-	(1,964,648)
	3,946,621	1,981,974

15. Provisions and accumulated impairment losses

The movements in provisions and accumulated impairment losses in the periods ended 30 September 2006 were as follows:

Heading	Opening balance	Companies no longer consolidated	Transfers	Increases	Utilisation	Decreases	Closing balance
Accumulated impairment losses on accounts receivable	64,905,431	(158,854)	(189,820)	4,461,852	(5,245,463)	(76,499)	63,696,647
Accumulated impairment losses on inventories	7,134,249	-	-	1,790,000	(1,511,793)	-	7,412,456
Accumulated impairment losses on investments available for sale(Note 8)	2,685,477	-	-	-	(146,248)	-	2,539,229
Accumulated impairment losses on other non current assets and associated companies investments (Note 10)	986,956	-	-	4,085	(868,456)	-	122,585
Provisions for other liabilities and charges	5,092,476	(339,409)	428,283	12,237,350	(469,688)	(53,430)	16,895,582
	80,804,589	(498,263)	238,463	18,493,287	(8,241,648)	(129,929)	90,666,499

Increase of 'Provisions for other liabilities and charges' includes the amount of Euro 10,254,980 associated with the dismantling of sites, as foreseen in IAS 16 (Note 1.c.)). As such, the total amount included under increase of provisions and of impairment losses, registered against a corresponding entry in the profit and loss statement, corresponds to Euro 8,238,307.

The heading utilisation refers, essentially, to the use of provisions in the subsidiary Optimus, which were registered against an entry in costumers' current accounts.

16. Other current financial liabilities

At 30 September 2006 this caption includes the amount of Euro 1,964,648 (Euro 3,098,590, in 2005) related to the short term portion of lease contracts (Note 14).

17. External supplies and services

'External supplies and services' for the periods ended 30 September 2006 and 2005 are made up as follows:

	2006	2005
Interconnection costs	148,703,478	148,740,393
Commissions	41,453,186	38,948,553
Advertising and publicity	25,752,860	29,317,868
Leased lines	14,759,468	14,818,866
Other supplies and services	105,801,474	103,001,040
	<u>336,470,466</u>	<u>334,826,720</u>

The caption 'Other supplies and services' includes, essentially, specialised services, rents, products relating to the newspaper, consultancy and maintenance and repairs.

18. Financial results

Net financial results for the periods ended 30 September 2006 and 2005 are made up as follows:

	2006	2005
Financial results related to associated companies:		
Losses on associated companies	(150,000)	-
Gains on associated companies	28,766	-
	<u>(121,234)</u>	<u>-</u>
Other financial expense:		
Interest expense	(12,639,598)	(8,625,538)
Impairment losses on associated companies loans (Note 10 and 15)	(4,085)	-
Foreign exchange losses	(149,241)	(162,038)
Other financial results	<u>(4,108,586)</u>	<u>(4,156,807)</u>
	<u>(16,901,510)</u>	<u>(12,944,383)</u>
Other financial income:		
Interest income	3,913,787	2,695,582
Foreign exchange gains	242,885	455,074
Adjustments to fair value on investments recorded at fair value through profit and loss (Note 11)	272,080	246,416
Other financial income	<u>99,045</u>	<u>61,194</u>
	<u>4,527,797</u>	<u>3,458,266</u>

‘Interest income’ includes, mainly, interest earned on the treasury applications granted to Sonae and on bank deposits (Note 12).

‘Other financial expenses’ include, essentially, the effect of effective interest rate method application to setting-up financing costs (Nota 1.1)).

19. Income taxation

Income taxes recognised during the periods ended 30 September 2006 and 2005 are made up as follows (costs/gains):

	2006	2005
Current tax	(824,335)	(1,212,030)
Deferred tax (Note 9)	<u>(2,366,726)</u>	<u>(1,987,858)</u>
	<u>(3,191,061)</u>	<u>(3,199,888)</u>

20. Related parties

During the periods ended 30 September 2006 and 2005, the balances and transactions with related parties mainly relate to the normal operational activity of the Group (providing communications and consultancy services) and to the granting and obtaining loans.

The balances and the most significant transactions with related parties as at 30 September 2006 and 2005 were as follows:

Balances at 30 September 2006:	Accounts receivable	Accounts payable	Treasury applications	Accruals	Loans obtained
Sonae	29,750	15,851	52,900,004	460,425	-
Modelo Continente					
Hipermercados, S.A.	4,283,778	318,265	-	(766,038)	-
France Telecom	2,433,163	2,398,630	-	(1,096,188)	-
Sonae Investments BV	-	-	-	(4,927,742)	-
	<u>6,746,691</u>	<u>2,732,746</u>	<u>52,900,004</u>	<u>(6,329,543)</u>	<u>-</u>

Balances at 30 September 2005:	Accounts receivable	Accounts payable	Treasury applications	Accruals	Loans obtained
Sonae	40,207	15,851	181,100,004	1,276,746	-
Modelo Continente					
Hipermercados, S.A.	2,866,563	97,982	-	(371,232)	-
France Telecom	1,136,139	3,286,577	-	(907,447)	1,673,562
Sonae Investments BV	-	-	-	(6,251,346)	-
	<u>4,042,909</u>	<u>3,400,410</u>	<u>181,100,004</u>	<u>(6,253,279)</u>	<u>1,673,562</u>

Transactions at 30 September 2006:	Sales and services rendered	Supplies and services received	Interest and similar income	Interest and similar expense
Sonae	234,265	290,737	2,404,030	2,621
Modelo Continente				
Hipermercados, S.A.	11,675,682	1,583,279	-	-
France Telecom	2,473,298	4,616,021	-	-
	<u>14,383,245</u>	<u>6,490,037</u>	<u>2,404,030</u>	<u>2,621</u>

Transactions at 30 September 2005:	Sales and services rendered	Supplies and services received	Interest and similar income	Interest and similar expense
Sonae	255,267	132,307	1,233,896	-
Modelo Continente				
Hipermercados, S.A.	7,160,016	976,882	-	-
France Telecom	3,537,176	6,457,129	-	51,053
	<u>10,952,459</u>	<u>7,566,318</u>	<u>1,233,896</u>	<u>51,053</u>

21. Guarantees provided to third parties

Guarantees provided to third parties at 30 September 2006 and 2005 are as follows:

Company	Beneficiary	Description	2006	2005
Optimus	European Investment Bank	Loan	324,458,200	324,458,200
Sonaecom	BBVA – Portugal, ING Belgium Portugal e Millennium BCP	Commercial paper	70,000,000	-
Optimus	ANACOM	UMTS License	2,493,989	2,493,989
Optimus	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT - Liquidation	580,000	580,000
Público	Tribunal de Trabalho de Lisboa (Lisbon Labour Court)	Execution action nº199A/92	271,511	271,511
Público	Fazenda Pública do Porto (Oporto Public Treasury)	Tax process nº3190/98	209,493	209,495
We Do	API (Portuguese Investment Agency)	Application to PRIME subsidies	184,004	184,004
Optimus and Novis	Direcção Geral do Tesouro (Portuguese tax authorities)	IRC – Withholding tax on payments to non-residents	164,000	125,000
Novis, Clix e Público	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT Reimbursements	126,372	345,871
Novis	Governo Civil de Santarém (Santarém District Civil)	Guarantee the fulfilment of legal obligations associated with a public contest launched	119,703	119,703
Novis	Câmara Municipal de Coimbra (Coimbra Municipality)	Performance bond - works	101,403	101,403
Optimus	Governo Civil de Lisboa (Lisbon District Civil)	Guarantee the fulfilment of legal obligations	98,195	98,795
Optimus, Novis and Digitmarket	Hewlett Packard	Finance lease and services provider contracts	166,960	694,597
Novis	Câmara Municipal de Lisboa (Lisbon Municipality)	Performance bond - works	85,652	105,905
Novis	Câmara Municipal de Braga (Braga Municipality)	Performance bond - works	45,416	45,416
Novis	Câmara Municipal de Elvas (Elvas Municipality)	Performance bond - works	28,142	28,142
Novis	Câmara Municipal de Caldas da Rainha (Caldas da Rainha Municipality)	Performance bond - works	19,952	19,952
Various	Others		494,411	518,575
			<u>399,647,403</u>	<u>330,400,558</u>

22. Information by business segment

The following business segments were identified for the periods ending 30 September 2006 and 2005:

- Mobile network
- Fixed network and Internet
- Multimedia
- Information systems

The remaining activities of the Group and corporate services have been classified as unallocated.

Inter-segment transactions at 30 September 2006 and 2005 were eliminated in the consolidation process.

Due to the immateriality of the assets and transactions of the Group outside Portugal, segment information by geographical markets is not presented.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties and are mainly related to interconnection, interest on treasury applications and management fees.

Overall information by business segment at 30 September 2006 and 2005 can be summarised as follows:

	Mobile Network		Fixed Network and Internet		Multimedia		Information Systems		Other		Sub-total		Eliminations		Total	
	September 06	September 05	September 06	September 05	September 06	September 05	September 06	September 05	September 06	September 05	September 06	September 05	September 06	September 05	September 06	September 05
Revenues:																
Sales and services rendered	453.676.748	466.064.780	146.164.589	117.006.229	27.415.227	33.249.058	61.378.937	64.573.724	5.740.863	5.189.359	694.376.363	686.083.149	(70.346.086)	(58.634.206)	624.030.278	627.448.943
Other operating revenues	25.988.881	19.518.582	3.325.858	2.724.592	220.154	393.090	27.059.504	1.279.685	307.272	1.266.442	56.901.669	25.182.391	(27.278.608)	(20.645.882)	29.623.061	4.536.509
Total revenues	<u>479.665.629</u>	<u>485.583.361</u>	<u>149.490.447</u>	<u>119.730.820</u>	<u>27.635.381</u>	<u>33.642.148</u>	<u>88.438.441</u>	<u>65.853.409</u>	<u>6.048.135</u>	<u>6.455.801</u>	<u>751.278.032</u>	<u>711.265.540</u>	<u>(97.624.693)</u>	<u>(79.280.088)</u>	<u>653.653.339</u>	<u>631.985.452</u>
Depreciation and amortisation	(86.983.604)	(81.178.979)	(11.966.191)	(10.558.725)	(587.781)	(983.167)	(1.140.481)	(1.757.556)	(247.225)	(261.800)	(100.925.282)	(94.740.228)	735.013	697.670	(100.190.269)	(94.042.558)
Net operating income/(loss) for the segment	47.601.937	49.515.455	(18.400.253)	(18.875.992)	(6.472.451)	(2.850.897)	28.844.960	5.707.960	(513.536)	(2.200.514)	51.060.659	31.296.013	506.729	(131.653)	51.567.388	31.164.360
Net interests	(5.753.283)	(6.451.980)	(2.183.461)	(1.272.959)	(191.563)	(164.923)	442.182	56.832	(981.608)	1.916.665	(8.667.733)	(5.916.366)	(58.078)	(13.590)	(8.725.811)	(5.929.956)
Gains and losses in associated companies	-	-	-	-	-	-	-	-	-	-	-	-	(121.234)	-	(121.234)	-
Other financial results	(3.526.408)	(3.641.049)	(8.262)	(226.771)	(13.941)	(11.267)	38.211	352.130	(141.444)	(512.204)	(3.651.844)	(4.039.161)	3.941	483.000	(3.647.903)	(3.556.161)
Income taxation	(2.159.340)	(1.422.989)	(42.369)	(667.715)	(13.852)	(20.064)	(970.244)	(1.082.420)	(5.256)	(6.699)	(3.191.061)	(3.199.888)	-	-	(3.191.061)	(3.199.888)
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(8.910.299)	(11.133.472)	(8.910.299)	(11.133.472)
Consolidated net income/(loss) for the year attributable to the Shareholders of Parent Company	<u>36.162.907</u>	<u>37.999.436</u>	<u>(20.634.345)</u>	<u>(21.043.438)</u>	<u>(6.691.807)</u>	<u>(3.047.152)</u>	<u>28.355.110</u>	<u>5.034.503</u>	<u>(1.641.843)</u>	<u>(802.752)</u>	<u>35.550.022</u>	<u>18.140.598</u>	<u>(8.578.941)</u>	<u>(10.795.715)</u>	<u>26.971.081</u>	<u>7.344.883</u>
Assets:																
Fixed assets and Goodwill	551.898.845	555.940.211	99.794.288	87.782.127	2.095.782	2.518.441	12.686.972	16.991.093	2.171.725	2.421.409	668.647.611	665.653.281	255.536.022	14.443.497	924.183.633	680.096.779
Inventories	12.977.532	15.346.936	2.172.194	1.021.868	1.074.572	1.023.299	4.929	21.580	-	57	16.229.227	17.413.739	-	-	16.229.227	17.413.739
Financial investments and other non current assets	67.690.179	68.967.171	497.924	15.785.565	2.696.936	2.676.482	1.090.315	1.736.989	1.388.127.182	917.043.831	1.460.102.536	1.006.210.037	(1.280.631.778)	(931.368.398)	179.470.758	74.841.639
Other current assets of the segment	331.332.675	239.071.000	77.589.600	47.915.651	9.278.031	8.700.919	53.003.743	36.001.257	94.877.235	198.996.465	566.081.283	530.685.292	(197.458.268)	(114.989.020)	368.623.015	415.696.272
	<u>963.899.231</u>	<u>879.325.318</u>	<u>180.054.005</u>	<u>152.005.210</u>	<u>15.145.321</u>	<u>14.919.140</u>	<u>66.785.959</u>	<u>54.750.920</u>	<u>1.485.176.142</u>	<u>1.118.461.761</u>	<u>2.711.060.657</u>	<u>2.219.962.350</u>	<u>(1.222.554.024)</u>	<u>(1.031.913.921)</u>	<u>1.488.506.633</u>	<u>1.188.048.428</u>
Liabilities:																
Liabilities of the segment	558.987.242	517.707.268	179.186.728	135.488.138	23.757.116	20.904.366	23.506.772	34.376.414	266.665.250	259.218.167	1.052.103.107	967.694.354	(288.344.490)	(228.710.739)	763.758.617	738.983.615
	<u>558.987.242</u>	<u>517.707.268</u>	<u>179.186.728</u>	<u>135.488.138</u>	<u>23.757.116</u>	<u>20.904.366</u>	<u>23.506.772</u>	<u>34.376.414</u>	<u>266.665.250</u>	<u>259.218.167</u>	<u>1.052.103.107</u>	<u>967.694.354</u>	<u>(288.344.490)</u>	<u>(228.710.739)</u>	<u>763.758.617</u>	<u>738.983.615</u>

23. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income of the period (Euro 35,381,380 in 2006 and Euro 18,478,355 in 2005) by the average number of shares outstanding during the periods ending 30 September 2006 and 2005 (296,526,868 in 2006 and 226,250,000 in 2005).

24. Medium Term Incentive Plans

In June 2000, Sonaecom Group created a discretionary Medium Term Incentive Plan for more senior employee, based on Sonaecom options and shares and Sonae S.G.P.S., S.A. shares. The vesting occurs three years after the award of each plan, assuming that the employees are still employed by the Group. In some annual plans, beneficiaries can chose between options or shares. Options are valued using the Black Scholes options pricing Model.

The Sonaecom plans outstanding at 30 September 2006 can be summarized as follows:

	Share price at award date*	Vesting Period		Exercise Period		At 30 September 2006	
		Award date	Vesting Date	From	To	Aggregate number of participants	Number of options/ shares
Sonaecom Options							
2001 Plan	3.014	31-Mar-02	31-Mar-05	1-Apr-05	10-Mar-06	-	-
2002 Plan	1.694	31-Mar-03	10-Mar-06	1-Apr-06	09-Mar-07	31	654,168
2003 Plan	-	-	-	-	-	-	-
2004 Plan	-	-	-	-	-	-	-
2005 Plan	-	-	-	-	-	-	-
Sonaecom Shares							
2002 Plan	1.694	31-Mar-03	10-Mar-06	-	-	210	1,258,444
2003 Plan	3.190	31-Mar-04	09-Mar-07	-	-	351	1,178,312
2004 Plan	3.960	31-Mar-05	10-Mar-08	-	-	374	1,065,952
2005 Plan	4.093	10-Mar-06	09-Mar-09	-	-	405	950,879
Sonae SGPS Shares							
2002 Plan	0.36	31-Mar-03	31-Mar-06	-	-	11	809,077
2003 Plan	0.93	31-Mar-04	09-Mar-07	-	-	12	364,164
2004 Plan	1.17	31-Mar-05	10-Mar-08	-	-	13	362,611
2005 Plan	1.34	10-Mar-06	09-Mar-09	-	-	13	184,575

* Average share price in the month prior to the award date, except for Sonae SGPS shares, priced on the award date.

Sonaecom signed agreements to cover the execution and hedging of its Medium Term Incentive Plan and related obligations. The agreement means that Sonaecom's liabilities are limited to a maximum of Euro 8,790,471, with the exception of the two plans of 2006. This value is registered in the captions 'Other non current liabilities' (Euro 4,150,864) and 'Other current liabilities' (Euro 4,639,607), for long term and short-term obligations, respectively.

Sonaecom has entered into mirror agreements with its subsidiaries to transfer the corresponding liabilities to each subsidiary.

For the plans attributed in 2006, that were not hedged, the total responsibility is 252,868 Euros for Sonae SGPS plan and 668,943 for Sonaecom plan and corresponds to the share price at balance date and share price at award date, respectively.

The costs of the Option and Share Plans are recognised in the accounts over the period between the award and the vesting date of those shares and options. The costs recognised on previous years and in the period ended as at 30 September 2006, are as follows:

	Amount
Costs recognised on previous years	11,893,779
Costs recognised in the period	3,613,578
Cost of plans from subsidiary Exit (no longer consolidated)	(8,882)
Cost of plans vested on previous years	(3,081,435)
Cost of plans vested in the period	(5,603,687)
Other non current and current assets (Deferred costs not yet recognised)	2,890,901
Other	8,028
Total cost of the Plans	9,712,282
Other non current and current liabilities	9,043,339
Reserves	668,943

25. Others matters

(i) As of 30 September 2006, accounts receivable from customers and payable to suppliers include Euro 37,177,291 and Euro 29,913,608, respectively, and 'Other current assets' and 'Other current liabilities' include Euro 411,649 and Euro 6,856,200, respectively, resulting from a dispute between the subsidiary Optimus and the operator TMN – Telecomunicações Móveis Nacionais, S.A., in relation to interconnection tariffs, already recorded on the year ended 31 December 2001. The Company has considered the most penalising tariffs in the consolidated financial statements. TMN has appealed against the decision and, at the time of this report, the final decision is not known yet.

(ii) The Arbitration Court proceeding imposed to resolve the conflict between Maxistar and the other shareholders of Optimus - for breach of a clause of the Shareholders' Agreement, has finished and it was favourable to the last ones. Maxistar has appealed against the decision of the Arbitration Court but that appeal was already rejected in the lower courts and is already definitive.

26. Commitments associated to "Information Society"

At the time Optimus was awarded its UMTS license, it committed to contribute to the promotion and development of the information society in Portugal, under the conditions contained in its formal bid documents. Although Optimus has already made investments in this respect, the Board of Directors of Optimus, and the Board of Directors of Sonaecom, believes that a substantial change in circumstances has occurred since these commitments were first made, and as such, believes that the original commitments should be renegotiated with the Regulator and the Government. Accordingly, discussions have been opened with ANACOM regarding this issue but no conclusions have yet been reached. As a consequence, it is the understanding of the Board of Directors of Optimus that, as of today, it is not possible to accurately quantify these commitments under the UMTS license and that such quantification will only be possible once the Regulator has taken a formal position on the subject. Assuming that a decision can be taken in the short term, the resulting obligations will be recorded in tangible assets, as an additional cost of the UMTS license, and will be amortised over the remaining period of the license.

27. Public Tender Offer

On 6 and 7 February 2006, Sonae and Sonaecom presented the preliminary announcements for the launch of a general tender offer for acquisition of the whole shares representing the share capital of Portugal Telecom S.G.P.S., S.A. (PT) and of PT – Multimédia – Serviços de Telecomunicações, S.G.P.S., S.A., at the nominal price of Euro 9.5 and Euro 9.03, respectively, and of the convertible bonds issued by the first, pursuant to a resolution adopted on November 29, 2001, with a principal amount of Euro 5,000 each, having appointed as the financial intermediary and provider of assistance services in relation to the offer, Banco Santander de Negócios Portugal, S.A.. Considering certain assumptions, we estimate that the amount involved in the operations above referred could ascend to, approximately, 12,000 million Euros.

The referred offers are dependent on the legalities, approvals and authorisations required in accordance with the law, namely the absence of objection from the Portuguese Competition Authority. However its success is especially associated with the decisions of the current shareholders, including the Portuguese State.

Following the preliminaries announcements, Sonae and Sonaecom made public that the launch of the offer will be made by Sonaecom, directly and/or by special purpose vehicles incorporated for those purposes. The financing for the acquisition is secured by a bank syndicate led by the Santander Group and is subject to a repayment schedule with a maturity of up to 7 years. Depending on the success of the general tender offer, and if necessary, a share capital increase is envisaged at Sonaecom for a maximum amount of up to 1,500 million Euro. Finally, Sonaecom has also secured the funds to refinance the current outstanding debt at PT Group, if that becomes necessary or convenient.

On 27 September 2006, Sonaecom was notified by the Competition Authority that reached a draft decision of non-opposition that includes a set of conditions and obligations intended to ensure the fulfilment of the commitments that were made by Sonaecom.

Therefore, in case of success of the referred general tender offer for acquisition, the future business activity of the Company will be affected by that fact.

28. Subsequent events

Following the capital increase approval by Sonaecom's shareholders at Extraordinary General Meeting held on 18 September 2006, and the execution of the Notary Deed on 18 October 2006, the company's share capital has been increased from 296,526,868 euros to 366,246,868 euros, through the issuance of 69,720,000 new ordinary shares, each with a nominal value of 1 euro and with a corresponding total share premium of 275,657,217.00 euros. This share capital increase shall be subscribed by 093X – Telecomunicações Celulares, S.A. and by Parpública – Participações Públicas, SGPS, S.A. by means of the contribution of their respective shareholdings, including supplementary capital, in Optimus - Telecomunicações, S.A. (25.72% and 5.04% of the share capital, respectively).

These consolidated financial statements were approved and authorized for publication by the Board of Directors on 26 October 2006.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS/IFRS) and the format and disclosures required by those Standards, some of which may not conform to or

be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

In accordance with article 250, no.3 the Securities and Exchange Commission (CMVM) has authorized Sonaecom not to publish the individual accounts. The latter may be viewed, together with all other Company accounts, at the Company's head offices, in accordance with the Commercial Law Code (Código das Sociedades Comerciais).