



SONAECON FIRST HALF 2006 RESULTS

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I. MANAGEMENT REPORT

1. Message from Paulo Azevedo, CEO of Sonaecom

In the telecoms arena, we continued to demonstrate our ability to innovate, exploiting new technological solutions and creating new market opportunities. Optimus further refined its segmentation strategy with the launch of Optimus A, for residential clients with a high consumption profile, and reinforced its leadership position in Mobile Broadband with the launch of Kanguru Xpress, its internet access based on HSDPA technology. Sonaecom Fixed launched its high speed 20Mbps ADSL offer for the residential market, strengthening its position as the most competitive Portuguese Telecom Operator in terms of broadband speed and pricing.

Optimus has showed improvements in operating profitability and FCF generation, notwithstanding the impacts of lower Mobile Termination Rates (MTRs) and higher investment in UMTS/HSDPA and innovation. Sonaecom Fixed maintained its focus on growing Broadband market share and strengthening its direct access business, acquiring in the semester new ADSL direct services in line with expectations, as well as improving internal activation processes.

At our Software and System Integration division ("SSI"), on 30 June 2006, we completed the sale of Enabler to Wipro, one of the largest IT/IS service providers worldwide. The sale of Enabler is consistent with our shared strategic guidelines established for the SSI division of launching and growing focused IT businesses with international expansion possibilities and the ability to generate "best in class" EBITDA margins. At Enabler's current stage of development, we believe that the integration of the company into a leading IT player will allow it to fulfil its future growth potential. The terms of the transaction imply a minimum 1.4x EV/Sales 2005 multiple and has generated a capital gain of 25.3 million euros in our June accounts. SSI has continued to invest in new high potential ventures and has participated in the semester in the start up of a new retail software company - Profimetrics.

Público continues to face significant pressure on all its revenues streams. However, its 2Q06 EBITDA showed a significant improvement over that achieved in the 1Q06, decreasing the quarterly deviation to last year. This improvement was not sufficient to meet our goals of turning around 2005 full year performance and, to accomplish it, we will step up the ambition of our restructuring efforts.

During the semester, we further extended our strategy of telecoms integration in the pursuit of operating efficiencies and cost synergies, having completed the full integration of both Optimus and Sonaecom Fixed technical teams. As a result, both teams are now being managed under a unified organisational team structure.

As regards regulation, some progress was made during 1H06 with the release of the terms and conditions of the access to the incumbent ducts. Notwithstanding this positive development, the Portuguese telecoms market continues to suffer from the lack of effective regulatory measures to overcome the incumbent's dominant position across the fixed voice, broadband, wholesale and content markets, as well as a lack of effective competition within each one of them. The Government's public determination to enforce separation of ownership and management of cable and copper networks is a noteworthy political development.

The Public Tender Offer for Portugal Telecom SGPS SA (PT) is progressing in line with expectations. On 17 May 2006, the Competition Authority announced that it would move into a more in depth analysis of the operation and, since then, we have submitted our proposal of remedies aimed at addressing the competition issues raised. On 24 May 2006 we acquired just over 1% of PT's share capital to reach the minimum threshold required to obtain the right to information, as established in the Portuguese Companies Code.

2. First Half Highlights

During 1H06, Sonaecom continued to build on the established growth platform for its telecoms business, through innovation and redefinition of markets, with a clear focus on direct voice and broadband internet services, fixed-mobile substitution and 3G data services.

Operational Highlights

OPERATING KPI's	1H05	1H06	y.o.y
Optimus			
Customers (EOP) ('000)	2,178.6	2,430.3	11.6%
Net Additions ('000)	49.9	77.1	54.6%
Data as % Service Revenues	10.0%	13.6%	3.6pp
MOU ⁽¹⁾ (min.)	110.4	114.2	3.4%
Sonaecom Fixed			
Total Services (EOP)	256,981	327,347	27.4%
Direct	26,443	194,240	-
Direct access as % Customer Revenues	29.6%	60.7%	31.1pp
Sonaecom ⁽²⁾			
Employees	2,314.0	2,265.0	-2.1%

(1) Minutes of Use per Customer (Home is included since 4Q05); (2) Including SSI's subsidiaries.

- Optimus: Customers increased by 11.6% to 2.4 million in 1H06, compared to 2.2 million at the end of 1H05; Data Revenues represented 13.6% of Service Revenues in 1H06, up from 10.0% in 1H05.
- Sonaecom Fixed: Direct Access Services increased by 167.8 thousand to 194.2 thousand at the end of 1H06, from 26.4 thousand, at the end of 1H05; Direct Access Revenues represented 60.7% of Customer Revenues in 1H06, an increase of 31.1pp when compared to the same contribution in 1H05.
- Sonaecom: total employees decreased 2.1% compared to 1H05, consistent with its telecoms' integration strategy and pursuit of greater efficiencies and productivity.

Consolidated Financial Highlights

Million euros			
CONSOLIDATED FINANCIAL KPI's	1H05	1H06	y.o.y
Turnover	405.9	409.5	0.9%
EBITDA	83.6	105.5	26.2%
EBITDA Margin (%)	20.6%	25.8%	5.2pp
EBIT	21.1	39.2	85.8%
EBT	15.3	31.5	105.9%
Net Results - Group Share ⁽¹⁾	5.8	24.3	-
CAPEX	64.6	170.9	164.5%
EBITDA - CAPEX	19.0	-65.4	-
FCF ⁽²⁾	-15.0	-112.8	-

(1) Net Results after Minority Interests; (2) FCF Levered after Financial Expenses but before Capital Flows and Raising Finance related up-front Costs.

- Turnover reached 409.5 million euros, 0.9% above 1H05 level, driven by growth of new services and products and notwithstanding the programmed decrease in MTRs.
- Consolidated Customer Revenues increased by 3.9% to 268.5 million euros in 1H06, compared to 1H05, driven by a 2.7% increase at Optimus and a 16% increase at Sonaecom Fixed.
- EBITDA increased by 26.2% to 105.5 million euros compared to 83.6 million euros in 1H05, including a 25.3 million euros capital gain generated by the sale of Enabler. Excluding the impact of the capital gain, EBITDA would have decreased by 4.1% to 80.2 million euros.

3. Consolidated Results

3.1. Consolidated Income Statement

Million euros			
CONSOLIDATED INCOME STATEMENT	1H05	1H06	y.o.y
Turnover	405.9	409.5	0.9%
Optimus	298.6	291.2	-2.5%
Sonaecom Fixed	75.2	93.8	24.7%
Público	22.8	19.3	-15.6%
SSI	43.2	46.1	6.9%
Other & Eliminations	-33.9	-40.8	-20.5%
Other Revenues	2.3	28.5	-
Operating Costs	321.6	327.0	1.7%
COGS	45.0	46.7	3.7%
Network Costs ⁽¹⁾	121.7	125.1	2.8%
Personnel Costs	52.8	52.9	0.2%
Marketing & Sales	43.9	42.3	-3.7%
Outsourcing Services ⁽²⁾	28.3	31.4	10.9%
General & Administrative Expenses	22.7	23.4	3.1%
Other Operating Costs	7.2	5.2	-27.3%
Provisions and Impairment Losses	3.0	5.6	85.4%
EBITDA	83.6	105.5	26.2%
EBITDA Margin (%)	20.6%	25.8%	5.2pp
Optimus	85.9	86.9	1.1%
Sonaecom Fixed	-4.0	-7.1	-75.2%
Público	-0.7	-2.7	-
SSI	5.2	29.2	-
Other & Eliminations	-2.6	-0.8	68.8%
Depreciation & Amortization	62.5	66.3	6.0%
EBIT	21.1	39.2	85.8%
Net Financial Results	-5.8	-7.7	-32.9%
Financial Income	2.0	3.2	58.6%
Financial Expenses	7.8	10.9	39.5%
EBT	15.3	31.5	105.9%
Taxes	1.7	-1.1	-
Net Results	13.5	32.6	140.7%
Group Share	5.8	24.3	-
Attributable to Minority Interests	7.7	8.3	7.3%

(1) Network Costs = Interconnection plus Leased Lines plus Content plus Other Network Operating Costs; (2) Outsourcing Services = Customer Services plus Consultants plus Subcontracts.

Turnover

Consolidated Turnover reached 409.5 million euros in 1H06, up 0.9% on 1H05 Turnover, notwithstanding the significant negative effect of the declining MTR's that had an impact of 15.6 million euros on Operator Revenues in the semester, compared to 1H05, and the continuing fall of incoming fixed traffic. The main contributions for this positive performance came from: (i) 2.7% increase in Optimus' Customer Revenues, which came close to offsetting regulatory impacts on Operating Revenues; and (ii) 24.7% higher Turnover at Sonaecom Fixed, driven by strong growth in Operator Revenues of 31.1% and in Customer Revenues of 16%, the latter driven by the performance of the direct access business.

Other Revenues

Other Revenues in the semester reached 28.5 million euros, including a 25.3 million euros capital gain from the Sale of Enabler. Other Revenues are not included within Turnover, as they are not generated by Sonaecom's current business, but do impact Sonaecom's EBITDAP, EBITDA, and Net Results.

Operating Costs

Total Operating Costs excluding COGS increased 1.3% to 280.3 million euros in 1H06 compared to 276.6 million euros in 1H05, and represented 68.4% of Turnover in comparison to 68.1% in 1H05. The main drivers of this increase were: (i) higher Outsourcing Services costs up by 10.9%, due to the significant growth in Sonaecom Fixed ULL Direct Access services requiring more customer activation support services; and (ii) higher Network costs up by 2.8%, driven by the

increase in energy and rental costs associated with the extension of the Optimus 3G network and higher number of central offices unbundled. COGS increased by 3.7% in 1H06 when compared to 1H05, as a result of the expansion of the portfolio of products on offer and higher Equipment Sales generated by the telecom businesses. Marketing & Sales costs were down by 3.7% in 1H06 compared to 1H05 as a result of less active commercial and promotional activity at Optimus, given the strong marketing effort undergone during the previous 4 quarters.

Provisions and Impairment Losses were 2.6 million euros higher in 1H06 compared to 1H05, as a result of the reinforcement of Provisions for Bad Debt, due to the deterioration in collections.

EBITDA

Consolidated EBITDA totalled 105.5 million euros in 1H06, generating a margin of 25.8%, compared to an EBITDA of 83.6 million euros and a margin of 20.6% in 1H05, primarily reflecting the 25.3 million euros capital gain from the sale of Enabler. Excluding the impact of the capital gain, EBITDA would have decreased by 4.1% to 80.2 million euros compared to 1H05, driven by lower EBITDA contributions from Sonaecom Fixed, Público and SSI.

Net Profit

Depreciation and Amortization charges increased by 6% in 1H06 from 62.5 million euros in 1H05 to 66.3 million euros, due to the higher asset base resulting primarily from the extension of Optimus' UMTS/HSDPA network, and by the investments in the network to support ULL broadband.

Net Financial Charges increased by 1.9 million euros compared to 1H05, mainly due to the higher average Gross Debt resulting from the 150 million euros bond issue completed in June 2005, and to the increase in Euribor rates by 25 basis points as at December 2005, with the consequent increase in Financial Expenses by 39.5% to 10.9 million euros, compared to 7.8 million euros in 1H05. Treasury applications and associated Income decreased in 2Q06, as a result of the decrease in liquidity in the quarter mainly explained by the acquisition of just over 1% of PT's share capital.

Taxes in 1H06 showed a benefit of 1.1 million euros, compared to a charge of 1.7 million euros in 1H05, which comprises a current tax cash charge of 0.7 million euros and movements in deferred tax assets that generated a net benefit of 1.8 million euros.

Due to the higher level of EBITDA in the half year, Net Results before Minorities were positive 32.6 million euros, up from positive 13.5 million euros in 1H05. Excluding the capital gain from the sale of Enabler, Net Results before Minorities would have decreased to 7.3 million euros, mainly explained by the EBITDA performance, the 3.8 million euros higher Depreciation charges and the higher Net Financial charges in 1H06 compared to 1H05. Net Results Group Share were positive 24.3 million euros, up from a positive 5.8 million in 1H05.

3.2. Consolidated Balance Sheet

Million euros

CONSOLIDATED BALANCE SHEET	1H05	1H06	y.o.y
Total Assets	1,174.9	1,481.9	26.1%
Non Current Assets	761.1	1,111.7	46.1%
Tangible and Intangible Assets	644.2	648.1	0.6%
Goodwill	41.2	282.0	-
Investments	1.9	108.8	-
Deferred Tax Assets	67.8	67.9	0.1%
Others	6.1	5.0	-17.8%
Current Assets	413.8	370.2	-10.5%
Trade Debtors	134.1	142.5	6.3%
Liquidity	180.1	96.0	-46.7%
Others	99.5	131.7	32.3%
Shareholders' Funds	443.3	716.9	61.7%
Group Share	262.6	596.6	127.2%
Minority Interests	180.7	120.3	-33.4%
Total Liabilities	731.6	765.0	4.6%
Non Current Liabilities	469.8	491.6	4.6%
Bank Loans	453.2	458.3	1.1%
Other Loans	1.7	0.0	-100.0%
Provisions for Other Liabilities and Charges	2.8	14.1	-
Others	12.1	19.2	58.8%
Current Liabilities	261.8	273.4	4.4%
Bank Loans	0.8	0.7	-13.6%
Trade Creditors	127.6	132.1	3.6%
Others	133.4	140.6	5.4%
CAPEX	64.6	170.9	164.5%
CAPEX as % of Turnover	15.9%	41.7%	25.8pp
EBITDA - CAPEX	19.0	-65.4	-
FCF ⁽¹⁾	-15.0	-112.8	-
Gross Debt	459.7	462.8	0.7%
Net Debt	279.5	366.8	31.2%
Net Debt/ EBITDA last 12 months	1.5 x	2.1 x	0.6x
EBITDA/Interest Expenses ⁽²⁾	16.3 x	13.2 x	-3.1x
Debt/(Debt + Shareholders' Funds)	50.9%	39.2%	-11.7pp

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

CAPEX

Consolidated CAPEX was 170.9 million euros in 1H06, including the 105.9 million euros cost of acquiring approximately 11.3 million shares of PT at an average price of 9.38 euros per share. Excluding the impact of this transaction, Consolidated CAPEX would have reached 64.9 million euros, 0.4% higher than in 1H05 and representing 15.8% of Turnover. This underlying level of CAPEX was consistent with Sonaecom's stated growth strategy and reflected investment related to the deployment of the UMTS and HSDPA network, and to the roll-out of the wireline Next Generation Network, namely investments related with customer growth in the ULL broadband business.

Excluding the acquisition of PT shares, 38.2% of total CAPEX was invested in the deployment of UMTS/HSDPA network, 15.6% was invested in the network to support ULL broadband, 15.4% was related to Information Technology/Information Systems investments and 2.3% was capitalized Triple Play development costs.

FCF

Million euros

LEVERED FREE CASH FLOW	1H05	1H06	y.o.y
EBITDA-CAPEX	19.0	-65.4	-
Change in WC	-11.2	-49.5	-
Non Cash Items & Other	-17.8	7.7	-
Operating Cash Flow	-10.0	-107.2	-
Financial results	-4.1	-4.9	-21.4%
Income taxes	-0.9	-0.7	27.7%
FCF	-15.0	-112.8	-

Consolidated FCF in 1H06 was negative 112.8 million euros, mainly explained by the 105.9 million euros investment in acquiring PT shares, and notwithstanding the proceeds from the sale of Enabler. Excluding these extraordinary impacts, FCF would have been negative 28.2 million euros compared a negative 15 million in 1H05. This performance is mainly due to higher investment in working capital.

Capital Structure

Consolidated Gross Debt at the end of June 2006 stood at 462.8 million euros, similar to the level in June 2005. This figure reflects the 150 million euros unsecured privately placed bond issue completed in June 2005. Consolidated liquidity decreased by 84.1 million to 96 million euros, compared to 180.1 million euros at the end of 1H05, reflecting the acquisition of the share capital of PT and the cash inflow from the sale of Enabler. Consolidated Net Debt as at 1H06 stood at 366.8 million euros, an increase of 87.3 million euros compared to end of 1H05.

At the end of 1H06 and compared to end 4Q05, Leverage or Net Debt to annualised EBITDA deteriorated to 2.1x from 1.6x, Gearing or Debt to Equity improved marginally to 39.2% from 39.9%, while Interest Cover improved to 13.2x from 8.9x. Excluding the capital gain and the proceeds from the sale of Enabler, Leverage would have deteriorated to 2.5x, Gearing would have deteriorated marginally to 40.1%, while Interest Cover would have improved to 10.0x.

Net Debt at Sonaecom SGPS stood at 182.8 million euros at the end of 1H06, reflecting a total cash position of 45.2 million euros, external debt of 146.4 million euros and treasury applications made by subsidiaries with Sonaecom of 81.7 million euros.

4. Optimus

4.1. Operational Data

OPTIMUS OPERATIONAL KPI's	1H05	1H06	y.o.y
Customers (EOP) ('000)	2,178.6	2,430.3	11.6%
% Pre-paid Customers	81.9%	80.3%	-1.7pp
Active Customers ⁽¹⁾	1,723.2	1,906.3	10.6%
Net Additions ('000)	49.9	77.1	54.6%
Data as % Service Revenues	10.0%	13.6%	3.6pp
Total #SMS/month/user	27.8	50.4	81.4%
MOU ⁽²⁾ (min.)	110.4	114.2	3.4%
ARPU (euros)	22.0	19.4	-12.1%
ARPM ⁽³⁾ (euros)	0.20	0.17	-15.0%
CCPU ⁽⁴⁾ (euros)	16.4	14.6	-10.6%
SAC&SRC ⁽⁵⁾ ('000 000 euros)	46.6	43.5	-6.6%
Employees ⁽⁶⁾	1,042	1,054	1.2%

(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' investments in commercial activity focused on innovation and growth initiatives continued to show positive results in terms of Customer growth and Customer Revenues, partially offsetting the phased reductions in MTRs and higher pricing competition in the SME segment.

Growth Initiatives

During 1H06, Optimus maintained its focus on innovation, aimed at increasing profitability with the growth of UMTS data services, more refined segmentation and extension of the addressable market. The new products and services launched include: (i) Kanguru Xpress, a new portable broadband internet product based on HSDPA technology priced at 39.9 euros, an upgrade of the Kanguru product with a speed up to 1.8 Mbps, 5 times faster than the 384Kbps of the original product; (ii) Optimus A, a value proposition offer targeting high end residential customers, with exclusive tariffs, free replacement handsets and higher quality customer service; (iii) Low Cost, a roaming service targeting international travellers, with 50% cuts in tariffs and a single tariff

per continent; and (iv) the commercial partnership with Microsoft was extended, with Optimus being the first operator in Europe to offer Push-Email in PDA windows mobile handsets.

Customer Base

Optimus' customer base increased by 11.6% to 2.4 million, at the end of 1H06, compared to 2.18 million at the end of 1H05, with Net Additions of 77.1 thousand. Active customers at the end of 1H06 totalled 1.9 million, which compares to 1.72 million in 1H05, an increase of 183 thousand over 1H05.

The new products launched, particularly Home and Kanguru, were the main drivers of Customer growth at Optimus, with Home continuing to attract new customers and being in line with internal goals and Kanguru performing ahead of expectations and pushing up data usage.

For 1H06, Optimus Customers generated an ARPU of 19.4 euros, down from an ARPU of 22 euros in 1H05, a decrease of 12.1% mainly explained by the impact of the phased reductions in MTRs and the continued decrease of incoming Fixed traffic.

Data Usage

Data Revenues represented 13.6% of Service Revenues in 1H06, an improvement of 3.6pp over 1H05, as the result of Optimus' focus on GPRS and 3G data services and handset offering. Total monthly SMS's per user increased by 81.4%, accounting for 62% of total Data Revenues in 1H06, compared to 74% in 1H05.

Traffic

In 1H06, total traffic¹ was 14.6% higher than that recorded in 1H05, with the Minutes of Use per customer increasing 3.4% to 114.2 minutes, compared to 110.4 minutes in 1H05, 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 11.5% compared to 1H05 incoming fixed traffic.

Mobile Network

During 1H06, both Optimus and Sonaecom Fixed technical teams were fully integrated involving 220 employees from Optimus and 110 employees from Sonaecom Fixed, consistent with the Group's strategy of telecoms integration of management, resources, network and systems. Underlying this strategy has been Sonaecom's aim to create operating efficiencies and cost synergies, as well as to stimulate joint product development and catalyse cross-marketing opportunities between both businesses.

At the beginning of 1H06, Optimus completed a RFP process to improve prices and conditions of the supply of 3G and 3.5G network elements. As a result of this process, Huawei joined Ericsson and Motorola as the main backbone and access network providers for Optimus.

To support the new mobile broadband offerings and guarantee good quality of service, during 1H06 Optimus' continued to invest on extending its network reach and capacity, with the deployment of new UMTS sites. By the end of 1H06, UMTS network covered almost 60% of the population with the delivery of speeds up to 384 kbps, of which 50% has been upgraded with HSDPA technology with bandwidth of up to 1.8 mbps.

New Roaming deals were reached, with Optimus' expanding its international reach to more than 170 countries, of which 33 with 3G roaming coverage and becoming the Portuguese mobile operator with the largest international coverage in GPRS and 3G.

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

4.2. Financial Data

Million euros

OPTIMUS CONSOLIDATED INCOME STATEMENT			
	1H05	1H06	y.o.y
Turnover	298.6	291.2	-2.5%
Service Revenues	277.8	270.5	-2.6%
Customer Revenues	190.1	195.3	2.7%
Operator Revenues	87.7	75.2	-14.3%
Equipment Sales	20.8	20.7	-0.1%
Other Revenues	12.5	18.0	44.1%
Operating Costs	222.7	217.5	-2.3%
COGS	29.3	29.0	-0.7%
Interconnection & Contents	69.1	63.9	-7.5%
Leased Lines & Other Network Operating Costs	22.5	24.8	10.1%
Personnel Costs	23.5	24.7	4.7%
Marketing & Sales	33.9	30.7	-9.6%
Outsourcing Services ⁽¹⁾	24.5	25.4	3.5%
General & Administrative Expenses	13.5	14.1	4.1%
Other Operating Costs	6.2	4.9	-22.2%
Provisions and Impairment Losses	2.5	4.9	94.4%
Service Margin ⁽²⁾	208.7	206.6	-1.0%
Service Margin (%)	75.1%	76.4%	1.2pp
EBITDA	85.9	86.9	1.1%
EBITDA Margin (%)	28.8%	29.8%	1.1pp
Depreciation & Amortization	54.1	57.5	6.1%
EBIT	31.7	29.4	-7.4%
Net Financial Results	-6.6	-6.2	6.1%
Financial Income	0.7	1.4	120.8%
Financial Expenses	7.3	7.7	5.2%
EBT	25.1	23.2	-7.7%
Taxes	1.7	-2.1	-
Net Results	23.4	25.2	7.8%
CAPEX	26.6	47.4	78.5%
CAPEX as % of Turnover	8.9%	16.3%	7.4pp
EBITDA - CAPEX	59.3	39.4	-33.6%
FCF ⁽³⁾	19.5	13.9	-28.7%
Gross Debt	311.8	316.1	1.4%
Net Debt	282.2	215.1	-23.8%
Net Debt/ EBITDA last 12 months	1.5 x	1.3 x	-0.3x
EBITDA/Interest Expenses	17.4 x	16.7 x	-0.7x
Debt/(Debt + Shareholders' Funds)	47.4%	44.5%	-2.8pp

(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 2.7% to 195.3 million euros compared to 190.1 million euros in 1H05, mainly driven by the performance of Home and Kanguru. Service Revenues decreased by 2.6% to 270.5 million euros, as a result of the reduction in Operator Revenues of 14.3% to 75.2 million euros in 1H06 compared to 1H05, resulting in a reduction of 15.6 million euros in Operator Revenues.

EBITDA

EBITDA in 1H06 reached 86.9 million euros, an increase of 1.1% over 1H05, primarily as a result of higher Customer Revenues and despite the decrease in MTRs that led to a reduction of 4.9 million euros in EBITDA compared to 1H05. Total OPEX net of Other Revenues excluding COGS and Marketing & Sales decreased 7,2 million euros in 1H06 compared to 1H05, from 147 million euros to 139,8 million euros, reflecting Optimus' commitment to managing costs and operating efficiencies and notwithstanding the extension of the 3G network, the portfolio of products on offer and the larger client base.

As regards other costs, Interconnection & Content costs were down by 7.5%, due to the benefits of the MTRs cuts and notwithstanding the increase of mobile traffic in the semester; Leased Lines and Network Costs were up by 10.1%, due to the deployment of the 3G and HSDPA network, and resulting higher number of circuits, energy and rental costs; and Outsourcing Services increased by 3.5%, reflecting services provided to Sonaecom Fixed by the Shared Services division, with corresponding revenues included in Other Revenues.

Marketing & Sales including Handset Subsidization costs reached 39 million euros in 1H06, 3.4 million euros less than in 1H05, with subsidization decreasing by 0.2 million euros due to expected one-off discount benefits from Equipment Suppliers. Excluding these discount benefits, subsidization would have been higher than in 1H05, on the back of price promotion campaigns of Handsets and 3G data cards.

5. Sonaecom Fixed

5.1. Operational Data

SONAECOM FIXED OPERATIONAL KPI's	1H05	1H06	y.o.y
Total Services (EOP)	256,981	327,347	27.4%
Direct	26,443	194,240	-
ULL	24,501	192,063	-
Other	1,942	2,177	12.1%
Indirect	230,538	133,107	-42.3%
Voice	124,668	67,770	-45.6%
Internet Broadband	15,229	13,486	-11.4%
Internet Narrowband	90,641	51,851	-42.8%
Total Accesses ⁽¹⁾	n.a.	248,116	n.a.
PSTN/ISDN	n.a.	133,452	n.a.
ULL ADSL	n.a.	101,178	n.a.
Wholesale ADSL	n.a.	13,486	n.a.
Unbundled Central Offices with transmission	107	138	29.0%
Unbundled Central Offices with ADSL2+	70	130	85.7%
Direct access as % Customer Revenues	29.6%	60.7%	31.1pp
Total Voice Traffic ('000 Min.)	571,235	719,827	26.0%
Total Internet Traffic			
Narrowband ('000 Min.)	266,608	139,569	-47.7%
Broadband ('000 Gigabytes)	793	4,514	-
Employees	275	174	-36.7%

(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 continued to expand its ADSL broadband services over ULL, reinforcing its transformation to a direct access business with its current double play offering, which now accounts for approximately 60% of total Services. It has also continued its efforts to lead in the ADSL market, offering both leading products and price competitiveness in the market.

Growth initiatives

Sonaecom Fixed launched a new value added Broadband service, offering up to 20Mbps for a bundled voice and internet service priced at 34.9 euros per month. This new service replaced the previous 16Mbps offer, providing more bandwidth at a very attractive price. With the same purpose, there was also a replacement of the previous 2 Mbps offer with 4Mbps, at the same price of 29.9 euros and unlimited calls to the fixed national network during night time.

During April, Sonaecom Fixed enlarged its Triple Play pilot test to all its double play clients in selected areas, offering them 4 IPTV base packages, with the option to subscribe additional channels and premium channels and including Video on Demand. Although this service is being commercialized to all eligible double play customers, it is still based on a low scale promotional effort.

Customer Base

At the end of 1H06, Sonaecom Fixed Total services amounted to 327.3 thousand, an increase of 27.4% compared to 1H05. The acquisition of direct access services more than compensated for the decline in indirect access customers, with total Direct Services representing close to 59% of Sonaecom Fixed Customer base in 1H06, compared to 10% in 1H05. Average monthly activation rate has been improving substantially since September 2005, with an average ULL monthly activation rate exceeding 16 thousand services in 1H06.

Traffic

Sonaecom Fixed voice traffic increased by 26% in 1H06 to 719.8 million minutes compared to 571.2 million minutes in 1H05, as a result of the growth of the Wholesale traffic by 40.1%, and the increase of Direct Voice traffic by 163%, more than compensating the decrease of the indirect voice traffic of 42%.

5.2. Financial Data

Million euros			
SONAECOM FIXED INCOME STATEMENT			
	1H05	1H06	y.o.y
Turnover	75.2	93.8	24.7%
Service Revenues	75.2	92.7	23.3%
Customer Revenues	38.6	44.8	16.0%
Direct Access Revenues	11.4	27.2	138.9%
Indirect Access Revenues	26.4	16.9	-36.0%
Other	0.7	0.6	-21.3%
Operator Revenues	36.6	48.0	31.1%
Equipment Sales	0.0	1.1	-
Other Revenues	1.7	2.5	48.6%
Operating Costs	80.8	102.9	27.4%
COGS	0.0	1.2	-
Interconnection	37.3	50.7	35.8%
Leased Lines & Other Network Operating Costs	13.2	15.9	19.9%
Personnel Costs	6.9	4.8	-29.8%
Marketing & Sales	7.6	9.9	29.1%
Outsourcing Services ⁽¹⁾	10.7	15.8	48.0%
General & Administrative Expenses	4.6	4.2	-7.5%
Other Operating Costs	0.5	0.4	-13.9%
Provisions and Impairment Losses	0.1	0.4	185.5%
Service Margin ⁽²⁾	37.9	42.1	11.0%
Service Margin (%)	50.4%	44.8%	-5.5pp
EBITDA	-4.0	-7.1	-75.2%
EBITDA Margin (%)	-5.4%	-7.5%	-2.2pp
Depreciation & Amortization	6.9	7.9	15.0%
EBIT	-10.9	-15.0	-37.3%
Net Financial Results	-0.9	-1.3	-36.0%
Financial Income	0.3	0.1	-70.1%
Financial Expenses	1.2	1.4	13.8%
EBT	-11.9	-16.3	-37.2%
Taxes	-1.0	0.0	-
Net Results	-10.9	-16.3	-49.3%
CAPEX	13.0	16.1	24.1%
CAPEX as % of Turnover	17.2%	17.2%	-0.1pp
EBITDA - CAPEX	-17.0	-23.2	-36.2%
FCF ⁽³⁾	-13.0	-36.1	-177.1%
Gross Debt	60.2	87.1	44.7%
Net Debt	47.1	86.7	84.2%
Net Debt/ EBITDA last 12 months	-29.5 x	-4.9 x	24.6x
EBITDA/Interest Expenses	-3.9 x	-5.2 x	-1.3x
Debt/(Debt + Shareholders' Funds)	68.9%	94.4%	25.4pp

(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 1H06 totalled 93.8 million euros, an increase of 24.7% over 1H05, mainly driven by the significant increase in Direct Access Revenues up 138.9% and Wholesale Revenues up 31.1%, which represented 29.3% and 51.8% of Service Revenues, compared to 15.2% and 48.7% in 1H05, respectively. The increased proportion of Direct Access Revenues within total Turnover reflects the shift in strategy initiated, at end of 2004 and on going in 2005 and 2006. Direct Access Revenues accounted for 61% of Customer Revenues in the semester.

EBITDA

Notwithstanding the improvement in top-line performance, Sonaecom Fixed generated an EBITDA loss of 7.1 million euros, compared to a negative 4 million euros in 1H05, due to the costs incurred associated with the aggressive push into Direct Access Broadband services, including: (i) increased Marketing & Sales costs by 29.1% to 9.9 million euros compared to 7.6 million euros in 1H05, as a result of the higher commissions related with the significant level of customer acquisitions; (ii) increased Outsourcing Services by 48% compared to 1H05, driven primarily by the impact of Outsourcing to Optimus Shared Services the Network and ISP services; (iii) higher Network costs due to the number of Central Offices unbundled; (iv) higher Interconnection costs that increased by 35.8% due to higher ULL related Set-Up costs and Monthly Fees, reflecting the larger direct Access Customer base and the increased Voice Traffic in 1H06 compared to 1H05; and (v) margin loss of churned indirect voice and dial-up Internet users. Personnel Costs reduced by 29.8%, explained by the integration of Sonaecom Fixed technical team of 110 employees into Optimus' shared services technical structure.

6. Público

6.1. Operational Data

PÚBLICO OPERATIONAL KPI's	1H05	1H06	y.o.y
Average Paid Circulation ⁽¹⁾	48,923	46,145	-5.7%
Market Share of Advertising (%)	15.0%	15.4%	0.4pp
Employees	362	351	-3.0%

(1) Estimated value updated in the following quarter.

Público had a challenging semester and continued to perform below expectations in its top line and profitability. However, measures are being taken to address the problem and turn around the current performance.

Público's average paid circulation decreased by 5.7%, from an average level of 48,923 units in 1H05 to 46,145 units in 1H06, continuing to suffer from the competitive pressures of tabloid newspapers and free newspapers, as well as the reduction of the size of the press market. According to the latest market figures available, the press market average paid circulation reduced by 18 thousand units in 1Q06 when compared to 1Q05, a declining trend that is expected to continue. Nevertheless, Público's advertising market share was not impacted by circulation performance, reaching 15.4% in 1H06, up 0.4pp when compared to 1H05.

During the semester, Público reoriented its strategy in relation to associated products, focusing on higher margin collections and shared deals to reduce risk. It also continued the effort to increase its offline subscriptions base, namely by implementing door to door distribution in five major Portuguese districts, and online subscription base, where Público is already market leader in both visits and Revenues.

6.2. Financial Data

Million euros

PÚBLICO CONSOLIDATED INCOME STATEMENT	1H05	1H06	y.o.y
Turnover	22.82	19.25	-15.6%
Advertising Sales ⁽¹⁾	8.91	7.87	-11.6%
Newspaper Sales	6.26	6.14	-1.9%
Associated Product Sales	7.66	5.25	-31.5%
Other Revenues	0.28	0.19	-31.9%
Operating Costs	23.67	22.05	-6.8%
COGS	7.23	5.97	-17.5%
Personnel Costs	7.04	7.29	3.5%
Marketing & Sales	1.96	1.45	-26.3%
Outsourcing Services ⁽²⁾	5.32	5.69	7.1%
General & Administrative Expenses	2.08	1.64	-21.3%
Other Operating Costs	0.03	0.02	-46.9%
Provisions and Impairment Losses	0.18	0.05	-73.2%
EBITDA	-0.75	-2.66	-
EBITDA Margin (%)	-3.3%	-13.8%	-10.5pp
Depreciation & Amortization	0.68	0.41	-39.1%
EBIT	-1.43	-3.07	-115.7%
Net Financial Results	-0.12	-0.12	-0.9%
Financial Income	0.00	0.00	-50.0%
Financial Expenses	0.12	0.12	-0.8%
EBT	-1.54	-3.19	-107.0%
Taxes	0.02	0.01	-31.3%
Net Results	-1.56	-3.20	-105.5%
CAPEX	0.49	0.14	-71.4%
CAPEX as % of Turnover	2.1%	0.7%	-1.4pp
EBITDA - CAPEX	-1.23	-2.80	-126.8%
FCF ⁽³⁾	-2.49	-2.96	-18.6%
Gross Debt	6.4	6.8	6.7%
Net Debt	5.8	6.5	11.7%
Net Debt/ EBITDA last 12 months	17.0 x	-1.8 x	-18.8x
EBITDA/Interest Expenses	-6.8 x	-24.6 x	-17.8x
Debt/(Debt + Shareholders' Funds)	334.9%	561.0%	226.1pp

(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 1H06, Turnover decreased by 15.6% to 19.3 million euros, compared to 22.8 million euros in 1H05, mainly driven by the decrease in Associated Product Sales by 31.5%, explained by market competition and saturation, and by a decrease in Advertising Sales of 11.6%, given the retraction of the market Investment in press, reflection of the difficult economic outlook for Portugal.

EBITDA deteriorated to a negative 2.7 million euros, from a negative 0.8 million euros in 1H05, mainly explained by lower Turnover Performance and lower margins for Associated Products, the latter driven by the decrease of Associated Product Sales. This result was achieved notwithstanding the efforts made to reduce Fixed Costs, namely General and Administrative Expenses.

An extensive review of the business is being completed in order to develop an ambitious restructuring process, mainly focused on: (i) reformulating the newspaper; (ii) redesigning the newspaper layout, with the inclusion of more colour; and (iii) rethinking organizational structure and key processes, implementing a cost cutting policy, with major reductions in fixed costs and improvement in internal processes. A task force has been created to develop this plan, including most key managers, and results are expected to materially affect Público's performance as from the 2H06.

7. Software and Systems Integration

7.1. Operational Data

SSI OPERATIONAL KPI's	1H05	1H06	y.o.y
IT Service Revenues/Employee ⁽¹⁾ ('000 euros)	50.2	50.0	-0.4%
Equipment Sales as % Turnover	23.9%	28.6%	4.6pp
Equipment Sales/Employee ⁽²⁾ ('000 euros)	1,041.5	1,201.2	15.3%
EBITDA/Employee ('000 euros) ⁽³⁾	8.4	6.0	-28.5%
Employees	616	643	4.4%

(1) Excluding employees dedicated to Equipment Sales; (2) Bizdirect; (3) EBITDA excluding capital gains from Enabler sale.

SSI IT Service Revenues per employee totalled 50 thousand euros in 1H06, 0.4% below 1H05. Headcount increased by 4.4% to 643 compared to 616 in 1H05, driven by the growth projects at WeDo and the resulting need for more internal consultants. WeDo Group continued to implement its Revenue Assurance product RAID in AIS Thailand, FET Taiwan and Orange France and UK, ended its project in Poland and acquired new RAID projects with AUNA, the Spanish Telecom Operator, and France Telecom. Additionally, and to promote its software applications and develop close relationships with its clients, WeDo created a community of RAID clients, with its first annual RAID user group meeting held on May 2006.

7.2. Financial Data

Million euros			
SSI CONSOLIDATED INCOME STATEMENT	1H05	1H06	y.o.y
Turnover	43.17	46.13	6.9%
Service Revenues	32.84	32.95	0.3%
Equipment Sales	10.32	13.18	27.6%
Other Revenues	0.70	26.91	-
Operating Costs	38.65	43.62	12.9%
COGS	9.84	12.70	29.1%
Personnel Costs	15.83	16.47	4.1%
Marketing & Sales	0.42	0.48	15.1%
Outsourcing Services ⁽¹⁾	7.32	7.96	8.8%
General & Administrative Expenses	4.89	5.86	19.9%
Other Operating Costs	0.36	0.16	-56.9%
Provisions and Impairment Losses	0.06	0.22	-
EBITDA	5.16	29.19	-
EBITDA Margin (%)	12.0%	63.3%	51.3pp
Depreciation & Amortization	1.13	0.84	-25.6%
EBIT	4.04	28.35	-
Net Financial Results	0.43	0.32	-24.2%
Financial Income	0.63	0.44	-30.9%
Financial Expenses	0.21	0.11	-44.7%
EBT	4.46	28.68	-
Taxes	1.01	0.95	-5.8%
Net Results	3.46	27.73	-
CAPEX	0.43	0.33	-23.5%
CAPEX as % of Turnover	1.0%	0.7%	-0.3pp
EBITDA - CAPEX	4.73	28.87	-
FCF ⁽²⁾	0.71	21.84	-
Gross Debt	6.4	0.1	-97.7%
Net Debt	-5.1	-32.0	-
Net Debt/ EBITDA last 12 months	-0.6 x	-1.0 x	-0.4x
EBITDA/Interest Expenses	41.6 x	-	-
Debt/(Debt + Shareholders' Funds)	25.2%	0.3%	-24.8pp

(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.

SSI Turnover increased 6.9% in 1H06 to 46.1 million euros when compared to 1H05, due to: (i) higher Service Revenues, increasing 0.3%, mainly driven by the 7.2% increase in Service Revenues at WeDo Group; and (ii) higher IT equipment sales by 27.6% to 13.2 million euros. In 1H06, Equipment Sales represented 28.6% of Turnover compared to 23.9% in 1H05.

SSI EBITDA, excluding the capital gain of 25.3 million euros from the sale of Enabler, would have decreased by 1.27 million euros to 3.89 million euros in 1H06, from 5.16 million euros in 1H05, mainly explained by the lower EBITDA generated by Wedo and Enabler when compared to the same semester last year. Other Revenues in the semester reached 26.9 million euros, including 25.3 million euros of capital gain with the sale of Enabler.

Consistent with its strategic goals, SSI will continue to seek new growth opportunities, both within its current portfolio of businesses and via acquisitions. In this context, besides the growth initiatives currently being implemented at WeDo, SSI together with other individual shareholders has recently launched Profimetrics, a new IT product company based in Portugal but with a focus on international markets, which will strive to be a leading provider of software products to the retail sector.

8. Other Issues

8.1. Regulatory Developments

- On 1 January 2006 and 1 April 2006, further reductions 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 6.6% to 0.17 euros per minute and by 11.8% to 0.15 euros per minute, down from 0.182 euros per minute and from 0.17 euros per minute; Mobile to Mobile and International Mobile termination rates decreased by 3.8% to 0.125 euros per minute and by 4% to 0.12 euros per minute, down from 0.13 euros per minute and down from 0.125 euros per minute.
- On 5 April 2006 a reduction of the Spectrum fees charged during 2006 was announced, from 2.64 euros per mobile card in 2005, to 2.38 euros per mobile SIM card.
- The EU Commission has announced a complex proposal for reducing EU mobile roaming charges, looking to address both retail and wholesale roaming charges, and reductions are expected to be implemented by 2H07.
- On 13 April 2006, ANACOM approved new conditions for unbundling the local loop, namely a reduction in the monthly fee from 9.72 euros to 8.99 euros, with impact from January 2006 onwards.
- On 13 April 2006, ANACOM released a reference offer on the new terms and conditions of the access to PT's concessionaire ducts, improving significantly the economics underlying the process, based on decreases in the prices charged for installation and maintenance.
- On 21 April 2006, ANACOM approved a price cut reducing PT's leased lines charges on an average by 14%, following the ongoing trend of declining leased lines prices seen in recent years.

8.2. Corporate Development

Public Tender Offer for Portugal Telecom

We reiterate our stated position regarding our Public Tender Offer for Portugal Telecom and continue to believe that our offer of 9.5 euros per share plus a dividend of 0.385 euros per share reflects a full and fair value for PT shareholders.

Our offer is based on estimated mobile synergies that we believe that we can extract from the proposed combination of TMN and Optimus' operations that is expected to generate OPEX and CAPEX savings. In addition, we believe our offer to be well balanced, as it addresses the objectives of all major constituents: (i) PT shareholders, by proposing a full and fair all cash offer; (ii) Competition Authority and consumers, by offering a way to transform overnight the competitive landscape of the wireline and content markets, where PT currently has market

shares of between 80% to 90%; (iii) the Portuguese state, by offering to act as a strong Portuguese controlling shareholder in a strategic national asset, providing alternatives for the existing 'golden share'; and (iv) Employees, by offering long term employment opportunities and career development through clear leadership and a focused growth strategy.

Our stated strategy for the enlarged Sonaecom/PT is clear and is based on five main strategic pillars: (i) strengthening PT's competitiveness within a more competitive Portuguese telecoms market; (ii) reorienting PT's international strategy into a more cohesive portfolio of controlled investments; (iii) implementing a clear commercial, technological and international partnership strategy; (iv) establishing a strong and stable shareholder leadership; and (v) adopting best practices in corporate governance.

The bid to acquire control of Portugal Telecom SGPS SA (PT) is progressing in line with expectations. On 17 May 2006, the Competition Authority announced that it would move into an in-depth investigation of the Offer and, since that, at the Competition Authorities' request, Sonaecom has submitted a proposal of remedies aimed at addressing the competition issues raised.

On May 2006, Sonaecom announced the acquisition of 11.3 million PT shares, representing just over 1% of PT's share capital, purchased at an average price of 9.38 euros per share. This financial investment of 105.9 million euros was held in order to reach the minimum threshold required to obtain the right to information, established in the Portuguese Companies Code, namely the access to PT's shares registry book and list of shareholders.

Sale of Enabler

On 1 June 2006, Sonaecom, together with all other minority shareholders in Retailbox, signed a Sale & Purchase agreement for the sale of 100% of Enabler to Wipro, one of the largest product engineering and support service providers worldwide. On 30 June 2006, the Sale & Purchase Agreement signed was completed and the respective notary deed was executed, with the consequent exclusion of the company from the SSI reporting group as of that date.

The consideration for this sale included an up-front cash payment on completion as well as an earn-out based on the achievement of certain agreed financial targets over a 2 year period, implying a minimum 1.4X EV/Sales and generating a total capital gain of approximately 25.3m euros in Sonaecom's consolidated accounts.

9. Looking Forward

During 2H06, operating priorities will continue to focus on growth at our telecom businesses: at Optimus, we will maintain our focus on innovating and promoting enhanced 3G services (HSDPA) and fixed-mobile substitution, while investing more on Optimus' brand; at Sonaecom Fixed, we will keep growing direct access broadband, both existing double play and our triple play IPTV service, while improving efficiency gains and reducing activation costs. AT SSI, efforts will be focused on growing existing businesses, with particular focus on international focus of WeDo. At Público, we will be focusing on implementing a new strategy for the newspaper that envisages a significant redesign of the newspaper, a major reduction in fixed costs and an improvement in processes.

10. Corporate Governance

A detailed annual Corporate Governance Report is included in Sonaecom's Full Year 2005 Management Report and Accounts available on our website (www.sonae.com). Highlighted below are the main developments that occurred during 1H06 in relation to corporate governance issues.

Board of Directors

The composition of the Board of Directors of Sonaecom underwent the following changes:

- On 8 March 2006, António Borges and Richard O'Toole resigned as Independent Non-Executive Directors of Sonaecom, following the appointment by PT of Goldman Sachs, as one of its advisors for the Public Tender Offer in process, to which both directors are professionally connected.
- On 20 March 2006, David Bain resigned as a Non-Independent Non-Executive Director at Sonaecom, in order to take up the newly created role of Board and Corporate Governance Officer at Sonaecom. In this role, David Bain will have the following main areas of responsibility: Ensuring the smooth running and efficiency of the Board and Board Committees; participating in Board Meetings and relevant Board Committee Meetings and, when relevant, serving as a member of those committees; advising on Board procedures and helping to ensure their implementation; keeping under close review all Legislative, Regulatory and Corporate Governance developments that could affect the Company's operations and ensuring that they are known to the Board and observed by the Company, where applicable.
- At Sonaecom's AGM held on 5 April 2006, following to the resignation of David Bain, Cláudia Azevedo was appointed as an Executive member of the Board of Sonaecom for the remainder of the current Board mandate (2004-2007).
- At an Extraordinary Board Meeting held on 5 July 2006, the Board of Sonaecom approved the co-option of Loyola de Palacio del Valle Lersundi and António Sampaio e Mello as Independent Non-Executive Directors of the Company for the remainder of the current Board mandate (2004-2007). At the same date, following the resignation of Michel Combes, the co-option of Gervais Pellissier as a Non-Independent Non-Executive Director of Sonaecom was also approved, for the same term of office.

The following table presents the current composition of Sonaecom's Board of directors:

Members	Executive	Non-Executive	
		Independent	Non-Independent
CHAIRMAN			
Belmiro Mendes Azevedo			
DIRECTORS			
António Sampaio e Mello			
David Charles Denholm Hobley			
Gervais Gilles Pellissier			
Jean-Francois René Pontal			
Loyola de Palacio del Valle Lersundi			
Duarte Paulo Teixeira de Azevedo (CEO)			
George Christopher Lawrie			
Luís Filipe Campos Dias Reis			
Maria Cláudia Teixeira de Azevedo			
Miguel Nuno Santos Almeida			

Amendment of Articles of Association

At Sonaecom's Annual General Meeting held on 5 April 2006, the Company's Articles of Association were amended to allow Sonaecom to be compliant with CMVM recommendations on Corporate Governance, namely: (i) the time period for blocking shares, prior to Shareholders' General Meetings, was reduced from 8 to 5 working days; and (ii) all restrictions on the ability to vote by correspondence (postal voting) were eliminated, with all the necessary voting forms being made available to all Shareholders on Sonaecom's website.

11. Additional Information

Consolidated Nominal Net Debt before application of IAS 39

Million euros			
CONSOLIDATED NOMINAL DEBT	1H05	1H06	y.o.y
Gross Debt	480.9	479.2	-0.4%
Liquidity	180.1	96.0	-46.7%
Net Debt	300.8	383.3	27.4%
Net Debt/ EBITDA last 12 months	1.6 x	2.1 x	0.5x
Debt/(Debt + Shareholders' Funds)	52.0%	40.1%	-12pp

Optimus Nominal Net Debt before application of IAS 39

Million euros			
OPTIMUS NOMINAL DEBT	1H05	1H06	y.o.y
Gross Debt	329.0	329.0	0.0%
Liquidity	29.6	101.1	-
Net Debt	299.4	227.9	-23.9%
Net Debt/ EBITDA last 12 months	1.6 x	1.4 x	-0.3x
Debt/(Debt + Shareholders' Funds)	48.7%	45.5%	-3.2pp

Reconciliation of Consolidated Net Debt

Million euros				
CONSOLIDATED NET DEBT	Debt ⁽¹⁾	Shareholder Loans	Liquidity	Net Debt
Stand Alone Debt	462.8	229.0	184.5	507.3
Optimus	316.1	0.0	101.1	215.1
Sonaecom Fixed	0.1	87.0	0.4	86.7
Público	0.0	6.8	0.4	6.5
SSI	0.1	0.0	10.9	-10.8
Sonaecom SGPS ⁽²⁾	146.4	81.7	45.2	182.8
Others	0.0	53.6	26.5	27.1
Intra-groups	0.0	229.0	88.5	140.5
Optimus	0.0	0.0	73.4	-73.4
Sonaecom Fixed	0.0	87.0	0.0	87.0
Público	0.0	6.8	0.0	6.8
SSI	0.0	0.0	8.0	-8.0
Sonaecom SGPS	0.0	81.7	6.8	74.8
Others	0.0	53.6	0.3	53.3
Total	462.8	0.0	96.0	366.8

(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)

Shares held by the Board of Directors and respective transactions during 2006

Shares held by the Board of Directors and respective transactions during 2006

		Additions		Reductions		Balance at 30.06.2006
	Date	Quantity	Medium value €	Quantity	Medium value €	Quantity
BOARD OF DIRECTORS						
Belmiro Mendes de Azevedo						
Efanor Investimentos, SGPS, SA (1)						49,999,997
Sonae, SGPS, SA (4)						14,901
Sonaecom, SGPS, SA						75,537
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Imparfin, SGPS, SA (3)						150,000
Sonae, SGPS, SA (4)						596,909
Shares attributed under the Deferred Performance Bonus Plan	11.05.2006	236,318	0.00			
Sonaecom, SGPS, SA						387,342
Shares attributed under the Deferred Performance Bonus Plan	13.03.2006	71,547	0.00			
Maria Cláudia Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Imparfin, SGPS, SA (3)						150,000
Sonae, SGPS, SA (4)						342,287
Shares attributed under the Deferred Performance Bonus Plan	11.05.2006	15,632	0.00			
Sonaecom, SGPS, SA						13,654
George Christopher Lawrie						
Sonaecom, SGPS, SA						208,000
Luís Filipe Campos Dias de Castro Reis						
Sonae, SGPS, SA (4)						-
Shares attributed under the Deferred Performance Bonus Plan	11.05.2006	97,218	0.00			
Sale	12.05.2006			97,218	1.34	
Miguel Nuno Santos Almeida						
Sonae, SGPS, SA (4)						-
Shares attributed under the Deferred Performance Bonus Plan	11.05.2006	39,799	0.00			
Sale	23.05.2006			39,799	1.28	
Sonaecom, SGPS, SA						18,903

Appendix in accordance with article 447 of Código das Sociedades Comerciais

Shares held by the Board of Directors and respective transactions during 2006

Notes:

Notes.

		Additions		Reductions		Balance at 30.06.2006
	Date	Quantity	Valor Md. €	Quantity	Valor Md. €	Quantity
(1) Efanor Investimentos, SGPS, SA						
Sonae, SGPS, SA (4)						658,804,410
Pareuro, BV (2)						20,000
Sonaecom, SGPS, SA						1,000
(2) Pareuro, BV						
Sonae, SGPS, SA (4)						400,000,000
(3) Imparfin, SGPS, SA						
Sonae, SGPS, SA (4)						4,105,273
(4) Sonae, SGPS, SA						
Sonaecom, SGPS, SA						39,362,998
Sonae Investments, BV (5)						40
(5) Sonae Investments, BV						
Sonaecom, SGPS, SA						143,691,198

**Appendix in accordance with article 448 of Código das Sociedades
Comerciais**

	Number of shares as of 30 June 2006
Efanor Investimentos, SGPS, SA	
Sonae, SGPS, SA	658,804,410
Pareuro, BV	20,000
Sonaecom, SGPS, SA	1,000
Pareuro, BV	
Sonae, SGPS, SA	400,000,000
Sonae, SGPS, SA	
Sonaecom, SGPS, SA	39,362,998
Sonae Investments, BV	40
Sonae Investments, BV	
Sonaecom, SGPS, SA	143,691,198
Wirefree Services Belgium, S.A.	
Sonaecom, SGPS, SA	70,276,868

QUALIFYING HOLDINGS

In compliance with sub-paragraph e), of nr 1, of the article 9 of the Securities Market Regulation Board (Regulamento da CMVM) nr 04/2004, we declare the Qualifying Holdings as of 30 June 2006:

Shareholder	Number of shares	% Voting rights
Efanor Investimentos, SGPS, SA	1,000	0.00%
Sonae, SGPS, SA	39,362,998	13.27%
Sonae Investments, BV	143,691,198	48.46%
Belmiro Mendes de Azevedo ^{1, 3, 4}	75,537	0.03%
Duarte Paulo Teixeira de Azevedo ^{1, 3, 4}	387,342	0.13%
Maria Cláudia Teixeira de Azevedo ^{3, 4}	13,654	0.00%
Ângelo Gabriel Ribeirinho dos Santos Paupério ^{1, 2}	60,070	0.02%
Álvaro Carmona e Costa Portela ¹	5,000	0.00%
	<u>183,596,799</u>	<u>61.92%</u>
France Telecom, S.A.		
Wirefree Services Belgium, S.A	70,276,868	23.70%
	<u>70,276,868</u>	<u>23.70%</u>

(1) Member of the Board of Directors of Sonae, SGPS, SA

(2) Member of the Board of Directors of Sonae Investments, BV

(3) Member of the Board of Directors of Efanor Investimentos, SGPS, SA

(4) Member of the Board of Directors of Sonaecom, SGPS, SA

II. CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED BALANCE SHEET FOR THE SEMESTERS ENDED AT 30 JUNE 2006 AND 2005 AND FOR THE YEAR ENDED AT 31 DECEMBER 2005

(Amounts expressed in Euro)

ASSETS	Notes	June 2006	June 2005	December 2005
NON CURRENT ASSETS:				
Tangible assets	1.c), 1.h) and 5	479.308.011	467.709.957	477.432.375
Intangible assets	1.d), 1.e) and 6	168.774.112	176.440.583	175.275.138
Goodwill	1.f) and 7	281.953.432	41.157.983	285.468.452
Financial investments in associated companies	1.b) and 3	800.850	685.668	685.661
Investments available for sale	1.g) and 8	107.800.563	1.207.320	1.207.320
Other non current debtors		1.912.582	2.855.471	1.903.493
Deferred tax assets	1.p) and 9	67.894.760	67.802.268	66.239.165
Other non current assets	1.r), 1.s), 1.w) and 10	3.282.933	3.285.415	1.952.890
Total non current assets		1.111.727.243	761.144.665	1.010.164.494
CURRENT ASSETS:				
Inventories	1.i)	22.115.538	19.719.168	23.212.665
Trade debtors	1.j)	142.541.168	134.126.842	143.573.014
Other current debtors	1.j)	25.936.222	19.499.243	20.660.299
Other current assets	1.r), 1.s) and 1.w)	82.966.160	59.028.604	43.439.057
Investments recorded at fair value through profit or loss	1.g) and 11	658.128	1.276.884	1.321.690
Cash and cash equivalents	1.k) and 12	95.954.523	180.131.703	209.414.711
Total current assets		370.171.739	413.782.444	441.621.436
Total assets		1.481.898.982	1.174.927.109	1.451.785.930
SHAREHOLDERS' FUNDS AND LIABILITIES				
SHAREHOLDERS' FUNDS:				
Share capital		296.526.868	226.250.000	296.526.868
Reserves	1.t)	275.770.092	30.524.473	273.093.218
Consolidated net income/(loss) for the period		24.276.119	5.802.710	2.156.198
		596.573.079	262.577.183	571.776.284
Minority interests		120.347.842	180.744.451	115.163.114
Total Shareholders' Funds		716.920.921	443.321.634	686.939.398
LIABILITIES:				
NON CURRENT LIABILITIES:				
Medium and long-term loans - net of short-term portion	1.l), 1.m) and 13	458.261.584	453.218.212	455.863.338
Other non current creditors		9.596.144	3.426.585	9.698.642
Other non current financial liabilities	1.h) and 14	1.803.449	2.526.480	1.886.588
Provisions for other liabilities and charges	1.o) and 15	14.115.070	2.848.832	5.092.476
Other non current liabilities	1.r), 1.s), 1.w) and 24	7.785.528	7.798.412	8.077.712
Total non current liabilities		491.561.775	469.818.521	480.618.756
CURRENT LIABILITIES:				
Short-term loans and other loans	1.l), 1.m) and 13	674.985	780.677	54.420
Trade creditors		132.108.646	127.568.953	143.303.460
Other current financial liabilities	1.h) and 16	2.019.581	3.153.122	3.257.037
Other creditors		18.456.507	21.511.793	18.798.148
Other current liabilities	1.r), 1.s), 1.w) and 24	120.156.567	108.772.409	118.814.711
Total current liabilities		273.416.286	261.786.954	284.227.776
Total Shareholders' Funds and liabilities		1.481.898.982	1.174.927.109	1.451.785.930

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

The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Belmiro Mendes de Azevedo

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT BY NATURE

FOR THE QUARTERS AND THE SEMESTERS ENDED AT 30 JUNE 2006 AND 2005 AND FOR THE YEAR ENDED AT 31 DECEMBER 2005

(Amounts expressed in Euro)

	Notes	June 2006	April to June 2006 (Not audited)	June 2005	April to June 2005 (Not audited)	December 2005
Operating revenues:						
Sales		44.001.799	26.640.704	43.245.739	26.445.159	102.297.934
Services rendered		365.542.003	186.007.611	362.640.604	182.574.749	741.162.926
Other operating revenues	4 e)	28.541.252	27.271.705	2.332.657	1.037.897	5.826.910
Total operating revenues		438.085.054	239.920.020	408.219.000	210.057.805	849.287.770
Operating costs:						
Cost of sales		(46.719.573)	(30.715.310)	(45.033.277)	(27.333.626)	(114.924.806)
External supplies and services	17	(222.132.082)	(110.489.063)	(216.583.518)	(111.065.467)	(454.823.366)
Staff expenses		(52.943.608)	(25.925.013)	(52.814.875)	(26.462.101)	(102.848.384)
Depreciation and amortisation	5, 6 and 7	(66.297.166)	(33.805.775)	(62.523.619)	(30.847.154)	(128.222.823)
Provisions and impairment losses	1.o), 1.v) and 15	(5.605.475)	(3.740.132)	(3.023.960)	(1.319.259)	(7.770.367)
Other operating costs	1.v)	(5.200.846)	(2.589.843)	(7.151.654)	(4.273.802)	(12.044.965)
Total operating costs		(398.898.750)	(207.265.136)	(387.130.903)	(201.301.409)	(820.634.711)
Net operating income/(expenses)		39.186.304	32.654.884	21.088.097	8.756.396	28.653.059
Gains and losses in associated companies	18	(34.809)	(63.575)	-	-	-
Other financial expenses	1.m), 1.n), 1.u), 1.v and 18	(10.849.861)	(5.431.023)	(7.820.638)	(3.837.026)	(17.857.418)
Other financial income	1.n), 1.u), 1.v and 18	3.165.769	1.314.184	2.013.980	796.254	4.766.660
Current income/(loss)		31.467.403	28.474.470	15.281.439	5.715.624	15.562.301
Income taxation	1.p), 9 and 19	1.099.512	(1.111.862)	(1.748.121)	(1.314.216)	(4.008.288)
Consolidated net income/(loss) of the period		32.566.915	27.362.608	13.533.318	4.401.408	11.554.013
Attributed to:						
Shareholders of parent company		24.276.119	24.129.535	5.802.710	1.154.848	2.156.198
Minority interests		8.290.796	3.233.073	7.730.608	3.246.560	9.397.815
Earnings per share						
Including discontinued operations						
Basic		0,11	0,09	0,06	0,02	0,05
Diluted		0,11	0,09	0,06	0,02	0,05
Excluding discontinued operations						
Basic		0,11	0,09	0,06	0,02	0,05
Diluted		0,11	0,09	0,06	0,02	0,05

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

The Chief Accountant

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

CONSOLIDATED CHANGES IN SHAREHOLDERS' FUNDS

FOR THE SEMESTERS ENDED AT 30 JUNE 2006 AND 2005

(Amounts expressed in Euro)

	2006							Minority interests	Net income/(loss)	Total
	Share capital	Legal reserves	Share premium	Other reserves	Hedging reserves	Fair value reserves	Total reserves			
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 semester ended 30 June 2006	-	-	-	-	-	-	-	-	24.276.119	24.276.119
Fair value reserves	-	-	-	-	-	605.213	605.213	-	-	605.213
Adjustments in foreign currency translation reserves and others	-	-	-	(84.537)	-	-	(84.537)	-	-	(84.537)
Balance at 30 June 2006	296.526.868	559.078	499.633.160	(225.027.359)	-	605.213	275.770.092	-	24.276.119	596.573.079
<u>Minority interests</u>										
Balance at 31 December 2005	-	-	-	-	-	-	-	115.163.114	-	115.163.114
Minority interests on results	-	-	-	-	-	-	-	8.290.796	-	8.290.796
Sales of group companies	-	-	-	-	-	-	-	(3.035.780)	-	(3.035.780)
Other changes	-	-	-	-	-	-	-	(70.288)	-	(70.288)
Balance at 30 June 2006	-	-	-	-	-	-	-	120.347.842	-	120.347.842
Total	296.526.868	559.078	499.633.160	(225.027.359)	-	605.213	275.770.092	120.347.842	24.276.119	716.920.921

	2005							Minority interests	Net income/(loss)	Total
	Share capital	Legal reserves	Share premium	Other reserves	Hedging reserves	Fair value reserves	Total reserves			
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 semester ended 30 June 2005	-	-	-	-	-	-	-	-	5.802.710	5.802.710
Transfer of premiums and reserves to cover accumulated losses	-	-	(78.641.576)	78.641.576	-	-	-	-	-	-
Hedging reserves (Swaps)	-	-	-	-	61.021	-	61.021	-	-	61.021
Adjustments in foreign currency translation reserves and others	-	-	-	58.609	-	-	58.609	-	-	58.609
Balance at 30 June 2005	226.250.000	114.360	257.177.965	(226.459.718)	(308.134)	-	30.524.473	-	5.802.710	262.577.183
<u>Minority interests</u>										
Balance at 31 December 2004	-	-	-	-	-	-	-	183.919.719	-	183.919.719
Hedging reserves (Swaps)	-	-	-	-	-	-	-	63.353	-	63.353
Minority interests on results	-	-	-	-	-	-	-	7.730.608	-	7.730.608
Minority changes and others	-	-	-	-	-	-	-	(10.969.229)	-	(10.969.229)
Balance at 30 June 2005	-	-	-	-	-	-	-	180.744.451	-	180.744.451
Total	226.250.000	114.360	257.177.965	(226.459.718)	(308.134)	-	30.524.473	180.744.451	5.802.710	443.321.634

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

SONAE COM, S.G.P.S., S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SEMESTERS ENDED AT 30 JUNE 2006 AND 2005

(Amounts expressed in Euro)

	<u>30 June 2006</u>		<u>30 June 2005</u>
Operating activities			
Receipts from trade debtors	396.893.901		426.043.977
Payments to trade creditors	(279.533.967)		(312.556.251)
Payments to employees	(64.071.833)		(60.286.263)
Cash flows from operating activities	<u>53.288.101</u>		<u>53.201.463</u>
Payments/receipts relating to income taxes, net	(1.292.522)		451.523
Other payments/receipts relating to operating activities, net	(18.119.897)		16.984.838
Cash flows from operating activities (1)	<u>33.875.682</u>	33.875.682	<u>70.637.824</u>
Investing activities			
Receipts from:			
Loans obtained	10		-
Investments	26.425.917		-
Tangible assets	2.141.331		1.468.251
Intangible assets	7.118		293.686
Investment Subsidies	-		121.526
Interest and similar income	3.710.968	32.285.344	1.715.229
Payments for:			
Investments	(106.702.871)		(21.902.836)
Tangible assets	(52.528.878)		(58.612.745)
Intangible assets	(7.706.019)	(166.937.768)	(86.148.065)
Cash flows from investing activities (2)	<u>(134.652.424)</u>		<u>(82.549.372)</u>
Financing activities			
Receipts from:			
Loans obtained	-	-	145.902.945
Payments for:			
Interest and similar expenses	(8.591.417)	(8.591.417)	(5.772.255)
Cash flows from financing activities (3)	<u>(8.591.417)</u>		<u>140.130.690</u>
Net cash Flows (4)=(1)+(2)+(3)	<u>(109.368.159)</u>		<u>128.219.142</u>
Effect of the foreign exchanges	47.903		(250.716)
Cash and cash equivalents at the beginning of the year	<u>(204.695.600)</u>		<u>(51.554.271)</u>
Cash and cash equivalents at end of the year	<u>95.279.538</u>		<u>180.024.129</u>

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

Chief Accountant

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SEMESTERS ENDED AT 30 JUNE 2006 AND 2005

(Amounts expressed in Euro)

	<u>2006</u>	<u>2005</u>
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	Sales	
Sale of Sonae Indústria,S.G.P.S., S.A.shares	211.445	-
Delivery of Sonae SGPS, S.A. Shares	669.088	-
Delivery of Sonae Indústria, S.G.P.S., S.A.shares	203.397	-
Retailbox BV	<u>25.341.987</u>	<u>-</u>
	<u>26.425.917</u>	<u>-</u>
2 - Details of cash and cash equivalents		
Cash in hand	31.510	292.384
Cash at bank	28.323.530	7.515.826
Treasury applications	67.599.483	172.323.493
Overdrafts	<u>(674.985)</u>	<u>(107.574)</u>
Cash and cash equivalents	95.279.538	180.024.129
Overdrafts	674.985	107.574
Cash assets	95.954.523	180.131.703
The difference between Cash and cash equivalents at 31 December 2005 and Cash and cash equivalents at the beginning of the semester 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.		(3.557.879)
Enabler Brasil, Lda.		(116.001)
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 June 2006		(204.695.600)
3 - Description of non monetary financing activities		
a) Bank credit granted and not used	225.411.176	227.273.167
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	63.239.401	(43.623.522)	(5.695.020)	(932.603)
Rede Fixa e Internet	(9.063.607)	(14.134.063)	(84.501)	(63.248)
Multimédia	(1.570.489)	(170.448)	(15.128)	60.722
Sistemas de Informação	(7.276.438)	26.377.834	(26.810)	21.712.942
Outras	(11.453.185)	(103.102.225)	(2.769.958)	(130.145.972)
	<u>33.875.682</u>	<u>(134.652.424)</u>	<u>(8.591.417)</u>	<u>(109.368.159)</u>

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

Chief Accountant

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements at 30 June 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.

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 June 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 are 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	
	<u>30.06.06</u>	<u>Average</u>	<u>30.06.05</u>	<u>Average</u>
Pounds Sterling	1.44488	1.45569	1.48324	1.45814
Brazilian Real	0.35934	0.37180	0.35101	0.30319

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 June 2006, all plans were 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 June 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: SONAE COM, 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)		-	-
Exit Travel – Agência de Viagens e Turismo Online, S.A. ("Exit")	Maia	Internet travel, tourism and leisure agency.	Sonaecom	(Sold)		75%	75%
Mainroad – Serviços em Tecnologias de Informação, S.A. ("Mainroad")	Maia	Rendering of consultancy services in IT areas.	Novis 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.	Sonaecom	100%	100%	100%	100%
Sonae Telecom, S.G.P.S., S.A. ("Sonae Telecom")	Maia	Management of shareholdings in the area of mobile telecommunications.	Sonaecom	100%	100%	100%	100%
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.	Sonaecom	100%	100%	100%	100%
Sonaecom BV (c)	Amsterdam	Management of shareholdings	Sonaecom	100%	100%	-	-
Sonaetelecom BV	Amsterdam	Management of shareholdings.	Sonaecom	100%	100%	100%	100%
We Do Consulting – Sistemas de Informação, S.A. ("We Do")	Maia	Rendering of consultancy services in the area of software, including systems integration.	Sonae.com Sistemas de Informação	96.71%	96.71%	100%	100%
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%	96.60%	99.89%	99.89%
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%

* Sonaecom 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, Sonaecom only controls 49.06% of the shares in Optimus (69.24% in June 2006), it has 55.11% of the voting rights in that subsidiary (65.20% in June 2006).

3. Investments in associated companies

At 30 June 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:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held				Book value	
				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%	714,425	685,668
Profimetrics – Software Solutions, S.A. (Profimetrics) (b)	Maia	Development of software solutions to optimize the retail sales	Sonae.com Sistemas de Informação	30%	30%	-	-	86,425	-
Global S – Centro Comercial, Lda.	Matosinhos	Information technology services to promote and manage multimedia stores. Operation of shopping centres (Global Shop).	Global S			2.4%	0.8%	-	(c)
			Global S 24	(Sold)		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)
								800,850	685,668

* 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 semesters ended 30 June 2006 and 2005 the following changes occurred in the composition of the Group:

4.a) Acquisitions

2006				
Purchaser	Subsidiary	Date	% acquired	Current % Shareholding
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%

As a result of the above mentioned acquisition, additional Goodwill of Euro 159,039 was recorded (Note 7).

2005				
Purchaser	Subsidiary	Date	% acquired	Current % Shareholding
Sonae Telecom	Optimus	Mar-05	2.77%	49.06%
Retailbox	Enabler	Apr-05	1.2%	98.5%
Sonaetelecom BV	Retailbox	May-05	7%	71%

As a result of the above mentioned acquisitions, additional Goodwill of Euro 9,549,208 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) Increases in 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%

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

2006				
Shareholder	Subsidiary	Date	Amount	% Shareholding
Público	M3G	Mar-06	119,669	100%
Sonaecom	Sonae Matrix	Mar-06	18,412,208	100%
Sonaecom	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%
Sonaecom	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%
Sonaecom	Sonae.com SI	Mar-06	25,421,587	100%

4. d) Cash contributions to cover accumulated losses

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

4. e) Sales

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

The sale of Retailbox BV generated a gain in Sonaecom group of 25,341,987 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
Non current assets:	734,491

Trade debtors	4,822,693
Other current debtors	1,802,825
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:	13,676,074

Trade creditors	(660,626)
Other creditors	(1,730,239)
Other liabilities	(4,186,686)
Liabilities:	(6,577,551)

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

Sale price	33,239,453
Gain	25,341,987

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

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, in 2005 occurred the merger by incorporation of Clixgest – Internet e Conteúdos, S.A. into Novis Telecom, S.A.. effective for accounting purposes as of 1 January 2005.

5. Tangible Assets

The movement in tangible assets and corresponding accumulated depreciation and impairment losses in the semesters ended 30 June 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
GROSS ASSETS:								
Balance at 31 December 2005	1,391,593	193,802,186	669,946,802	168,785	132,463,176	1,046,912	2,769,153	11,914,444
Companies no longer consolidated (Note 4 e))	-	-	(2,414,413)	(89,507)	(546,614)	-	(268,965)	-
Additions	-	8,024,689	2,250,616	40,875	1,412,518	1,176	11,880	44,469,786
Disposals	-	(612,577)	(252,961)	(60,357)	(312,282)	(2,933)	(1,763)	(180,317)
Transfers and write-offs	-	7,407,372	34,792,398	6,351	2,448,627	650	8,267	(45,645,517)
Balance at 30 June 2006	1,391,593	208,621,670	704,322,442	66,147	135,465,425	1,045,805	2,518,572	10,558,396
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:								
Balance at 31 December 2005	-	89,408,263	350,360,883	102,913	93,059,285	1,010,003	2,129,329	-
Companies no longer consolidated (Note 4 e))	-	-	(2,109,812)	(18,153)	(366,872)	-	(253,855)	-
Depreciation for the semester	-	9,462,724	34,474,772	10,844	7,893,439	7,416	224,507	-
Impairment losses in the semester	-	-	-	-	(11,278)	-	(4,451)	-
Disposals	-	(64,544)	(131,294)	(42,697)	(191,398)	(2,933)	(558)	-
Transfers and write-offs	-	(44,635)	(103,589)	2,703	(76,736)	(43)	(42,194)	-
Balance at 30 June 2006	-	98,761,808	382,490,960	55,610	100,306,440	1,014,443	2,052,778	-
Net Value	1,391,593	109,859,862	321,831,482	10,537	35,158,985	31,362	465,794	10,558,396

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
Additions	-	368,221	4,288,727	51,653	414,181	1,450	186,125	31,456,212	36,766,569
Disposals	-	(140,367)	(304,279)	(43,145)	(1,251,277)	-	(15,915)	(962,719)	(2,717,702)
Transfers and write-offs	-	6,987,548	23,472,549	7,663	8,130,178	-	9,880	(36,695,305)	1,912,513
Balance at 30 June 2005	1,391,593	178,724,674	645,401,090	146,460	127,034,094	1,205,131	3,000,646	2,955,933	959,859,621
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
Depreciation for the semester	-	8,225,495	30,913,418	5,328	8,757,727	22,698	281,834	-	48,206,500
Impairment losses in the semester	-	-	-	-	-	-	-	-	-
Disposals	-	(34,032)	(174,205)	(6,685)	(1,206,449)	-	(15,915)	-	(1,437,286)
Transfers and write-offs	-	114,253	(15,164,460)	3,099	19,371,031	(3,219)	(30,114)	-	4,290,590
Balance at 30 June 2005	-	79,317,133	319,538,520	111,656	89,899,953	1,160,461	2,121,941	-	492,149,664
Net Value	1,391,593	99,407,541	325,862,570	34,804	37,134,141	44,670	878,705	2,955,933	467,709,957

The additions to Fixed assets in the first semester 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 June 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 12,110,102 and Euro 12,814,095 as of 30 June 2006 and 2005, respectively and their net book value as of those dates amounted to Euro 6,253,457 and Euro 6,278,593, respectively.

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

	2006	2005
Development of mobile network	3,634,582	1,227,571
Development of fixed network	4,425,402	1,288,307
Information systems	2,355,943	220,733
Other projects in progress	142,469	219,322
	10,558,396	2,955,933

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

	2006	2005
Technical investments	32,897,152	22,450,524
Investments in information systems	11,661,328	3,836,754
	44,558,480	26,287,278

6. Intangible assets

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

	2006			
	Brands and patents	Software	Intangible assets in progress	Total
GROSS ASSETS:				
Balance at 31 December 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	19,539	100,420	7,512,202	7,632,161
Disposals	(6,853)	(16,480)	(426,892)	(450,225)
Transfers and write-offs	19,648	5,435,555	(4,783,253)	671,950
Balance at 30 June 2006	147,155,466	177,558,457	9,387,401	334,101,324
ACCUMULATED DEPRECIATION AND IMPAIEMENT LOSSES:				
Balance at 31 December 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 semester	6,639,893	7,583,571	-	14,223,464
Disposals	(1,725)	(823)	-	(2,548)
Transfers and write-offs	(15,778)	108,982	-	93,204
Balance at 30 June 2006	25,083,591	140,243,621	-	165,327,212
Net value	122,071,875	37,314,836	9,387,401	168,774,112

	2005				
	Brands and patents	Software	Others	Intangible assets in progress	Total
GROSS ASSETS:					
Balance at 31 December 2004	145,655,058	159,789,572	638,200	6,141,825	312,224,655
Additions	45,145	68,398	-	5,823,604	5,937,147
Disposals	(21,000)	(198,168)	(441,464)	(278,516)	(939,148)
Transfers and write-offs	165	3,924,334	-	(7,086,146)	(3,161,647)
Balance at 30 June 2005	145,679,368	163,584,136	196,736	4,600,767	314,061,007
ACCUMULATED DEPRECIATION AND IMPAIEMENT LOSSES:					
Balance at 31 December 2004	5,186,364	122,823,729	270,594	-	128,280,687
Amortisation for the semester	6,460,146	7,824,114	32,859	-	14,317,119
Disposals	-	(53,520)	(171,682)	-	(225,202)
Transfers and write-offs	56,762	(4,775,538)	(33,404)	-	(4,752,180)
Balance at 30 June 2005	11,703,272	125,818,785	98,367	-	137,620,424
Net value	133,976,096	37,765,351	98,369	4,600,767	176,440,583

As at 30 June 2006 and 2005, the Group has recorded under the heading 'Intangible assets' an amount of Euro 121,385,508 and Euro 141,616,417, respectively, that correspond to the investments net of depreciations made in the development of the UMTS network, including Euro 85,508,211 (amount of Euro 94,509,075 in 2005) related to the license and Euro 28,571,428 (amount of Euro 31,578,947 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 June 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 June 2006 and 2005 such expenses amounted to Euro 12,678,245 and Euro 12,186,531, respectively. The amount capitalised on the periods ended 30 June 2006 and 2005 were Euro 224,644 and Euro 184,021, respectively. An interest capitalization rate of 3.363% was used in 2006 (3.015% in 2005), which corresponds to the average interest rate supported by the Group.

7. Goodwill

At 30 June 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))	159,039	9,549,208
Companies no longer consolidated (Note 4. e.))	(3,674,059)	-
Others	-	(5,355)
Net value	281,953,432	41,157,983

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

Goodwill at 30 June 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	-
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	-
		<u>281,953,432</u>	<u>41,157,983</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 June 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.	106,593,243	-	106,593,243	-	-	-
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>110,339,792</u>	<u>(2,539,229)</u>	<u>107,800,563</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 June 2006 and 2005, in the amount of Euro 67,894,760 and Euro 67,802,268, 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 semesters ended 30 June 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	(6,968,915)	(5,897,227)
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	71,829
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	4,400,000
Temporary differences between the tax and accounting value of fixed assets	(538,293)	-
Others	-	(7.693)
Sub-total (Note 19)	<u>1,778,487</u>	<u>(891,672)</u>
Others (Retailbox sub-Group Sale) (Note 4 e))	(122,892)	-
Closing balance	<u><u>67,894,760</u></u>	<u><u>67,802,268</u></u>

The heading Tax losses carried forward is comprised mainly by the movements in the subsidiaries Optimus (utilisations of circa Euro 6,563,000 and Euro 6,460,000 – negative amounts- on 30 June 2006 and 2005, respectively) and Novis (recognition of a positive amount of Euro 979,624 on 30 June 2005).

At 30 June 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 June 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 June 2006 were as follows:

Nature	Optimus	We Do	Público	Total
Tax losses:				
To be used until 2007	-	-	531,390	531,390
To be used until 2008	3,955,344	637,592	724,680	5,317,616
To be used until 2009	5,033,634	257,725	57,224	5,348,583
To be used until 2010	-	66,882	-	66,882
	8,988,978	962,199	1,313,294	11,264,471
Provisions not accepted for tax purposes	9,247,469	256,806	165,014	9,669,289
Adjustments in the conversion to IAS/IFRS	30,872,506	(46,480)	29,871	30,855,897
Temporary differences between the tax and accounting value of fixed assets	16,105,103	-	-	16,105,103
Total	65,214,056	1,172,525	1,508,179	67,894,760

At 30 June 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	102,043,409	105,866,038
Temporary differences (mainly provisions not accepted for tax purposes)	23,145,305	25,865,447
Adjustments in the conversion to IAS/IFRS	2,584,540	4,182,739
	127,773,254	135,914,224

During the semesters ended 30 June 2006 and 2005, the effective rate used for calculating the income tax was 3.49% (negative) and 11.4%(positive), respectively, and could be summarized as follows:

	<u>2006</u>	<u>2005</u>
Earning before taxes	31,467,403	15,281,439
Income tax rate (27.5%)	(8,653,536)	(4,202,396)
Deferred taxes assets not recognised in the individual accounts and/or resulting from consolidation adjustments	(7,826,894)	(2,558,973)
Adjustments to taxable income of the current year	9,518,235	613,248
Deferred taxes assets not recognised in previous years	8,600,000	4,400,000
Temporary differences between the tax and accounting value of assets	(538,293)	-
Income taxation recorded in the semester	<u>1,099,512</u>	<u>(1.748.121)</u>
Effective tax rate	(3.49%)	11.4%

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 June 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	-	150,000	-	-	-
Rádio Nova	118,500	(118,500)	-	118,500	(118,500)	-
Net Mall	-	-	-	844,140	(844,140)	-
	<u>268,500</u>	<u>(118,500)</u>	<u>150,000</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)	3,132,933	-	3,132,933	3,285,415	-	3,285,415
	<u>3,132,933</u>	<u>-</u>	<u>3,132,933</u>	<u>3,285,415</u>	<u>-</u>	<u>3,285,415</u>
	<u>3,401,433</u>	<u>(118,500)</u>	<u>3,282,933</u>	<u>4,272,371</u>	<u>(986,956)</u>	<u>3,285,415</u>

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

The associated companies Net Mall and Rádio Nova/SIRS 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 semesters ended 30 June 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)	159,583	(67,205)
Balance at closing of the period	658,128	1,276,884

As at 30 June 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 June 2005).

12. Cash and cash equivalents

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

	2006	2005
Cash	31,510	292,384
Bank deposits repayable on demand	28,323,530	7,515,826
Treasury applications	67,599,483	172,323,493
Cash and cash equivalents	95,954,523	180,131,703
Bank overdrafts (Note 13)	(674,985)	(107,574)
	95,279,538	180,024,129

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

	2006	2005
<u>Funds placed in Sonae:</u>		
Sonaecom	38,323,004	143,450,004
<u>Bank term deposits:</u>		
Optimus	25,945,000	10,550,000
WEDO Brasil	2,306,479	839,996
Mainroad	360,000	320,000
Público	100,000	500,000
Digitmarket	90,000	300,000
Novis	80,000	1,970,000
We Do	80,000	90,000
Enabler	-	633,493
Sonaecom	-	13,250,000
Sonae.com SI	-	200,000
Others	315,000	220,000
	67,599,483	172,323,493

During the first semester of 2006, the treasury applications were remunerated at market rates, between 1,94% and 3,35%.

13. Loans

At 30 June 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	-	-	-	(3,598,880)	(4,035,938)
					146,401,120	145,964,062
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	-	-	-	(12,852,153)	(17,204,050)
	Fair value of swaps	-	-	-	254,417	-
					311,860,464	307,254,150
					458,261,584	453,218,212

(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	674,985	107,574
Optimus	-	Fair values of swaps	-	673,103
			674,985	780,677

During the year ended 31 December 2005, the amounts related to the fair value of swaps were reclassified from Current to Non current liabilities.

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 June 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 June 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)	(254,417)	-
					3.68% (a)	-	(440,456)
Optimus	European Investment Bank	50,000,000	Sep-05	Euribor 3m	2.64%	-	(66,929)
Optimus	European Investment Bank	50,000,000	Dec-05	Euribor 3m	2.77%	-	(165,718)
155,000,000						(254,417)	(673,103)

(a) This rate corresponds to the cap (maximum rate) contracted and effective until September 2006. The rate effectively paid corresponds to the simple average of the 2 year swap rates verified during the period (3.53% 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 June 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	1,803,449	852,918
Clix (France Telecom)	-	1,673,562
	1,803,449	2,526,480

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

	Lease payments	Present value of lease payments
2006	1,618,942	1,555,377
2007	1,015,597	927,214
2008	683,590	635,427
2009	475,657	456,565
2010	228,719	220,614
2011	27,909	27,833
	<u>4,050,414</u>	<u>3,823,030</u>
Interest	(227,384)	-
	3,823,030	3,823,030
Short term liability (Note 16)	-	(2,019,581)
	3,823,030	1,803,449

15. Provisions and accumulated impairment losses

The movements in provisions and accumulated impairment losses in the semester ended 30 June 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)	-	2,118,274	(4,794,598)	(94,679)	61,975,574
Accumulated impairment losses on inventories	7,134,249	-	-	1,535,000	(1,365,375)	-	7,303,874
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	-	-	-	(868,456)	-	118,500
Provisions for other liabilities and charges	5,092,476	(339,409)	238,465	9,495,821	(296,183)	(76,100)	14,115,070
	<u>80,804,589</u>	<u>(498,263)</u>	<u>238,465</u>	<u>13,149,095</u>	<u>(7,470,860)</u>	<u>(170,779)</u>	<u>86,052,247</u>

Increase of 'Provisions for other liabilities and charges' includes the amount of Euro 7,543,620 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 5,605,875.

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 June 2006 this caption includes the amount of Euro 2,019,581 (Euro 3,153,122, in 2005) related to the short term portion of lease contracts (Note 14).

17. External supplies and services

‘External supplies and services’ for the semesters ended 30 June 2006 and 2005 are made up as follows:

	2006	2005
Interconnection costs	98,017,047	95,638,181
Commissions	27,517,216	24,381,367
Advertising and publicity	14,559,508	19,144,379
Leased lines	10,098,321	10,360,046
Other supplies and services	71,939,990	67,059,545
	<u>222,132,082</u>	<u>216,583,518</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 semesters ended 30 June 2006 and 2005 are made up as follows:

	2006	2005
Financial results related to associated companies:		
Losses on associated companies	(63,575)	-
Gains on associated companies	28,766	-
	(34,809)	-
Other financial expense:		
Interest expense	(7,980,293)	(5,122,470)
Adjustments to fair value on investments recorded at fair value through profit and loss (Note 11)	(16,875)	(67,205)
Foreign exchange losses	(89,956)	(118,124)
Other financial results	(2,762,737)	(2,512,839)
	(10,849,861)	(7,820,638)
Other financial income:		
Interest income	2,750,475	1,556,968
Foreign exchange gains	153,844	410,748
Adjustments to fair value on investments recorded at fair value through profit and loss (Note 11)	176,458	-
Other financial income	84,992	46,264
	3,165,769	2,013,980

‘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 semesters ended 30 June 2006 and 2005 are made up as follows (costs/gains):

	2006	2005
Current tax	(678,975)	(856,449)
Deferred tax (Note 9)	1,778,487	(891,672)
	1,099,512	(1,748,121)

20. Related parties

During the semesters ended 30 June 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 June 2006 and 2005 were as follows:

Balances at 30 June 2006:	Accounts receivable	Accounts payable	Treasury applications	Accruals	Loans obtained
Sonae	31,271	20,715	38,323,004	23,146	-
Modelo Continente					
Hipermercados, S.A.	2,378,953	286,486	-	(776,376)	-
France Telecom	3,127,725	4,435,743	-	157,382	-
Sonae Investments BV	126,218	-	-	(6,815,657)	-
	<u>5,664,167</u>	<u>4,742,944</u>	<u>38,323,004</u>	<u>(7,411,505)</u>	<u>-</u>

Balances at 30 June 2005:	Accounts receivable	Accounts payable	Treasury applications	Accruals	Loans obtained
Sonae	53,285	3,294	143,450,004	316,088	-
Modelo Continente					
Hipermercados, S.A.	3,134,338	451,296	-	(1,129,294)	-
France Telecom	1,544,396	4,135,112	-	(81,008)	1,673,562
Sonae Investments BV	-	-	-	(5,675,742)	-
	<u>4,732,019</u>	<u>4,589,702</u>	<u>143,450,004</u>	<u>(6,569,956)</u>	<u>1,673,562</u>

Transactions at 30 June 2006:	Sales and services rendered	Supplies and services received	Interest and similar income	Interest and similar expense
Sonae	162,449	265,681	2,004,921	2,621
Modelo Continente				
Hipermercados, S.A.	7,174,817	909,755	-	-
France Telecom	1,548,992	3,276,361	-	-
	<u>8,886,258</u>	<u>4,451,797</u>	<u>2,004,921</u>	<u>2,621</u>

Transactions at 30 June 2005:	Sales and services rendered	Supplies and services received	Interest and similar income	Interest and similar expense
Sonae	165,680	82,293	294,244	-
Modelo Continente				
Hipermercados, S.A.	3,584,367	577,499	-	-
France Telecom	1,901,052	4,717,055	-	35,246
	<u>5,651,099</u>	<u>5,376,847</u>	<u>294,244</u>	<u>35,246</u>

21. Guarantees provided to third parties

Guarantees provided to third parties at 30 June 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
Novis, Clix e Público	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT Reimbursements	126,372	327,871
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	Governo Civil de Santarém (Santarém District Civil)	Guarantee the fulfilment of legal obligations associated with a public contest launched	119,703	120,303
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	98,195
Optimus and Novis	Hewlett Packard	Finance lease and services provider contracts	98,181	513,074
Novis	Câmara Municipal de Lisboa (Lisbon Municipality)	Performance bond - works	91,560	100,575
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
Clixgest	Governo Civil de Lisboa (Lisbon District Civil)	Guarantee the fulfilment of legal obligations	-	83,700
Exit	Direcção Geral do Turismo (Portuguese tourism authorities)	Guarantee the fulfilment of legal obligations included in references c), d) and e) of point 2 of article 41.º from Decree-Law 209/97 of 13 August	-	99,760
Various	Others		484,371	433,399
			399,574,492	330,293,989

22. Information by business segment

The following business segments were identified for the semesters ending 30 June 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 June 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 June 2006 and 2005 can be summarised as follows:

	Mobile Network		Fixed Network and Internet		Multimedia		Information Systems		Other		Sub-total		Eliminations		Total	
	June-2006	June-2005	June-2006	June-2005	June-2006	June-2005	June-2006	June-2005	June-2006	June-2005	June-2006	June-2005	June-2006	June-2005	June-2006	June-2005
Revenues:																
Sales and services rendered	291.227.012	298.575.059	93.775.686	75.212.412	19.250.964	22.820.821	46.127.539	43.167.830	3.881.846	4.706.383	454.263.047	444.482.506	(44.719.244)	(38.596.163)	409.543.802	405.886.343
Other operating revenues	18.001.431	12.489.224	2.451.871	1.649.877	190.065	279.392	26.913.612	703.200	177.474	826.471	47.734.453	15.948.165	(19.193.201)	(13.615.508)	28.541.252	2.332.657
Total revenues	309.228.443	311.064.283	96.227.557	76.862.289	19.441.028	23.100.213	73.041.151	43.871.030	4.059.319	5.532.854	501.997.499	460.430.670	(63.912.445)	(52.211.671)	438.085.054	408.219.000
Depreciation and amortisation	(57.458.386)	(54.142.401)	(7.898.500)	(6.871.461)	(412.148)	(676.738)	(838.738)	(1.127.301)	(164.599)	(180.180)	(66.772.370)	(62.998.081)	475.204	474.462	(66.297.166)	(62.523.619)
Net operating income/(loss) for the segment	29.392.052	31.740.044	(14.972.051)	(10.908.523)	(3.072.812)	(1.425.692)	28.354.473	4.036.237	(476.912)	(1.875.569)	39.224.749	21.566.497	(38.445)	(478.400)	39.186.304	21.088.097
Net interests	(3.811.574)	(4.425.716)	(1.291.076)	(783.911)	(105.431)	(106.978)	303.206	79.842	(294.535)	1.678.538	(5.199.410)	(3.558.225)	(30.408)	(7.277)	(5.229.818)	(3.565.502)
Gains and losses in associated companies	-	-	-	-	-	-	-	-	-	-	-	-	(34.809)	-	(34.809)	-
Other financial results	(2.428.514)	(2.220.661)	(305)	(164.727)	(10.653)	(8.237)	19.229	346.356	(42.057)	(4.694.039)	(2.462.300)	(6.741.309)	8.026	4.500.153	(2.454.274)	(2.241.156)
Income taxation	2.086.325	(1.674.019)	(24.657)	950.547	(11.329)	(15.847)	(946.880)	(1.004.601)	(3.947)	(7.150)	1.099.512	(1.751.070)	-	2.949	1.099.512	(1.748.121)
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(8.290.796)	(7.730.608)	(8.290.796)	(7.730.608)
Consolidated net income/(loss) for the year attributable to the Shareholders of Parent Company	25.238.289	23.419.648	(16.288.089)	(10.906.614)	(3.200.225)	(1.556.754)	27.730.028	3.457.833	(817.451)	(4.898.220)	32.662.552	9.515.893	(8.386.432)	(3.713.183)	24.276.119	5.802.710
Assets:																
Fixed assets and Goodwill	558.211.442	563.042.840	98.953.838	85.416.186	2.233.666	2.573.200	12.850.614	16.174.538	2.247.273	2.493.325	674.496.833	669.700.089	255.538.724	15.608.433	930.035.558	685.308.523
Inventories	19.037.675	17.999.894	2.099.122	523.492	959.104	1.078.259	19.637	117.466	-	57	22.115.538	19.719.168	-	-	22.115.538	19.719.168
Financial investments and other non current assets	72.047.092	69.061.768	533.367	17.486.085	2.703.321	2.687.468	1.316.599	1.633.440	1.407.890.895	913.108.375	1.484.491.275	1.003.977.136	(1.302.799.589)	(928.140.992)	181.691.685	75.836.143
Other current assets of the segment	290.856.264	200.393.624	79.058.891	50.639.172	9.816.109	9.899.016	52.436.394	36.129.631	98.171.167	173.731.261	530.338.824	470.792.704	(182.282.605)	(76.729.429)	348.056.220	394.063.275
	940.152.474	850.498.126	180.645.218	154.064.935	15.712.200	16.237.943	66.623.244	54.055.075	1.508.309.336	1.089.333.018	2.711.442.470	2.164.189.097	(1.229.543.470)	(989.261.985)	1.481.899.001	1.174.927.109
Liabilities:																
Liabilities of the segment	546.165.099	504.053.585	175.431.687	126.911.037	21.332.416	20.732.776	23.712.967	35.114.908	293.708.232	234.086.343	1.060.350.401	920.898.649	(295.372.339)	(189.293.174)	764.978.061	731.605.475
	546.165.099	504.053.585	175.431.687	126.911.037	21.332.416	20.732.776	23.712.967	35.114.908	293.708.232	234.086.343	1.060.350.401	920.898.649	(295.372.339)	(189.293.174)	764.978.061	731.605.475

23. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income of the semester (Euro 32,566,915 in 2006 and Euro 13,533,318 in 2005) by the average number of shares outstanding during the semesters ending 30 June 2006 ad 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 June 2006 can be summarized as follows:

	Share price at award date*	Vesting Period		Exercise Period		At 30 June 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	50	775,958
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	-	-	352	1,179,619
2004 Plan	3.960	31-Mar-05	10-Mar-08	-	-	375	1,067,269
2005 Plan	4.093	10-Mar-06	09-Mar-09	-	-	406	952,051
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 14,351,246. This value is registered in the captions 'Other non current liabilities' (Euro 7,785,528) and 'Other current liabilities' (Euro 6,565,718), 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.

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 semester ended as at 30 June 2006, are as follows:

	Amount
Costs recognised on previous years	11,893,779
Costs recognised in the period	2,659,910
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	(3,967,993)
Other non current and current assets (Deferred costs not yet recognised)	6,847,839
Other	8,028
Other non current and current liabilities (Total cost of the Plans)	14,351,246

25. Others matters

(i) As of 30 June 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. At the time of this report, the court had already finished the judgement phase but the final decision is not known yet.

(ii) In 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, Maxistar was condemned to pay an indemnity of Euro 2,344,350 plus legal interest calculated until the date of payment or, alternatively, to subject itself to a purchase option over its participation in Optimus at 70% of its actual value. Maxistar has appealed against the decision of the Arbitration Court but that appeal was already rejected in the lower courts.

As a way to execute the amounts due to be paid by Maxistar, and after having informed Maxistar of their preference for the payment in cash, some shareholders have proposed an execution action. Although the process of appeal against the decision of the Arbitration Court has not yet been concluded Maxistar paid those shareholders, as a way of avoiding the execution, a total amount of Euro 4,068,048 (capital plus interest), of which Euro 2,183,899 was paid to Sonaecom.

The Sonaecom’s management does not expect Maxistar’s appeal (to over term the decisions of the Arbitration Court) to be upheld.

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 with 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.

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.

These consolidated financial statements were approved and authorized for publication by the Board of Directors on 27 July 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.

LIMITED REVIEW REPORT PREPARED BY AN AUDITOR
REGISTERED AT THE CMVM ON THE CONSOLIDATED HALF YEAR
INFORMATION

(Translation of a report originally issued in Portuguese)

Introduction

1. Pursuant to the Securities Market Code ("*Código dos Valores Mobiliários*") we hereby present our Limited Review Report on the consolidated financial information of SONAE COM, S.G.P.S., S.A. ("the Company") and subsidiaries for the half year ended 30 June 2006, included: in the consolidated Directors' Report, in the consolidated balance sheet (which reflect a total of 1,481,898,982 Euros and a total shareholders' equity, including minority interests, of 716,920,921 Euros, including a consolidated net profit of 24,276,119 Euros), in the consolidated profit and loss account by nature, in the consolidated cash flow statement and in the consolidated statement of changes in equity for the half year then ended and the corresponding notes.
2. The amounts in the financial statements, as well the others included in the additional financial information were obtained from the accounting records of the Company and its subsidiaries.

Responsibilities

3. The Company's Board of Directors is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated results of their operations and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with the International Financial Reporting Standards ("IAS/IFRS") as adopted by the European Union, and that is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code; (iii) adopting adequate accounting policies and criteria; (iv) the maintenance of appropriate internal control systems; and (v) informing on any significant facts that have influenced the operations, financial position or results of the companies included in the consolidation.
4. Our responsibility is to verify the financial information included in the documents of account referred to above, namely if, in all material respects, the information is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code, and issuing a professional and independent moderate assurance report on that financial information based on our work.

Scope

5. Our work was performed with the objective of obtaining moderate assurance as to whether the financial information referred to above is free of material misstatement. Our work was based on the Technical Review/Audit Standards and Directives issued by the Portuguese Institute of Statutory Auditors ("*Normas Técnicas e Directrizes de Revisão / Auditoria da Ordem dos Revisores Oficiais de Contas*"), was planned in accordance with that objective and consisted mainly of enquiries and analytical review procedures to determine: (i) the reliability of the assertions included in the financial information; (ii) the adequacy of the accounting policies adopted considering the circumstances and their consistent application; (iii) the applicability, or otherwise, of the going concern concept; (iv) the presentation of the financial information; and (v) if, in all material respects, the consolidated financial information is complete, true, up-to-date, clear, objective and licit as required by the Securities Market Code.

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6. Our work also included verifying the consistency of the consolidated financial information disclosed in the consolidated Directors' Report with the other documents of account referred to above.
7. We believe that our work provides a reasonable basis for issuing this limited review report on the half year consolidated financial information.

Conclusion

8. Based on our work, which was performed with the objective of obtaining moderate assurance, nothing came to our attention that leads us to believe that the consolidated financial information of SONAE COM, S.G.P.S., S.A. for the half year ended 30 June 2006 is not free of material misstatement that affects its conformity with International Financial Reporting Standards ("IAS/IFRS") as adopted by the European Union, and that, in accordance with the definitions set forth in the technical standards and directives referred to in paragraph 5 above, it is not complete, true, up-to-date, clear, objective and licit.

Oporto, 27 July 2006

DELOITTE & ASSOCIADOS, SROC S.A.
Represented by Jorge Manuel Araújo de Beja Neves

In accordance with article 250º, no. 3 the Securities and exchange Comission (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).

SAFE HARBOUR

This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that are not historical facts.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, the telecommunications industry and economic conditions; and the effects of competition. Forward-looking statements may be identified by words such as "believes," "expects," "anticipates," "projects," "intends," "should," "seeks," "estimates," "future" or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors and analysts are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. You are cautioned not to put undue reliance on any forward-looking information or statements. We do not undertake any obligation to update any forward-looking information or statements.

This document does not constitute an offer or invitation to purchase any securities or a solicitation of an offer to buy any securities, pursuant to the proposed offer (the "Offer") for the shares of Portugal Telecom, SGPS, S.A. ("PT"), or otherwise. The Offer will be made solely by an offer document containing and setting out the terms and conditions of the Offer (the "Offer Document") and the letter of transmittal and form of acceptance (the "Acceptance Forms"), which will contain details of how the Offer may be accepted. In the United States, Sonae, SGPS, S.A. ("Sonae"), and Sonaecom, SGPS, S.A. ("Sonaecom"), will be filing a Tender Offer Statement containing the Offer Document, the Acceptance Forms and other related documentation with the US Securities and Exchange Commission (the "SEC") on Schedule TO (the "Tender Offer Statement") and PT is expected to file a Solicitation/ Recommendation Statement on Schedule 14D-9 (the "Solicitation/Recommendation Statement") with the SEC after the Offer Document is made available to PT shareholders. Free copies of the Tender Offer Statement, the Solicitation/ Recommendation Statement and the other related documents to be filed by Sonae or Sonaecom and PT in connection with the Offer will be available from the date the Offer Document is made available to PT shareholders on the SEC's website at <http://www.sec.gov>. The Offer Document and the Acceptance Forms will be made available by Sonaecom or its duly designated agent to all PT shareholders at no charge to them. PT shareholders are strongly advised to read the Offer Document and the Acceptance Forms, and any other relevant documents filed with the SEC, as well as amendments and supplements to those documents because they will contain important information. PT shareholders in the United States are also advised to read the Tender Offer Statement and the Solicitation/Recommendation Statement because they will contain important information.

Unless otherwise determined by Sonae and/or Sonaecom and permitted by applicable law and regulation, the Offer will not be made, directly or indirectly, in or into, or by use of the mails of, or by any other means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or of any facility of a national securities exchange of Canada, nor will it be made in or into Australia or Japan and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities from or within Australia, Canada or Japan. Accordingly, unless otherwise determined by Sonae and/or Sonaecom and permitted by applicable law and regulation, neither copies of this document nor any other documents relating to the Offer are being, or may be, mailed or otherwise forwarded, distributed or sent in or into Australia, Canada or Japan and persons receiving such documents (including custodians, nominees and trustees) must not distribute or send them in, into or from such jurisdictions.

Notwithstanding the foregoing, Sonae and/or Sonaecom retains the right to permit the Offer to be accepted and any sale of securities pursuant to the Offer to be completed if, in its sole discretion, it is satisfied that the transaction in question can be undertaken in compliance with applicable law and regulation. The availability of the Offer to persons not resident in Portugal or the United States may be affected by the laws of the relevant jurisdiction.

Persons who are not resident in Portugal or the United States should inform themselves about and observe any applicable requirements.

The Offer will be made by Sonae and/or Sonaecom and (outside the United States) by Banco Santander de Negócios Portugal, S.A., on its or their behalf.

Report available in Sonaecom's institutional website
www.sonae.com

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