# CONSOLIDATED RESULTS
# 3RD QUARTER 2007

**Table of contents**



**Notes:**

(i) The Consolidated Financial Information contained in this report is unaudited and has been prepared in accordance with International Financial Reporting Standards ("IAS/IFRS") issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union.

(ii) Enabler was sold on 30 June 2006 and, in order to facilitate comparisons of YTD results against the previous year, the 9M06 comparative figures have been restated ($9M06^{R}$) to exclude Enabler's contribution and associated capital gain to Sonaecom and to the Software and Systems Information Division (SSI) Consolidated Results. All comparisons, when stated, are made on this "like-for-like" basis.

## 1. Message from Ângelo Paupério, CEO of Sonaecom

Sonaecom delivered another good set of operational and financial results during 3Q07 driven by good performances at our telecoms businesses and at SSI:

- Significant growth in Active Customers at Optimus (+11.8%) and total services at Sonaecom Fixed (+15.0% on a like-for-like basis) against 3Q06;
- Continued growth of customer revenues and at an even higher year-on-year pace than in 2Q07; up 16.8% or 13.1% excluding recent acquisitions;
- EBITDA improved by 3.5%, notwithstanding the negative impacts of lower roaming in tariffs, lower MTRs and the cost of growth;
- Record EBITDA at Sonaecom Fixed despite the expected marginally negative contribution from the recent acquisitions;
- Strong EBITDA result at SSI that improved by 93.2% against 3Q06.
- Net results group share reached 7.6 million euros, the highest result ever excluding 2Q06 when we accounted for the capital gain from the sale of Enabler.

The quarter was an active one for Sonaecom during which we received formal non-opposition from the Portuguese Competition Authority for our acquisition of both Tele2 Portugal and Oni's Residential and SOHOs customer base. These acquisitions represent an important step in our growth ambitions enhancing the significant organic growth achieved by Sonaecom Fixed during the last 18 months. In addition, at the end of the quarter, WeDo acquired Cape Technologies, an Irish company that specialises in revenue assurance for telecoms companies. With this acquisition, WeDo becomes the worldwide leader in this segment. Other relevant corporate developments were achieved during this quarter, including the negotiation of a 250 million euros committed underwritten Commercial Paper Programme which has allowed us to refinance Optimus' 325 million term facility and will lead to improved cash management and greater financial flexibility. We also began the process to merge our mobile and fixed divisions which will lead to greater operating flexibility in terms of how we address the market and will generate efficiency gains in the future.

Our Telco companies performed well during the quarter when compared to 3Q06, particularly in terms of customer growth and customer revenues. Optimus increased active customers by 11.8% and customer revenues by 9.0% with both Kanguru and Optimus Home contributing important shares of this growth. Total services at Sonaecom Fixed increased significantly to 798.5 thousand including the acquisitions of Tele2 and Oni customers while direct services and customer revenues grew by 42.2% and 27.0% respectively on a like-for-like basis. Sonaecom Fixed continued to strengthen its broadband strategy with IPTV and Home Video services. As a result of organic growth, and despite the costs of growth and the marginally negative contribution from recent acquisitions, EBITDA reached a record level of 3.6 million euros in the quarter.

SSI delivered solid results, underpinned by WeDo's performance that achieved an EBITDA margin of 15.9% in 3Q07. SSI also benefited from a capital gain of 3 million euros generated from the sale of its minority stake in "Despegar", a Latin American on-line travel agency.

Público continued to face a very challenging market which has severely restricted top-line growth. Having successfully completed its restructuring programme, with visible savings in fixed costs, and, after the launch of its redesigned new-look all colour newspaper, Público has continued to face a significant challenge to grow revenues, particularly advertising revenues which have been hit by pressure on circulation and by the competitive pressure from free newspapers. A concerted effort will be made to improve Público's commercial performance both in terms of circulation and advertising revenues.

As regards the dynamics and regulation of the Portuguese market, we will continue to be vigilant in order to ensure that the planned spin-off of PTM from Portugal Telecom achieves the objectives announced by the government and regulators - i.e. a total and true separation with independent Boards and management, with a clearly different shareholder base from PT and with transparency in the commercial relationship between the two companies. All this is required in order to guarantee competition and to meet consumers' best interests. It will also be important to ensure that the public bidding contest for the granting of DTT license is implemented in a way that will be fair and will stimulate competition with clear benefits for the consumer.

Finally, I would like to mention that, as agreed with the Government in relation to our UMTS license obligations, Optimus has developed a Mobile Broadband offer which we believe will further stimulate the development of the information society in Portugal.

## 2. Quarterly highlights

During 3Q07, Sonaecom was able to build on the strong growth platform achieved during 1H07. During the quarter, Sonaecom reinforced customer and customer revenue year-on-year growth and generated a higher EBITDA result. This was achieved despite the continuous investment in mobile, broadband, fixed-mobile convergence and the expansion of both our 3G and ULL networks and notwithstanding the negative impact of the programmed cuts in MTRs and, especially, the decrease in roaming in tariffs.

### Operational Highlights

| OPERATING KPI's | 3Q06 | 3Q07 | y.o.y | 2Q07 | 9M06 | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|
| **Optimus** | | | | | | | |
| Customers (EOP) ('000) | 2,491.5 | 2,761.1 | 10.8% | 2,673.9 | 2,491.5 | 2,761.1 | 10.8% |
| Active Customers (1) | 1,970.0 | 2,203.2 | 11.8% | 2,152.5 | 1,927.5 | 2,154.2 | 11.8% |
| Data as % Service Revenues | 14.1% | 18.2% | 4.1pp | 16.9% | 13.8% | 17.1% | 3.3pp |
| MOU (2) (min.) | 117.3 | 120.7 | 3.0% | 114.6 | 115.2 | 117.2 | 1.7% |
| **Sonaecom Fixed** | | | | | | | |
| Total Services (EOP) | 371,011 | 798,477 | 115.2% | 411,177 | 371,011 | 798,477 | 115.2% |
| Direct | 253,700 | 471,851 | 86.0% | 336,789 | 253,700 | 471,851 | 86.0% |
| Direct access as % Customer Revenues | 67.9% | 73.1% | 5.2pp | 78.9% | 63.3% | 75.7% | 12.4pp |
| **Sonaecom** | | | | | | | |
| Employees | 1,939 | 1,875 | -3.3% | 1,851 | 1,939 | 1,875 | -3.3% |

(1) Active Customers with Revenues generated during the last 90 days; (2) Minutes of Use per Customer per month.

- **Optimus:** customers increased by 10.8% to 2.76 million in 3Q07, compared to 2.49 million at the end of 3Q06; net additions were 87.2 thousand, up by 42.6% compared to 3Q06; data revenues represented 18.2% of service revenues, up 4.1pp from 14.1% in 3Q06.
- **Sonaecom Fixed:** total services, including those associated with the recent acquisitions (371.8 thousand) totalled 798.5 thousand; underlying like-for-like growth showed an increase of 15.0% when compared to 3Q06. Direct access services increased to 471.9 thousand, an increase of 42.2% on a like-for-like basis; customer revenues represented 52.6% of service revenues in 3Q07 (o.w. 73.1% are direct access revenues), compared to 45.4% in 3Q06.
- **Sonaecom:** total employees decreased by 3.3% compared to 3Q06, with all subsidiaries decreasing headcount with the exception of SSI and Sonaecom Fixed, the latter due to the integration of 31 people from Tele2 Portugal. The headcount reduction included a decrease of 6.7% in the shared services division.

### Consolidated financial highlights

Million euros

| CONSOLIDATED FINANCIAL KPI's | 3Q06 | 3Q07 | y.o.y | 2Q07 | 9M06 | 9M06(R) | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|---|
| Turnover | 214.5 | 230.8 | 7.6% | 214.5 | 624.0 | 610.4 | 644.3 | 5.6% |
| Service Revenues | 191.9 | 212.1 | 10.5% | 194.1 | 557.4 | 543.7 | 589.4 | 8.4% |
| Customer Revenues | 133.8 | 156.3 | 16.8% | 144.9 | 402.3 | 254.8 | 438.3 | 72.0% |
| Operator Revenues | 58.0 | 55.7 | -4.0% | 49.1 | 155.1 | 97.1 | 151.0 | 55.5% |
| EBITDA | 45.8 | 47.4 | 3.5% | 39.2 | 151.3 | 123.8 | 120.6 | -2.6% |
| EBITDA Margin (%) | 21.3% | 20.5% | -0.8pp | 18.3% | 24.2% | 20.3% | 18.7% | -1.6pp |
| EBIT | 11.9 | 13.0 | 9.0% | 8.8 | 51.1 | 23.8 | 19.1 | -19.8% |
| EBT | 7.1 | 3.5 | -50.1% | 4.7 | 38.6 | 11.2 | 1.4 | -87.3% |
| Net Results - Group Share (1) | 2.2 | 7.6 | - | 1.3 | 26.5 | -0.2 | 2.9 | - |
| Operating CAPEX (2) | 25.4 | 54.2 | 113.4% | 27.5 | 81.7 | 81.6 | 110.5 | 35.3% |
| Operating CAPEX as % of Turnover | 11.8% | 23.5% | 11.6pp | 12.8% | 13.1% | 13.4% | 17.1% | 3.8pp |
| EBITDA - Operating CAPEX | 20.4 | -6.8 | - | 11.7 | 69.5 | 42.1 | 10.1 | -76.1% |
| Total CAPEX | 28.3 | 89.4 | - | 40.2 | 199.1 | 199.1 | 159.3 | -20.0% |
| Operating Cash Flow (3) | 29.6 | 33.0 | 11.3% | 22.9 | 32.4 | 11.4 | 37.2 | - |
| FCF (4) | 18.9 | -19.3 | - | 11.7 | -93.9 | -114.8 | 55.7 | - |

(1) Net Results after Minority Interests; (2) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments; (3) Operating Cash Flow = EBITDA - Operating CAPEX - Change in WC -Non Cash item & Other; (4) FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs; (R) Restated to exclude Enabler's contribution in 1H06 and the 25.3 million euros capital gain from the sale of Enabler in 1H06.

- **Service revenues:** were 10.5% higher than in 3Q06, driven by growth at Optimus of 1.8% notwithstanding the negative impact of lower MTRs and lower roaming in tariffs, and by growth at Sonaecom Fixed of 27.8% driven by growth of ULL ADSL direct services and the inclusion of Tele2 and Oni's Residential and SOHO customers since September.
- **Customer revenues:** increased by 16.8% in 3Q07 when compared to 3Q06, driven by a 48.0% increase at Sonaecom Fixed, a 9.0% increase at Optimus and a 22.5% increase at SSI.
- **EBITDA:** increased by 3.5% to 47.4 million euros, explained by the positive contribution by Sonaecom Fixed and improved performance at SSI;
- **Net results group share** reached 7.6 million euros, an improvement of 5.4 million euros compared to 3Q06.

# 3. Consolidated results

## 3.1. Consolidated income statement

Million euros

| CONSOLIDATED INCOME STATEMENT | 3Q06 | 3Q07 | y.o.y | 2Q07 | 9M06 | 9M06[R] | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|---|
| **Turnover** | **214.5** | **230.8** | **7.6%** | **214.5** | **624.0** | **610.4** | **644.3** | **5.6%** |
| Optimus | 162.5 | 161.5 | -0.6% | 150.7 | 453.7 | 453.7 | 455.0 | 0.3% |
| Sonaecom Fixed | 52.4 | 66.9 | 27.6% | 56.7 | 146.2 | 146.2 | 177.6 | 21.5% |
| Público | 8.2 | 7.0 | -14.8% | 9.5 | 27.4 | 27.4 | 23.6 | -13.9% |
| SSI | 15.3 | 20.6 | 35.3% | 17.8 | 61.4 | 47.7 | 53.4 | 12.0% |
| Other & Eliminations | -23.8 | -25.1 | -5.6% | -20.2 | -64.6 | -64.6 | -65.3 | -1.1% |
| **Other Revenues** | **1.1** | **2.2** | **100.1%** | **0.7** | **29.6** | **3.0** | **4.2** | **42.3%** |
| **Operating Costs** | **167.2** | **182.7** | **9.3%** | **173.3** | **494.2** | **481.5** | **518.7** | **7.7%** |
| COGS | 25.7 | 27.2 | 5.9% | 25.3 | 72.4 | 72.4 | 74.7 | 3.2% |
| Network Costs (1) | 64.3 | 77.0 | 19.7% | 70.1 | 189.4 | 189.4 | 215.5 | 13.8% |
| Personnel Costs | 24.4 | 22.3 | -8.6% | 23.4 | 77.3 | 69.5 | 69.1 | -0.7% |
| Marketing & Sales | 25.2 | 25.6 | 1.7% | 25.0 | 67.4 | 67.3 | 69.6 | 3.3% |
| Outsourcing Services (2) | 14.0 | 15.8 | 13.0% | 14.8 | 45.4 | 43.3 | 45.8 | 5.6% |
| General & Administrative Expenses | 10.9 | 11.8 | 8.2% | 11.4 | 34.3 | 31.5 | 34.5 | 9.4% |
| Other Operating Costs | 2.8 | 3.1 | 13.5% | 3.4 | 8.0 | 7.9 | 9.6 | 21.5% |
| **Provisions and Impairment Losses** | **2.6** | **2.9** | **9.7%** | **2.7** | **8.2** | **8.1** | **9.2** | **14.3%** |
| **EBITDA** | **45.8** | **47.4** | **3.5%** | **39.2** | **151.3** | **123.8** | **120.6** | **-2.6%** |
| EBITDA Margin (%) | 21.3% | 20.5% | -0.8pp | 18.3% | 24.2% | 20.3% | 18.7% | -1.6pp |
| Optimus | 47.7 | 44.5 | -6.8% | 38.7 | 134.6 | 134.6 | 118.2 | -12.2% |
| Sonaecom Fixed | 0.6 | 3.6 | - | 0.5 | -6.4 | -6.4 | 4.4 | - |
| Público | -3.2 | -1.5 | 52.0% | -0.7 | -5.9 | -5.9 | -3.5 | 41.1% |
| SSI | 0.8 | 1.5 | 93.2% | 1.5 | 30.0 | 2.7 | 4.2 | 56.9% |
| Other & Eliminations | -0.2 | -0.7 | - | -0.8 | -1.0 | -1.2 | -2.7 | -136.7% |
| Depreciation & Amortization | 33.9 | 34.4 | 1.6% | 30.4 | 100.2 | 100.0 | 101.5 | 1.5% |
| **EBIT** | **11.9** | **13.0** | **9.0%** | **8.8** | **51.1** | **23.8** | **19.1** | **-19.8%** |
| **Net Financial Results** | **-4.8** | **-9.4** | **-96.9%** | **-4.1** | **-12.5** | **-12.6** | **-17.6** | **-40.5%** |
| Financial Income | 1.4 | 5.3 | - | 2.7 | 4.6 | 4.5 | 17.2 | - |
| Financial Expenses | 6.1 | 14.7 | 140.1% | 6.8 | 17.1 | 17.0 | 34.8 | 104.6% |
| **EBT** | **7.1** | **3.5** | **-50.1%** | **4.7** | **38.6** | **11.2** | **1.4** | **-87.3%** |
| Tax results | -4.3 | 4.2 | - | -3.3 | -3.2 | -2.9 | 1.7 | - |
| **Net Results** | **2.8** | **7.7** | **174.2%** | **1.4** | **35.4** | **8.3** | **3.1** | **-62.2%** |
| Group Share | 2.2 | 7.6 | - | 1.3 | 26.5 | -0.2 | 2.9 | - |
| Attributable to Minority Interests | 0.6 | 0.1 | -88.7% | 0.1 | 8.9 | 8.5 | 0.2 | -97.6% |

(1) Network Costs = Interconnection plus Leased Lines plus Content plus Other Network Operating Costs; (2) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (R) Restated to exclude Enabler's contribution in 1H06 and the 25.3 million euros capital gain from the sale of Enabler in 1H06.

### Turnover

Consolidated turnover totalled 230.8 million euros in 3Q07, 7.6% above 3Q06, notwithstanding the negative impact of lower roaming in tariffs of 5.6 million euros and the lower MTRs of 2.1 million euros on Operator Revenues at Optimus.

Consolidated service revenues increased by 10.5% to 212.1 million euros compared to 3Q06. The main contributions to this performance came from: (i) 27.8% higher service revenues at Sonaecom Fixed; (ii) 1.8% increase in Optimus' service revenues, with the growth of customer revenues offsetting the combined negative impact of lower MTRs and roaming in tariffs; (iii) 22.5% higher service revenues at SSI, mainly driven by the good performance of WeDo; and (iv) notwithstanding the 10.6% decrease of Público's service revenues driven by lower advertising revenues.

Consolidated customer revenues grew by 16.8% when compared to 3Q06, driven by strong customer revenue growth at both Sonaecom Fixed and Optimus that grew by 48.0% and 9.0%, respectively.

The results of Sonaecom Fixed and consequently, those of Sonaecom Consolidated, include since September, the revenues generated from the customers acquired from Oni and Tele2 Portugal. In the quarter, the contribution of these two additional businesses to service revenues was of 5.0 million euros. Excluding this contribution, service revenues and customer revenues would have grown, on a like-for-like basis, by 7.9% and 13.1% compared to 3Q06 (which compares to growth of 8.5% and 12.8% achieved in 2Q07 compared to 2Q06).

**Operating costs**
Total operating costs reached 182.7 million euros in 3Q07, an increase of 9.3% over 3Q06. Total operating costs excluding COGS reached 155.5 million euros, 9.9% higher than in 3Q06, representing 73.3% of service revenues, a marginal improvement of 0.4pp when compared to 73.7% in 3Q06. It should be noted that operating costs include the costs associated with both Tele2 Portugal and the customers acquired from Oni since September.

The higher costs in the quarter were primarily growth related: (i) 19.7% higher network costs when compared to 3Q06, driven by an 18.9% increase in interconnection, despite the lower MTRs, due to a significantly higher level of traffic volumes and the larger customer base leading to significantly higher ULL monthly fee related costs; (ii) marketing & sales costs increased by 1.7% driven mainly by Optimus' investment in promoting its brand and new products and by higher commissions; and (iii) general & administrative costs and outsourcing costs that increased by 8.2% and 13.0%, respectively, mainly explained by the increased post paid customer base at Optimus and larger customer base at Sonaecom Fixed and the consequent billing requirements and related expenses. Staff costs decreased by 8.6% due to the decrease in headcount in the quarter and due to the restructuring costs of 1.7 million euros that were recognised by Público in 3Q06.

Provisions and impairment losses increased to 2.9 million euros in 3Q07 from 2.6 million euros in 3Q06, due to a combination of lower provisions for bad debt at both Optimus and Sonaecom Fixed that were offset by higher provisions for stocks at Optimus.

**EBITDA**
Consolidated EBITDA improved by 3.5% to 47.4 million euros in 3Q07 generating a margin of 20.5%, compared to an EBITDA of 45.8 million euros and a margin of 21.3% in 3Q06. This performance (the first YoY improvement in 2007) was due to the combination of strong operational results at our Telco and SSI divisions, driven by customer revenue growth that was partially offset by the negative impact of the regulated tariffs at Optimus. EBITDA at Optimus was of 44.5 million euros, down by 3.2 million euros when compared to 3Q06, fully explained by the negative impact of 5.6 million euros and 0.8 million euros from roaming in and MTRs, respectively; Sonaecom Fixed generated a record EBITDA of 3.6 million euros reflecting the benefits of its continued organic growth in its direct access businesses (the inclusion of Tele2 and Oni customers since September had a marginally negative impact on EBITDA in 3Q07); EBITDA at SSI increased by 93.2% (0.7 million euros) to 1.5 million euros when compared to 3Q06, driven mainly by higher service revenues and by improved cost management and efficiency; while Público's EBITDA was negative 1.6 million euros, an improvement of 1.7 million euros when compared to 3Q06, but reflecting the impact of the negative performance in all revenue streams, compensated by a reduction in fixed costs.

**Net profit**
Net results group share were 7.6 million euros, the highest net results ever achieved by Sonaecom, excluding 2Q06 in which we accounted for the capital gain generated from the sale of Enable, an increase of 3.5x when compared to the 2.2 million euros in 3Q06.

Depreciation & amortization charges increased marginally by 1.6% compared to 3Q06 to 34.4 million euros, driven by the increased asset base resulting from our investments in expanding both our mobile and fixed networks.

Net financial charges increased by 4.6 million euros to 9.4 million euros in 3Q07 compared to 4.8 million euros in 3Q06. The higher charges resulted from adherence to the accounting treatment stipulated under IAS 39 requiring the write-off of the outstanding deferred up-front fees (7.2 million euros) related with Optimus' syndicated bank facility which was cancelled in September. Excluding this accounting effect, net financial charges would have decreased by 54.2% reflecting higher financial expenses, up by 1.4 million euros to 7.5 million euros due to the higher average cost of debt of 4.93% in 3Q07, compared to 3.84%, in 3Q06, that were completely offset by higher financial income in 3Q07 of 3.9 million euros to 5.3 million euros, due to a higher average level of liquidity and higher interest rates in the period and the capital gain generated with the sale of our shareholding in "Despegar" of 3.0 million euros.

The tax line in 3Q07 showed a benefit of 4.2 million euros, compared to a charge of 4.3 million euros in 3Q06 mainly due to movements in of deferred tax assets at Sonaecom Fixed and the lower EBT generated by Optimus.

## 3.2. Consolidated balance sheet

Million euros

| CONSOLIDATED BALANCE SHEET | 3Q06 | 3Q07 | y.o.y | 4Q06 | q.o.q |
|---|---|---|---|---|---|
| **Total Net Assets** | **1,488.5** | **1,602.7** | **7.7%** | **1,720.2** | **-6.8%** |
| Non Current Assets | 1,103.7 | 1,302.4 | 18.0% | 1,343.6 | -3.1% |
| Tangible and Intangible Assets | 642.1 | 692.8 | 7.9% | 661.4 | 4.7% |
| Goodwill | 282.1 | 523.0 | 85.4% | 506.9 | 3.2% |
| Investments | 113.3 | 1.9 | -98.3% | 113.1 | -98.3% |
| Deferred Tax Assets | 63.5 | 67.4 | 6.1% | 61.8 | 9.0% |
| Others | 2.7 | 17.3 | - | 0.3 | - |
| Current Assets | 384.9 | 300.3 | -22.0% | 376.6 | -20.3% |
| Trade Debtors | 150.0 | 159.1 | 6.1% | 152.0 | 4.7% |
| Liquidity | 114.9 | 13.9 | -87.9% | 125.9 | -89.0% |
| Others | 119.9 | 127.3 | 6.1% | 98.7 | 28.9% |
| **Shareholders' Funds** | **724.7** | **900.7** | **24.3%** | **909.5** | **-1.0%** |
| Group Share | 603.7 | 900.0 | 49.1% | 909.0 | -1.0% |
| Minority Interests | 121.1 | 0.7 | -99.4% | 0.5 | 48.6% |
| **Total Liabilities** | **763.8** | **702.0** | **-8.1%** | **810.7** | **-13.4%** |
| Non Current Liabilities | 490.3 | 356.7 | -27.3% | 486.1 | -26.6% |
| Bank Loans | 459.4 | 307.8 | -33.0% | 460.6 | -33.2% |
| Provisions for Other Liabilities and Charges | 16.9 | 30.9 | 82.9% | 20.1 | 53.9% |
| Others | 14.0 | 18.0 | 28.4% | 5.4 | - |
| Current Liabilities | 273.5 | 345.4 | 26.3% | 324.6 | 6.4% |
| Bank Loans | 0.7 | 0.2 | -75.9% | 0.1 | 121.3% |
| Trade Creditors | 119.9 | 130.4 | 8.7% | 162.7 | -19.9% |
| Others | 152.9 | 214.8 | 40.5% | 161.9 | 32.7% |
| | | | | | |
| Operating CAPEX (1) | 25.4 | 54.2 | 113.4% | 52.4 | 3.5% |
| Operating CAPEX as % of Turnover | 11.8% | 23.5% | 11.6pp | 24.7% | -1.2pp |
| Total CAPEX | 28.3 | 89.4 | - | 54.4 | 64.6% |
| EBITDA - Operating CAPEX | 20.4 | -6.8 | - | -19.3 | 64.6% |
| Operating Cash Flow (2) | 29.6 | 33.0 | 11.3% | 18.9 | 74.9% |
| FCF (3) | 18.9 | -19.3 | - | 12.2 | - |
| Gross Debt | 464.0 | 327.2 | -29.5% | 464.0 | -29.5% |
| Net Debt | 349.1 | 313.4 | -10.2% | 338.1 | -7.3% |
| Net Debt/ EBITDA last 12 months | 1.9 x | 2.0 x | 0.1x | 1.8 x | 0.21x |
| EBITDA/Interest Expenses (4) | 9.8 x | 7.6 x | -2.3x | 6.9 x | 0.7x |
| Debt/(Debt + Shareholders' Funds) | 39.0% | 26.6% | -12.4pp | 33.8% | -7.1pp |

(1) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments; (2) Operating Cash Flow = EBITDA - Operating CAPEX - Change in WC -Non Cash item & Other; (3) FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs; (4) Interest Cover.

### Capital structure

During the quarter, Sonaecom completed the negotiation of a 250 million committed underwritten Commercial Paper Programme (CPP) with guaranteed subscription and a final maturity of 5 years. This facility was arranged to be used for general corporate purposes, for financing Sonaecom Group's investment and, along with current available liquidity, to refinance the 325 million euros syndicated bank facility at Optimus that was fully refinanced on 15 September 2007.

Consolidated gross debt at the end of 3Q07 totalled 327.2 million euros, 136.8 million euros below the level at the end 4Q06. This decrease is the result of the following: (i) the repayment of Optimus' syndicated bank facility of 317 million euros net of up-front fees; (ii) the utilization of 159 million euros of the new CPP facility; and (iii) an increase of 16.2 million euros related to long term financial leasing contracts in relation to Sonaecom Fixed backbone network.

Consolidated liquidity decreased by 112.0 million euros to 13.9 million euros, compared to 125.9 million euros at the end of 4Q06, reflecting the FCF generated in the period which includes the sale of our 1% shareholding in PT in 1Q07 and the above mentioned movements in the gross debt level.

Consolidated Net Debt as at the end of 3Q07 stood at 313.4 million euros, a decrease of 24.7 million euros compared to end 4Q06, reflecting mainly the FCF generated in the period (55.7 million euros) and movements in the gross debt.

At the end of 3Q07 and compared to end 4Q06, net debt to annualised EBITDA deteriorated marginally to 2.0x, explained by the lower annualised EBITDA at the end of 3Q07, despite the lower level of net debt. Interest cover improved to 7.6x, from 6.9x at the end of 4Q06, due to the higher level of EBITDA in the quarter and despite the higher cost of debt. Debt to Equity was of 26.6% down from 33.8% in 4Q06, reflecting the above mentioned movements in gross debt and the 8.8 million euros decrease in Shareholder's funds. The latter resulting mainly from the acquisition of own shares in 1Q07, for the purpose of hedging our Medium Term Incentive Plan, totalling 8.9 million euros and the net profit generated in the period.

Sonaecom's gross debt is now fully contracted by Sonaecom SGPS and accordingly, net debt at Sonaecom SGPS increased to 256.0 million euros at the end of 3Q07 compared to 142.4 million euros at the end of 4Q06, reflecting a total cash position of 57.2 million euros, external debt of 308.3 million euros and treasury applications made by subsidiaries with Sonaecom of 4.9 million euros.

**CAPEX**

Consolidated CAPEX was 89.4 million euros while operating CAPEX reached 54.2 million euros in the quarter, considerably above 3Q06, and representing 23.5% of turnover. This higher level of operating CAPEX was driven by both Sonaecom Fixed and Optimus, up by 57.0% and 125.4%, respectively when compared to 3Q06. However, it should be noted that Optimus' CAPEX includes 18.6 million euros related to an agreed network equipment swap in relation to part of our network that did not have any impact on free cash flow as this amount was paid in kind with equipment that subject to the swap. Excluding this effect, total operating CAPEX would have been 35.6 million euros, 40.1% above 3Q06 and representing 15.4% of consolidated turnover.

Consolidated CAPEX in the quarter includes two significant movements: (i) 20.2 million euros related with the acquisition of Oni's Residential and SOHOs customers; and (ii) 14.6 million euros in respect to the acquisition of Tele2 Portugal.

Operating CAPEX spend in the quarter was applied as follows: 57% invested in the deployment of UMTS/HSDPA network, 14% was related to GSM network, 11% related to Information Technology/Information Systems investments; and approximately 10% was invested in the network to support direct broadband and capitalized Triple Play development costs.

**Other balance sheet items**

Gross tangible and intangible assets were 1,598 million euros at the end of 3Q07, compared to 1,475 million euros in 4Q06 and cumulative depreciation and amortization totalled 905 million euros, compared to 813 million euros in 4Q06. Total investments reached 1.9 million euros, down by 111.2 million euros when compared to 113.1 million euros in 4Q06, reflecting the sale, in March 2007, of the 1% shareholding in PT valued at 111.1 million euros at end 4Q06, on a mark-to-market basis. Goodwill increased by 16.1 million euros to 523.0 million euros when compared to 4Q06 as a result of the acquisition of Tele2 Portugal.

At the end of 3Q07, Sonaecom shareholders' funds totalled 900.7 million euros compared to 909.5 million euros at the end of 4Q06, which reflects: (i) the acquisition, in March 2007, of a total of 1.89 million own shares valued at 8.9 million euros on a mark-to-market basis, which reduces shareholders' funds; and (ii) the net profit of 3.1 million euros generated in the 9 month period to 30 September 2007.

### FCF

Million euros

| LEVERED FREE CASH FLOW | 3Q06 | 3Q07 | y.o.y | 2Q07 | 9M06 | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|
| **EBITDA-Operating CAPEX** | **20.4** | **-6.8** | **-** | **11.7** | **69.5** | **10.1** | **-85.5%** |
| Change in WC | 9.1 | 21.9 | 140.1% | -1.5 | -45.5 | -4.2 | 90.8% |
| Non Cash Items & Other | 0.1 | 17.9 | - | 12.6 | 8.4 | 31.3 | - |
| **Operating Cash Flow** | **29.6** | **33.0** | **11.3%** | **22.9** | **32.4** | **37.2** | **14.8%** |
| Financial Investments | -0.1 | -49.9 | - | -0.2 | -107.2 | 58.1 | - |
| Own shares | 0.0 | 0.0 | - | 0.0 | 0.0 | -8.9 | - |
| Public Tender Offer | -8.0 | -0.7 | 90.7% | -6.4 | -10.9 | -20.3 | -86.3% |
| Financial results | -2.5 | -1.6 | 35.2% | -4.1 | -7.5 | -10.0 | -34.0% |
| Income taxes | -0.1 | 0.0 | 100.0% | -0.4 | -0.8 | -0.5 | 44.2% |
| **FCF** | **18.9** | **-19.3** | **-** | **11.7** | **-93.9** | **55.7** | **-** |

Consolidated FCF in 3Q07 was negative 19.3 million euros, compared to a positive 18.9 million euros in 3Q06. Consolidated FCF was affected by payments related to the acquisitions of Oni's residential and SOHO customers and Tele2 Portugal totalling, in aggregate, 32.6 million euros and the advanced payment of 17.25 million euros regarding the acquisition of Cape Technologies.

Operating cash flow was positive 33.0 million euros in 3Q07, up from positive 29.6 million euros in 3Q06, mainly driven by: (i) a deterioration of 8.6 million euros in EBITDA-Operating Capex (excluding the 18.6 million euros related with the network equipment swap which did not affect FCF); and (ii) an improvement in operating working capital of approximately 12.8 million euros. Total working capital improved by 21.9 million euros reflecting the higher credit from trade creditors at both Optimus and Sonaecom Fixed.

## 4. Optimus

During the quarter, Optimus continued to present strong customer and customer revenue growth, by further investing in the brand, mainly to support the growth in the residential segment, and in new products.

### 4.1. Operational data

| OPTIMUS OPERATIONAL KPI's | 3Q06 | 3Q07 | y.o.y | 2Q07 | 9M06 | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|
| Customers (EOP) ('000) | 2,491.5 | 2,761.1 | 10.8% | 2,673.9 | 2,491.5 | 2,761.1 | 10.8% |
| Net Additions ('000) | 61.1 | 87.2 | 42.6% | 44.7 | 138.3 | 159.2 | 15.2% |
| % Pre-paid Customers | 78.9% | 74.4% | -4.6pp | 74.8% | 78.9% | 74.4% | -4.6pp |
| Active Customers (1) | 1,970.0 | 2,203.2 | 11.8% | 2,152.5 | 1,927.5 | 2,154.2 | 11.8% |
| Data as % Service Revenues | 14.1% | 18.2% | 4.1pp | 16.9% | 13.8% | 17.1% | 3.3pp |
| Total #SMS/month/user | 50.6 | 45.6 | -10.0% | 44.9 | 50.9 | 45.2 | -11.2% |
| MOU (2) (min.) | 117.3 | 120.7 | 3.0% | 114.6 | 115.2 | 117.2 | 1.7% |
| ARPU (euros) | 20.9 | 19.2 | -8.5% | 17.9 | 19.9 | 18.3 | -8.3% |
| ARPM (3) (euros) | 0.18 | 0.16 | -11.1% | 0.16 | 0.17 | 0.16 | -9.8% |
| CCPU (4) (euros) | 15.4 | 15.2 | -1.6% | 14.2 | 14.9 | 14.5 | -2.3% |
| SAC&SRC (5) ( '000 000 euros) | 27.3 | 35.1 | 28.4% | 28.1 | 70.9 | 90.3 | 27.4% |
| Employees (6) | 1,056 | 985 | -6.7% | 1,029 | 1,056 | 985 | -6.7% |
| Shared Services Division | 771 | 749 | -2.9% | 765 | 771 | 749 | -2.9% |

(1) Active Customers with Revenues generated on last 90 days; (2) Minutes of Use per Customer per month; (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.

**Growth initiatives**

During 3Q07, Optimus sustained its wireless broadband leadership and was able to push up data usage through the promotion of its Kanguru product, based on HSDPA technology, offering speeds up to 7.2 Mbps. Also important was the launch of a specific offer in relation to Optimus' contribution for the development of the information society which will contribute to maintaining mobile broadband market growth at a high pace. During the quarter, Optimus further expanded the number of channels in its mobile TV service, having available 26 TV channels for its Mobile TV offer.

**Customer base**

Optimus' customer base increased by 10.8% to 2.76 million, at the end of 3Q07, compared to 2.49 million at the end of 3Q06, with net additions of 87.2 thousand in 3Q07 up by 42.6% compared to 61.1 thousand in 3Q06, reflecting the success of its growth strategy. Active customers at the end of 3Q07 totalled 2.2 million, as compared to 1.97 million in 3Q06, an increase of 11.8% over 3Q06. Net additions of active subscribers reached 50.7 thousand, 6.8% higher than in 3Q06.

During 3Q07, Optimus customers generated an ARPU of 19.2 euros, down from an ARPU of 20.9 euros in 3Q06, of which 14.2 euros related to customer monthly bill and 4.9 euros related to operator revenues, compared to 14.5 euros and 6.5 euros, in 3Q06, respectively. The lower ARPU is mainly explained by the decrease of 24.6% in operator revenues ARPU, due to the phased reductions in MTRs and, especially, roaming in tariffs. As regards Customer monthly bill, although there was a decrease in ARPM, explained by the higher price pressures on voice tariffs mainly on the SME segment, that was partially offset by an increase in MoU of 3.0%.

**Data usage**

Data revenues represented 18.2% of service revenues in 3Q07, an improvement of 4.1pp over 3Q06, as the result of Optimus' promotional focus on increasing usage of data services and the success of its wireless broadband solutions. Non-SMS related data services accounted for approximately 50% of total data revenues in 3Q07, compared to 34% in 3Q06.

**Traffic**

In 3Q07, total voice traffic[1] was 14.6% higher than that recorded in 3Q06 with minutes of use per customer increasing by 3.0% to 120.7 minutes, reflecting the continuous success of Optimus' investment effort to enhance voice usage.

[1] Total voice traffic = total incoming traffic plus total outgoing traffic plus total Roaming out

## 4.2. Financial data

Million euros

| OPTIMUS CONSOLIDATED INCOME STATEMENT | 3Q06 | 3Q07 | y.o.y | 2Q07 | 9M06 | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|
| **Turnover** | **162.5** | **161.5** | **-0.6%** | **150.7** | **453.7** | **455.0** | **0.3%** |
| Service Revenues | 149.6 | 152.3 | 1.8% | 142.4 | 420.0 | 429.7 | 2.3% |
| Customer Revenues | 103.4 | 112.7 | 9.0% | 108.1 | 298.8 | 324.0 | 8.4% |
| Operator Revenues | 46.1 | 39.6 | -14.2% | 34.4 | 121.3 | 105.7 | -12.8% |
| Equipment Sales | 12.9 | 9.2 | -28.7% | 8.3 | 33.6 | 25.3 | -24.7% |
| **Other Revenues** | **8.0** | **10.1** | **26.1%** | **8.6** | **26.0** | **27.1** | **4.2%** |
| **Operating Costs** | **120.4** | **125.3** | **4.1%** | **118.1** | **337.9** | **358.4** | **6.1%** |
| COGS | 18.8 | 19.8 | 5.7% | 15.6 | 47.8 | 52.2 | 9.1% |
| Interconnection & Contents | 34.5 | 35.3 | 2.1% | 33.5 | 98.5 | 101.4 | 3.0% |
| Leased Lines & Other Network Operating Costs | 13.4 | 13.8 | 3.4% | 14.0 | 38.2 | 42.0 | 10.1% |
| Personnel Costs | 13.0 | 12.2 | -5.8% | 13.0 | 37.7 | 38.3 | 1.8% |
| Marketing & Sales | 18.8 | 20.1 | 6.6% | 18.2 | 49.5 | 53.6 | 8.3% |
| Outsourcing Services (1) | 12.5 | 13.6 | 8.5% | 13.0 | 37.9 | 39.0 | 3.0% |
| General & Administrative Expenses | 7.0 | 8.0 | 13.0% | 7.7 | 21.1 | 23.5 | 10.9% |
| Other Operating Costs | 2.4 | 2.6 | 8.9% | 3.1 | 7.3 | 8.4 | 15.3% |
| **Provisions and Impairment Losses** | **2.3** | **1.7** | **-24.7%** | **2.4** | **7.2** | **5.5** | **-23.5%** |
| **Service Margin (2)** | **115.0** | **117.0** | **1.7%** | **108.9** | **321.6** | **328.3** | **2.1%** |
| Service Margin (%) | 76.9% | 76.9% | -0.1pp | 76.5% | 76.6% | 76.4% | -0.2pp |
| **EBITDA** | **47.7** | **44.5** | **-6.8%** | **38.7** | **134.6** | **118.2** | **-12.2%** |
| EBITDA Margin (%) | 29.4% | 27.6% | -1.8pp | 25.7% | 29.7% | 26.0% | -3.7pp |
| Tender Offer related costs (3) | 0.0 | 10.0 | - | 0.0 | 0.0 | 10.0 | - |
| Depreciation & Amortization | 29.5 | 28.8 | -2.3% | 25.2 | 87.0 | 85.7 | -1.5% |
| **EBIT** | **18.2** | **5.6** | **-69.0%** | **13.5** | **47.6** | **22.5** | **-52.7%** |
| **Net Financial Results** | **-3.0** | **-10.7** | **-** | **-3.5** | **-9.3** | **-17.8** | **-92.2%** |
| Financial Income | 1.1 | 1.2 | 12.3% | 1.3 | 2.5 | 3.6 | 42.8% |
| Financial Expenses | 4.1 | 11.9 | 189.1% | 4.8 | 11.8 | 21.5 | 81.6% |
| **EBT** | **15.2** | **-5.1** | **-** | **10.1** | **38.3** | **4.7** | **-87.8%** |
| Tax results | -4.2 | -2.0 | 52.0% | -2.6 | -2.2 | -3.5 | -62.4% |
| **Net Results** | **10.9** | **-7.1** | **-** | **7.5** | **36.2** | **1.2** | **-96.8%** |
| | | | | | | | |
| Operating CAPEX (4) | 20.7 | 46.6 | 125.4% | 13.7 | 60.6 | 76.7 | 26.7% |
| Operating CAPEX as % of Turnover | 12.7% | 28.8% | 16.1pp | 9.1% | 13.3% | 16.9% | 3.5pp |
| EBITDA - Operating CAPEX | 27.1 | -2.1 | - | 25.0 | 74.0 | 41.5 | -43.9% |
| Total CAPEX | 23.4 | 47.1 | 101.6% | 23.6 | 70.8 | 87.7 | 23.9% |
| FCF (5) | 30.5 | 12.0 | -60.7% | 18.1 | 44.4 | 31.8 | -28.4% |
| Gross Debt | 316.8 | 211.2 | -33.3% | 319.3 | 316.8 | 211.2 | -33.3% |
| Net Debt | 185.5 | 205.2 | 10.6% | 209.2 | 185.5 | 205.2 | 10.6% |
| Net Debt/ EBITDA last 12 months | 1.1 x | 1.3 x | 0.3x | 1.3 x | 1.1 x | 1.3 x | 0.3x |
| EBITDA/Interest Expenses | 15.8 x | 11.8 x | -4.1x | 11.0 x | 16.4 x | 11.0 x | -5.4x |
| Debt/(Debt + Shareholders' Funds) | 43.9% | 37.7% | -6.2pp | 47.3% | 43.9% | 37.7% | -6.2pp |

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Service Margin = Service Revenues minus Interconnection & Content Costs; (3) Charge out by Sonaecom SGPS regarding PT tender offer costs (4) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments; (5) FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs.

### Turnover

Service revenues increased by 1.8% to 152.3 million euros compared to 149.6 million euros in 3Q06, driven by the 9.0% growth in customer revenues that fully compensated the negative impact of 5.6 and 2.1 million euros due to lower roaming in tariffs and MTRs on operator revenues. Excluding the impact of the MTRs and roaming in tariffs, service revenues would have increased by 7.0% as compared to 3Q06.

### EBITDA

EBITDA in 3Q07 reached 44.5 million euros and generated a margin of 27.6%, representing a decrease of 6.8% and 1.8pp, respectively versus 3Q06. This decline was primarily the result of lower roaming in tariffs and MTRs that led to a reduction of 6.4 million euros in EBITDA compared to 3Q06, despite the 1.8% increase in service revenues. Excluding the negative impact of roaming in and MTRs, EBITDA would have increased by 6.7% compared to 3Q06, generating an EBITDA margin of 30.1%, 0.7pp above 3Q06.

Total OPEX increased by 4.1% to 125.3 million euros and represented 77.6% of Turnover, a deterioration of 3.5pp when compared to 3Q06 and notwithstanding the 1.7% improvement in service margin to 117.0 million euros and a margin of 76.9%, in line with 3Q06. The higher costs were driven by: (i) higher marketing & sales costs and handset subsidies of 24.3%, a reflection of the strong growth in both active customers (+11.3%) and customer revenues (+9.0%); (ii) higher leased line & other network operating costs of 3.4%, driven by both leased line costs up by 0.9% and other network costs which grew by 5.3% primarily due to the extension of Optimus' 3G/HSDPA network and resulting higher number of circuits rented, also due to the success of our Kanguru product; (iii) higher outsourcing services, especially customer IT and Customer Support services which grew by 8.5%; (iv) higher general & administrative costs of 13.0% as a result of specific investments made to accelerate the judicial collection of old invoices with the consequent positive impact on the bad debt level overtime; and (v) an increase in other operating costs of 8.9%, driven by higher license costs resulting from the higher number of customers. Staff costs decreased by 5.8% due not only to the decrease in headcount, but also to the higher level of capitalisation of staff costs related with specific network development projects.

## 5. Sonaecom Fixed

Sonaecom Fixed strengthened its position as a direct access company with a substantially enlarged customer base after the integration of Oni's residential and SOHO and Tele2's customers. Focus will be on the transformation of the acquired indirect customers to direct access through the expansion of our double play offering, the reinforcement of TV and Home Video in the ADSL basic offer and better customer service.

### 5.1. Operational data

| SONAECOM FIXED OPERATIONAL KPI's | 3Q06 | 3Q07 | y.o.y | 2Q07 | 9M06 | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|
| Total Services (EOP) (1) | 371,011 | 798,477 | 115.2% | 411,177 | 371,011 | 798,477 | 115.2% |
| Direct | 253,700 | 471,851 | 86.0% | 336,789 | 253,700 | 471,851 | 86.0% |
| ULL | 230,041 | 439,604 | 91.1% | 307,316 | 230,041 | 439,604 | 91.1% |
| Other | 23,659 | 32,247 | 36.3% | 29,473 | 23,659 | 32,247 | 36.3% |
| Indirect | 117,311 | 326,626 | 178.4% | 74,388 | 117,311 | 326,626 | 178.4% |
| Voice | 61,078 | 282,539 | - | 41,362 | 61,078 | 282,539 | - |
| Internet Broadband | 12,381 | 27,644 | 123.3% | 11,590 | 12,381 | 27,644 | 123.3% |
| Internet Narrowband | 43,852 | 16,443 | -62.5% | 21,436 | 43,852 | 16,443 | -62.5% |
| Total Accesses (2) | 283,232 | 510,006 | 80.1% | 358,963 | 283,232 | 510,006 | 80.1% |
| PSTN/ISDN | 153,318 | 270,112 | 76.2% | 194,759 | 153,318 | 270,112 | 76.2% |
| ULL ADSL | 117,533 | 212,250 | 80.6% | 152,614 | 117,533 | 212,250 | 80.6% |
| Wholesale ADSL | 12,381 | 27,644 | 123.3% | 11,590 | 12,381 | 27,644 | 123.3% |
| Unbundled Central Offices with transmission | 138 | 157 | 13.8% | 150 | 138 | 157 | 13.8% |
| Unbundled Central Offices with ADSL2+ | 134 | 148 | 10.4% | 142 | 134 | 148 | 10.4% |
| Direct access as % Customer Revenues | 67.9% | 73.1% | 5.2pp | 78.9% | 63.3% | 75.7% | 12.4pp |
| Total Voice Traffic ('000 Min.) (3) | 358,721 | 457,095 | 27.4% | 384,789 | 1,078,548 | 1,219,593 | 13.1% |
| Total Internet Traffic | | | | | | | |
| Narrowband ('000 Min.) | 48,429 | 18,311 | -62.2% | 22,435 | 187,998 | 72,385 | -61.5% |
| Broadband ('000 Gigabytes) | 2,918 | 5,869 | 101.1% | 5,057 | 7,433 | 15,750 | 111.9% |
| Employees | 174 | 195 | 12.1% | 164 | 174 | 195 | 12.1% |

(1) Services restated according to a "revenue generator unit" criteria since 1Q07; (2) 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; (3) Includes Wholesale and Retail traffic.

**Growth initiatives**

During 3Q07, Sonaecom Fixed continued to focus on its double play offering of voice and internet enhanced with inclusion of IPTV and Home Video, in order to protect pricing, reduce levels of churn and improve loyalty in its direct access base. In the quarter, Sonaecom Fixed continued to develop its triple play offer by introducing new TV channels in its offer and enlarging the number of services available in its IPTV offer.

**Customer base**

During 3Q07, Sonaecom Fixed completed the acquisition of both Oni's residential and SoHo customer base and of Tele2 Portugal, which had an impact of an additional 371.8 thousand services, of which, 111.1 thousand are direct services.

At the end of 3Q07, Sonaecom Fixed total services reached 798.5 thousand, an increase of 115.2% (15.0% on a like-for-like comparison) compared to 3Q06. Total direct services represented 59.1% of Sonaecom Fixed customer base in 3Q07 (84.5% excluding recent acquisitions), compared to 68.4% in 3Q06. Average monthly direct net adds were, approximately, 8 thousand services in 3Q07 and average monthly net adds of ULL accesses reached 3.5 thousand.

### Traffic

Sonaecom Fixed voice traffic increased by 27.4% in 3Q07 to 457.1 million minutes compared to 358.7 million minutes in 3Q06, as a result of the increase of both retail traffic of 58.9% and wholesale traffic of 10.9%. Retail traffic performance was a result of the increase of both direct voice and indirect voice traffic up by 67.2% and 43.5%, respectively. On a like-for-like comparison, total voice traffic increased by 12.1% supported by the growth of retail traffic of 23.2%.

## 5.2. Financial data

Million euros

| CONSOLIDATED SONAECOM FIXED INCOME STATEMENT | 3Q06 | 3Q07 | y.o.y | 2Q07 | 9M06 | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|
| **Turnover** | **52.4** | **66.9** | **27.6%** | **56.7** | **146.2** | **177.6** | **21.5%** |
| Service Revenues | 52.2 | 66.7 | 27.8% | 56.5 | 144.9 | 177.3 | 22.3% |
| Customer Revenues | 23.7 | 35.1 | 48.0% | 28.3 | 68.5 | 89.8 | 31.2% |
| Direct Access Revenues | 16.1 | 25.7 | 59.4% | 22.4 | 43.3 | 68.0 | 57.0% |
| Indirect Access Revenues | 6.9 | 8.7 | 25.1% | 5.2 | 23.9 | 19.6 | -18.0% |
| Other | 0.7 | 0.7 | 10.7% | 0.8 | 1.3 | 2.2 | 76.9% |
| Operator Revenues | 28.5 | 31.6 | 11.0% | 28.2 | 76.5 | 87.4 | 14.4% |
| Equipment Sales | 0.2 | 0.2 | -16.8% | 0.2 | 1.2 | 0.3 | -73.0% |
| **Other Revenues** | **0.9** | **0.8** | **-10.3%** | **0.8** | **3.3** | **2.6** | **-21.1%** |
| **Operating Costs** | **52.3** | **63.3** | **20.9%** | **56.8** | **155.2** | **172.7** | **11.3%** |
| COGS | 0.1 | 0.3 | 138.8% | 0.2 | 1.4 | 0.4 | -71.6% |
| Interconnection | 27.3 | 35.2 | 29.2% | 30.0 | 77.9 | 93.3 | 19.7% |
| Leased Lines & Other Network Operating Costs | 7.8 | 10.2 | 31.2% | 8.3 | 23.6 | 27.3 | 15.7% |
| Personnel Costs | 2.2 | 2.2 | 1.3% | 2.3 | 7.0 | 6.9 | -1.8% |
| Marketing & Sales | 5.4 | 4.6 | -15.1% | 5.5 | 15.2 | 12.8 | -16.0% |
| Outsourcing Services (1) | 7.0 | 8.2 | 17.5% | 8.1 | 22.8 | 24.2 | 6.3% |
| General & Administrative Expenses | 2.2 | 2.1 | -3.9% | 2.1 | 6.5 | 6.5 | 1.1% |
| Other Operating Costs | 0.4 | 0.4 | 4.0% | 0.4 | 0.8 | 1.2 | 48.0% |
| **Provisions and Impairment Losses** | **0.3** | **0.8** | **158.3%** | **0.2** | **0.7** | **3.2** | **-** |
| **Service Margin (2)** | **24.9** | **31.5** | **26.2%** | **26.6** | **67.0** | **84.0** | **25.3%** |
| Service Margin (%) | 47.8% | 47.2% | -0.6pp | 47.0% | 46.2% | 47.4% | 1.1pp |
| **EBITDA** | **0.6** | **3.6** | **-** | **0.5** | **-6.4** | **4.4** | **-** |
| EBITDA Margin (%) | 1.2% | 5.4% | 4.1pp | 0.9% | -4.4% | 2.5% | 6.9pp |
| Tender Offer related costs (3) | 0.0 | 13.3 | - | 0.0 | 0.0 | 13.3 | - |
| Depreciation & Amortization | 4.1 | 5.2 | 27.5% | 4.9 | 12.0 | 14.9 | 24.3% |
| **EBIT** | **-3.4** | **-14.9** | **-** | **-4.4** | **-18.4** | **-23.8** | **-29.3%** |
| **Net Financial Results** | **-0.9** | **-1.7** | **-83.7%** | **-0.9** | **-2.2** | **-3.3** | **-52.4%** |
| Financial Income | 0.0 | 0.1 | 61.9% | 0.1 | 0.1 | 0.2 | 47.9% |
| Financial Expenses | 0.9 | 1.7 | 82.7% | 1.0 | 2.3 | 3.5 | 52.2% |
| **EBT** | **-4.3** | **-16.5** | **-** | **-5.3** | **-20.6** | **-27.1** | **-31.7%** |
| Tax results | 0.0 | 7.0 | - | 0.0 | 0.0 | 7.0 | - |
| **Net Results** | **-4.3** | **-9.5** | **-119.5%** | **-5.3** | **-20.6** | **-20.2** | **2.3%** |
| | | | | | | | |
| Operating CAPEX (4) | 4.9 | 7.8 | 57.0% | 13.7 | 21.0 | 33.7 | 60.3% |
| Operating CAPEX as % of Turnover | 9.4% | 11.6% | 2.2pp | 24.2% | 14.4% | 19.0% | 4.6pp |
| EBITDA - Operating CAPEX | -4.3 | -4.2 | 3.2% | -13.2 | -27.5 | -29.4 | -6.9% |
| Total CAPEX | 4.9 | 42.4 | - | 14.2 | 21.0 | 68.9 | - |
| FCF (5) | -2.8 | -48.2 | - | -2.8 | -38.9 | -65.0 | -67.0% |
| Gross Debt | 89.9 | 134.0 | 49.0% | 98.1 | 89.9 | 134.0 | 49.0% |
| Net Debt | 89.5 | 130.8 | 46.1% | 97.5 | 89.5 | 130.8 | 46.1% |
| Net Debt/ EBITDA last 12 months | -7.0 x | 28.7 x | 35.7x | 60.9 x | -7.0 x | 28.7 x | 35.7x |
| EBITDA/Interest Expenses | 0.7 x | 2.1 x | 1.4x | 0.5 x | -2.8 x | 1.2 x | 4.1x |
| Debt/(Debt + Shareholders' Funds) | 99.0% | 98.1% | -0.9pp | 89.0% | 99.0% | 98.1% | -0.9pp |

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Service Margin = Service Revenues minus Interconnection Costs; (3) Charge out by Sonaecom SGPS regarding PT tender offer costs (4) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments; (5) FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs.

### Turnover

Turnover in 3Q07 amounted to 66.9 million euros, an increase of 27.6% over 3Q06, mainly due to the significant increase in customer revenues, up by 48.0% mainly driven by growth in direct access revenues which grew by 59.4%.

It should be noted that since September, Sonaecom Fixed results reflect the contribution of Tele2 Portugal and the customers bought from Oni. In 3Q07, the revenues contribution of these operations was of 5.0 million euros. Excluding this contribution, service revenues would have grown by 18.2% when compared to 3Q06, on a like-for-like basis.

Direct access revenues accounted for 73.1% of customer revenues in the quarter, a decrease of 5.2pp compared to the previous quarter as a result of the inclusion of Tele2 and Oni customers as from September.
Mass calling services during the quarter contributed significantly with revenues of 7.1 million euros, an increase of 5.1 million euros compared to 3Q06.

**EBITDA**
Sonaecom Fixed generated a record positive EBITDA of 3.6 million euros, compared to a positive 0.6 million euros in 3Q06, and generated a margin of 5.4%. This improvement is primarily due to the increased size of the ULL customer base achieved via organic growth that has been generating an increasingly positive contribution to profitability since the second half of 2006. Tele2 and Oni customers contributed a marginally negative EBITDA in the quarter.

Operating costs at Sonaecom Fixed increased by 20.9% compared to 3Q06, reflecting the consolidation of Tele2 Portugal, the inclusion of costs associated with the customers bought from Oni and the effort in developing and expanding the direct access broadband business: (i) interconnection costs were up by 29.2%, due to the increased voice traffic in 3Q07 compared to 3Q06, as well as the higher ULL monthly fees, driven by the larger number of direct customers, although service margin grew by 26.2% to 31.5 million euros and generated a margin of 47.2%; (ii) leased lines and other network operating costs were up by 31.2%, mainly as a result of a higher demand for circuits and higher maintenance costs related to the increased volume of equipment and number of unbundled central offices; (iii) personnel costs increased by 1.3% reflecting the costs of Tele2's headcount as from September; (iv) outsourcing services and general & administrative expenses grew by 11.9% due to the enlarged customer base; and (v) notwithstanding the decrease of 15.1% in marketing & sales costs despite the high level of customers acquired in the quarter.

## 6. Público

Público continued to focus on executing its new strategy based on its totally redesigned, all-colour newspaper and supplements, launched in mid-February 2007, and a re-dimensioned cost structure. However the market dynamics have been very severe for paid newspapers with circulation[2] decreasing by 2.6% and advertising revenues[3] from January to August increasing marginally by 1.4% (this number refers to advertising space calculated at reference table figures. Competitive pressures in 2007 have lead to higher discounts versus previous years) compared to last year same period while the free newspapers' advertising revenues more than doubled. Público's main challenges going forward continued to be stimulating circulation and increasing advertising revenues, a fundamental revenue stream for a sustainable and profitable media business.

### 6.1. Operational data

| PÚBLICO OPERATIONAL KPI's | 3Q06 | 3Q07 | y.o.y | 2Q07 | 9M06 | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|
| Average Paid Circulation (1) | 44,193 | 42,401 | -4.1% | 44,282 | 44,197 | 42,571 | -3.7% |
| Market Share of Advertising (%) (2) | 14.5% | 12.9% | -1.6pp | 13.9% | 15.3% | 13.7% | -1.7pp |
| Employees | 334 | 276 | -17.4% | 260 | 334 | 276 | -17.4% |

(1) Estimated value updated in the following quarter; (2) 3Q07 = August YTD.

During the 3Q07, the positive signs seen in circulation, in 2Q07 (latest available data), were confirmed as Público's market share of paid circulation in the quarter was of 12.7%, an increase of 0.8pp when compared to 4Q06, the last quarter with the "old" newspaper, indicating that the restructuring of the product was well received by consumers. However, in 3Q07, the circulation decreased by 4.1% when compared to 3Q06 and by 4.3% when compared to the previous quarter, a consequence of the continuous reduction in the size of the paid press market, as well as the competitive pressures particularly from 'free' newspapers.
Público's advertising market share has also been under pressure, reaching an average of 13.7% at the end of 3Q07, down 1.7pp as compared to end 3Q06.

[2] Source: APCT, 1H07 vs 1H06 (latest available data)
[3] Source: Marktest/Media Monitor

Público´s online website continued to be the leader in unique visitors and visits in Portugal, with the integration of both the online and offline being further accelerated. Online advertising, although still a small number and not enough to compensate the decline of newspaper advertising revenues, almost doubled when compared to 3Q06, with Público.pt generating a positive EBITDA for the third consecutive quarter.

### 6.2. Financial data

Million euros

| PÚBLICO CONSOLIDATED INCOME STATEMENT | 3Q06 | 3Q07 | y.o.y | 2Q07 | 9M06 | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|
| **Turnover** | **8.16** | **6.96** | **-14.8%** | **9.48** | **27.42** | **23.61** | **-13.9%** |
| Advertising Sales (1) | 3.34 | 2.98 | -10.6% | 3.91 | 11.21 | 10.11 | -9.8% |
| Newspaper Sales | 3.06 | 2.95 | -3.6% | 3.24 | 9.20 | 9.05 | -1.6% |
| Associated Product Sales | 1.76 | 1.02 | -42.1% | 2.33 | 7.01 | 4.44 | -36.6% |
| **Other Revenues** | **0.03** | **0.05** | **80.0%** | **0.04** | **0.22** | **0.17** | **-25.0%** |
| **Operating Costs** | **11.39** | **8.32** | **-27.0%** | **10.19** | **33.44** | **26.88** | **-19.6%** |
| COGS | 2.21 | 1.45 | -34.4% | 2.98 | 8.17 | 6.14 | -24.9% |
| Personnel Costs | 4.97 | 2.85 | -42.8% | 2.91 | 12.26 | 8.59 | -29.9% |
| Marketing & Sales | 0.68 | 0.82 | 21.6% | 1.06 | 2.12 | 2.31 | 8.8% |
| Outsourcing Services (2) | 2.62 | 2.53 | -3.5% | 2.52 | 8.32 | 7.72 | -7.2% |
| General & Administrative Expenses | 0.91 | 0.67 | -27.0% | 0.71 | 2.55 | 2.11 | -17.2% |
| Other Operating Costs | 0.00 | 0.01 | 100.0% | 0.00 | 0.02 | 0.01 | -50.0% |
| **Provisions and Impairment Losses** | **0.03** | **0.24** | **-** | **0.06** | **0.08** | **0.36** | **-** |
| **EBITDA** | **-3.22** | **-1.55** | **52.0%** | **-0.74** | **-5.88** | **-3.47** | **41.1%** |
| EBITDA Margin (%) | -39.5% | -22.3% | 17.23pp | -7.8% | -21.5% | -14.7% | 6.8pp |
| Depreciation & Amortization | 0.18 | 0.17 | -2.3% | 0.17 | 0.59 | 0.51 | -12.8% |
| **EBIT** | **-3.40** | **-1.72** | **49.4%** | **-0.91** | **-6.47** | **-3.98** | **38.5%** |
| **Net Financial Results** | **-0.09** | **-0.09** | **-1.1%** | **-0.06** | **-0.21** | **-0.18** | **10.2%** |
| Financial Income | 0.00 | 0.00 | -50.0% | 0.00 | 0.00 | 0.00 | -25.0% |
| Financial Expenses | 0.09 | 0.09 | 0.0% | 0.07 | 0.21 | 0.19 | -10.5% |
| **EBT** | **-3.49** | **-1.81** | **48.1%** | **-0.97** | **-6.68** | **-4.16** | **37.6%** |
| Tax results | 0.00 | -0.01 | -100.0% | -0.01 | -0.01 | -0.02 | -14.3% |
| **Net Results** | **-3.49** | **-1.82** | **48.0%** | **-0.98** | **-6.69** | **-4.18** | **37.6%** |
| | | | | | | | |
| Operating CAPEX (3) | 0.03 | 0.07 | 157.1% | 0.17 | 0.17 | 0.50 | 197.0% |
| Operating CAPEX as % of Turnover | 0.3% | 1.0% | 0.7pp | 1.8% | 0.6% | 2.1% | 1.5pp |
| EBITDA - Operating CAPEX | -3.25 | -1.62 | 50.2% | -0.91 | -6.05 | -3.96 | 34.5% |
| Total CAPEX | 0.03 | 0.07 | 157.1% | 0.17 | 0.17 | 0.50 | 197.0% |
| FCF (4) | -3.18 | -1.35 | 57.8% | -1.71 | -6.14 | -6.41 | -4.3% |
| Gross Debt | 9.73 | 7.23 | -25.7% | 5.87 | 9.73 | 7.23 | -25.7% |
| Net Debt | 9.66 | 7.12 | -26.4% | 5.77 | 9.66 | 7.12 | -26.4% |
| Net Debt/ EBITDA last 12 months | -1.7 x | -1.1 x | 0.6x | -0.7 x | -1.7 x | -1.1 x | 0.6x |
| EBITDA/Interest Expenses | -36.2 x | -17.6 x | 18.6x | -11.9 x | -29.9 x | -19.4 x | 10.5x |
| Debt/(Debt + Shareholders' Funds) | 1572.1% | 278.3% | -1293.8pp | 192.3% | 1572.1% | 278.3% | -1293.8x |

(1) Includes Contents; (2) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (3) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments; (4) FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs.

During 3Q07, turnover decreased by 14.8% to 7.0 million euros, compared to 8.2 million euros in 3Q06. All revenue streams decreased compared to LY: (i) associated product sales by 42.1%, as a result of market competition and saturation; (ii) advertising sales that were down by 10.6%; and (iii) newspaper sales down by 3.6% when compared to 3Q06.

EBITDA was negative 1.55 million euros, the worst quarter in 2007 (normal 3Q seasonality effect) although still representing a 52% improvement over 3Q06, which included provisions for severance costs. In accordance with the restructuring plan, personnel costs were down by 12.8% (excluding severance costs accounted in 3Q06) when compared to 3Q06, and general & administrative expenses and outsourcing services were down by 9.3% over 3Q06, resulting from the restructuring plan implemented in the second half of 2006.

## 7. Software and Systems Information

SSI continued to achieve a good set of operational and financial results, driven by the performance of WeDo that has focused on expanding its range of clients through its star Revenue Assurance Product (RAID). With the acquisition of Cape Technologies, WeDo became the worldwide leader of Revenue Assurance solutions for the telecoms sector.

### 7.1. Operational data

| SSI OPERATIONAL KPI's | 3Q06 | 3Q07 | y.o.y | 2Q07 | 9M06 | 9M06[R] | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|---|
| IT Serv Revenues/Employee( '000 euros) [1] | 26.8 | 28.6 | 6.5% | 27.8 | 76.0 | 82.5 | 83.8 | 1.5% |
| Equipment Sales as % Turnover [2] | 38.6% | 44.4% | 5.8pp | 42.1% | 31.1% | 40.0% | 40.6% | 0.6pp |
| Equipment Sales/Employee [2] ( '000 euros) | 535.2 | 711.5 | 32.9% | 629.8 | 1,736.4 | 1,736.4 | 1,823.5 | 5.0% |
| EBITDA/Employee ( '000 euros) | 2.4 | 4.0 | 69.6% | 4.2 | 8.6 | 8.1 | 11.8 | 45.6% |
| Employees | 331 | 378 | 14.2% | 353 | 643 | 331 | 378 | 14.2% |

(1) Excluding employees dedicated to Equipment Sales; (2) Bizdirect; (R) Restated to exclude Enabler's contribution in 1H06 and the 25.3 million euros capital gain from the sale of Enabler in 1H06.

Productivity at SSI has improved significantly with SSI's IT service revenues per employee reaching 28.6 thousand euros in 3Q07, 6.5% above 3Q06 and equipment sales per employee also increased by 32.9% to 0.7 million euros in 3Q07. Headcount increased by 47 to 378 as compared to 3Q06, due to: (i) the launch of Saphety, a company carved out from Sonaecom Fixed in December 2006; (ii) the consolidation of Tecnológica, a company acquired by WeDo in the 2Q07; and (iii) the need for additional internal consultants to support the increased level of activity.

WeDo continued to invest in expanding its international footprint and has obtained two additional key accounts during the 3Q07 for implementation of its revenue assurance product, RAID: Banglalink in Bangladesh and Wind Hellas in Greece, both from Orascom Group. The number of new key accounts obtained during 2007 is now 9, 6 more than in the same period of 2006.

At the end of the quarter, WeDo also acquired Cape Technologies, a company incorporated in the Republic of Ireland, with 120 employees that operates internationally in information systems for the telecommunications industry. The consideration for this acquisition was of 17 million euros plus an additional amount of up to 3 million euros, subject to the accomplishment of certain pre-agreed targets. With this acquisition, WeDo becomes the world leader in the Revenue Assurance software integration market, with 370 employees spread across 11 offices worldwide and with a customer base of 45 clients present in 35 countries.

## 7.2. Financial data

Million euros

| SSI CONSOLIDATED INCOME STATEMENT | 3Q06 | 3Q07 | y.o.y | 2Q07 | 9M06 | 9M06[(R)] | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|---|
| **Turnover** | **15.25** | **20.63** | **35.3%** | **17.82** | **61.38** | **47.71** | **53.41** | **12.0%** |
| Service Revenues | 9.37 | 11.47 | 22.5% | 10.32 | 42.32 | 28.65 | 31.73 | 10.8% |
| Equipment Sales | 5.89 | 9.16 | 55.6% | 7.50 | 19.06 | 19.06 | 21.68 | 13.8% |
| **Other Revenues** | **0.15** | **0.07** | **-50.0%** | **0.05** | **27.06** | **0.41** | **0.32** | **-22.8%** |
| **Operating Costs** | **14.59** | **19.05** | **30.5%** | **16.35** | **58.22** | **45.36** | **49.33** | **8.8%** |
| COGS | 5.63 | 9.16 | 62.6% | 7.19 | 18.33 | 18.33 | 21.18 | 15.5% |
| Personnel Costs | 4.47 | 5.09 | 14.0% | 4.89 | 20.94 | 13.19 | 14.98 | 13.6% |
| Marketing & Sales | 0.20 | 0.17 | -16.4% | 0.30 | 0.68 | 0.59 | 0.75 | 26.9% |
| Outsourcing Services (1) | 2.72 | 2.88 | 5.8% | 2.33 | 10.68 | 8.63 | 7.32 | -15.2% |
| General & Administrative Expenses | 1.55 | 1.74 | 11.7% | 1.62 | 7.41 | 4.50 | 4.92 | 9.3% |
| Other Operating Costs | 0.02 | 0.02 | -34.8% | 0.02 | 0.18 | 0.13 | 0.20 | 56.0% |
| **Provisions and Impairment Losses** | **0.01** | **0.13** | **-** | **0.05** | **0.24** | **0.08** | **0.19** | **143.4%** |
| **EBITDA** | **0.79** | **1.53** | **93.2%** | **1.48** | **29.99** | **2.68** | **4.21** | **56.9%** |
| EBITDA Margin (%) | 5.2% | 7.4% | 2.2pp | 8.3% | 48.9% | 5.6% | 7.9% | 2.3pp |
| Depreciation & Amortization | 0.30 | 0.50 | 65.2% | 0.37 | 1.14 | 0.95 | 1.20 | 25.9% |
| **EBIT** | **0.49** | **1.03** | **110.4%** | **1.11** | **28.84** | **1.73** | **3.01** | **73.9%** |
| **Net Financial Results** | **0.16** | **3.18** | **-** | **0.20** | **0.48** | **0.42** | **3.43** | **-** |
| Financial Income | 0.23 | 3.36 | - | 0.23 | 0.67 | 0.59 | 3.83 | - |
| Financial Expenses | 0.07 | 0.17 | 138.9% | 0.04 | 0.19 | 0.17 | 0.41 | 141.1% |
| **EBT** | **0.65** | **4.22** | **-** | **1.31** | **29.33** | **2.15** | **6.44** | **199.7%** |
| Tax results | -0.02 | -0.39 | - | -0.71 | -0.97 | 0.71 | -1.35 | - |
| **Net Results** | **0.63** | **3.82** | **-** | **0.60** | **28.36** | **1.44** | **5.09** | **-** |
| | | | | | | | | |
| Operating CAPEX (2) | 0.14 | 0.11 | -21.6% | 0.10 | 0.47 | 0.40 | 0.36 | -11.4% |
| Operating CAPEX as % of Turnover | 0.9% | 0.5% | -0.4pp | 0.6% | 0.8% | 0.8% | 0.7% | 0.1pp |
| EBITDA - Operating CAPEX | 0.65 | 1.42 | 117.6% | 1.38 | 29.52 | 2.28 | 3.85 | 69.0% |
| Total CAPEX | 0.14 | 0.16 | 12.2% | 2.50 | 0.47 | 0.40 | 3.04 | - |
| FCF (3) | 2.51 | -15.49 | - | 1.47 | 24.35 | 3.44 | -16.03 | - |
| Gross Debt | 0.11 | 7.54 | - | 0.18 | 0.11 | 0.11 | 7.54 | - |
| Net Debt | -34.53 | 3.02 | - | -12.47 | -34.53 | -34.53 | 3.02 | - |
| Net Debt/ EBITDA last 12 months | -1.1 x | 0.5 x | 1.6x | -2.4 x | -1.1 x | -7.3 x | 0.5 x | 7.8x |
| EBITDA/Interest Expenses | 396.0 x | 218.6 x | -177.4x | 295.6 x | 2,725.9 x | 244.0 x | 300.8 x | 56.8x |
| Debt/(Debt + Shareholders' Funds) | 0.2% | 11.9% | 11.6pp | 0.3% | 0.2% | 0.6% | 11.9% | 11.3pp |

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments; (3) FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs; (R) Restated to exclude Enabler's contribution in 1H06 and the 25.3 million euros capital gain from the sale of Enabler in 1H06.

SSI turnover increased by 35.3% in 3Q07 to 20.6 million euros as compared to 3Q06, as a result of both higher IT equipment sales, which increased by 55.6% to 9.2 million euros, and higher service revenues, up by 22.5%, mainly driven by the 21.9% increase in service revenues at WeDo. In 3Q07, equipment sales represented 44.4% of turnover, a 5.8pp increase of the 38.6% registered in 3Q06.

SSI generated an EBITDA of 1.53 million euros in 3Q07, a 93.2% increase over 3Q06, mainly explained by the revenues growth and the tight cost management in the quarter which, excluding COGS, grew by 10.3%, despite the growth in service revenues of 22.5%. All SSI OpCo's, with the exception of Saphety which was included within SSI as from 1Q07, contributed positively to this performance. In particular, WeDo's EBITDA increased 75.4% which generated an EBITDA margin of 15.9% in the 3Q07 (15.0% YTD).
FCF excluding the acquisition of Cape Technologies was positive 1.8 million euros in 3Q07, down from positive 2.5 million in 3Q06, explained by a deterioration of working capital in the quarter which was not completely offset by the higher EBITDA result.

## 8. Regulatory developments

The following are some of the more important regulatory developments during the quarter:

- In the quarter, ANACOM released its report following the public consultation on the National Frequency Allocation Plan. In that report, ANACOM expressed its intention to attribute a new mobile license to operate in the 450Mhz band;
- During the quarter ANACOM published documentation on the introduction of DTT in Portugal. In that report, ANACOM expressed their intention to promote two different public contests: one for "free-to-air" channels and another one for "Premium" channels. According to the preliminary calendar, and, if everything goes as planed, the final decision should be taken at the end of the 2Q08.

## 9. Corporate Developments

- On 24 August 2007, the Portuguese Competition Authority released its final approval for the acquisition of Oni's residential and SOHO customer base. As the final consideration was dependent on the number of customers and the final number of customers to be transferred from Oni has decreased, total consideration was adjusted from the initial 25 million euros to 20 million euros. In the quarter, 75% of the adjusted consideration was paid;
- On 4 September 2007, the Portuguese Competition Authority released its final approval for the acquisition Tele2 Portugal. In the quarter, Sonaecom paid 90% of the total consideration of 14.4 million euros;
- On 28 September 2007, WeDo Consulting – Sistemas de Informação, S.A., announced the acquisition of the total share capital of Cape Technologies Limited, a company incorporated in the Republic of Ireland, with 120 employees, which operates internationally in information systems for the telecommunications industry. The consideration for this acquisition was 17 million euros plus an additional amount of up to 3 million euros, subject to the accomplishment of certain pre-agreed targets. With this acquisition, WeDo becomes the world leader in the Revenue Assurance software integration market, with 370 employees spread across offices in 11 countries and with a customer base of 45 clients present in 35 countries.
- During the quarter, Sonaecom announced that it had begun the process to merge its Mobile and Fixed divisions. This operation, that has been approved by both ANACOM and "MOPTC", represents an internal reorganization that is the next natural step in the development of our integrated telecoms strategy and which will: (i) reinforce our growth strategy both in organic and non organic terms; (ii) position the organisation to anticipate and react to market trends that are moving more and more towards Fixed/Mobile convergence; (iii) facilitate the further development of new products and services; and (iv) improve operating efficiency and reduce costs.

## 10. Additional information

### Consolidated nominal net debt before application of IAS 39

Million euros

| CONSOLIDATED NOMINAL DEBT | 3Q06 | 3Q07 | y.o.y | 4Q06 | 9M06 | 9M07 | y.o.y |
|---|---|---|---|---|---|---|---|
| Gross Debt | 479.2 | 328.2 | -31.5% | 478.0 | 479.2 | 328.2 | -31.5% |
| Liquidity | 114.9 | 13.9 | -87.9% | 125.9 | 114.9 | 13.9 | -87.9% |
| Net Debt | 364.3 | 314.4 | -13.7% | 352.0 | 364.3 | 314.4 | -13.7% |
| Net Debt/ EBITDA last 12 months | 2.0 x | 2.0 x | 0.1x | 1.9 x | 2.0 x | 2.0 x | 0.1x |
| Debt/ (Debt + Shareholders' Funds) | 39.8% | 26.9% | -12.9pp | 34.4% | 39.8% | 26.9% | -12.9pp |

### Reconciliation of consolidated net debt

Million euros

| CONSOLIDATED NET DEBT | Debt (1) | Shareholder Loans | Liquidity | Net Debt |
|---|---|---|---|---|
| **Aggregate Debt** | **327.8** | **538.0** | **77.8** | **788.0** |
| Optimus | 3.0 | 208.3 | 6.0 | 205.2 |
| Sonaecom Fixed | 16.3 | 117.8 | 3.3 | 130.8 |
| Público | 0.0 | 7.2 | 0.1 | 7.1 |
| SSI | 0.0 | 7.5 | 4.5 | 3.0 |
| Sonaecom SGPS (2) | 308.5 | 4.9 | 57.3 | 256.1 |
| Others | 0.0 | 192.4 | 6.6 | 185.8 |
| **Intra-groups** | **0.0** | **538.6** | **63.9** | **474.7** |
| Optimus | 0.0 | 208.3 | 2.4 | 205.9 |
| Sonaecom Fixed | 0.0 | 117.8 | 0.0 | 117.8 |
| Público | 0.0 | 7.2 | 0.0 | 7.2 |
| SSI | 0.0 | 7.5 | 2.1 | 5.4 |
| Sonaecom SGPS | 0.0 | 5.4 | 53.2 | -47.7 |
| Others | 0.0 | 192.4 | 6.3 | 186.1 |
| **Total** | **327.8** | **-0.6** | **13.9** | **313.4** |

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

# CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED BALANCE SHEETS FOR THE PERIODS ENDED AT 30 SEPTEMBER 2007 AND 2006 AND

FOR THE YEAR ENDED AT 31 DECEMBER 2006

(Amounts expressed in Euro)

| ASSETS | Notes | September 2007 | September 2006 | December 2006 |
|---|---|---|---|---|
| NON CURRENT ASSETS: | | | | |
| Tangible assets | 1.c), 1.h) and 5 | 519,908,968 | 476,025,816 | 494,771,742 |
| Intangible assets | 1.d), 1.e) and 6 | 172,916,326 | 166,087,741 | 166,664,974 |
| Goodwill | 1.f) and 7 | 523,033,647 | 282,070,076 | 506,902,772 |
| Investments in associated companies | 1.b) and 3 | 735,614 | 714,434 | 762,437 |
| Investments available for sale | 1.g) and 8 | 1,207,320 | 112,430,144 | 112,317,225 |
| Other non current debtors | | - | 1,927,036 | - |
| Deferred tax assets | 1.p) and 9 | 67,377,137 | 63,484,152 | 61,786,654 |
| Other non current assets | 1.r), 1.s), 1.w) and 10 | 17,250,000 | 914,992 | 348,568 |
| Total non current assets | | 1,302,429,012 | 1,103,654,391 | 1,343,554,372 |
| CURRENT ASSETS: | | | | |
| Inventories | 1.i) | 26,512,351 | 16,229,227 | 15,138,395 |
| Trade debtors | 1.j) | 159,136,892 | 149,960,994 | 151,981,914 |
| Other current debtors | 1.j) | 18,994,450 | 19,538,751 | 20,060,419 |
| Other current assets | 1.r), 1.s) and 1.w) | 81,449,819 | 83,410,602 | 62,687,227 |
| Investments recorded at fair value through profit or loss | 1.g) and 11 | 351,593 | 770,625 | 849,375 |
| Cash and cash equivalents | 1.k) and 12 | 13,860,821 | 114,942,043 | 125,917,344 |
| Total current assets | | 300,305,926 | 384,852,242 | 376,634,674 |
| Total assets | | 1,602,734,938 | 1,488,506,633 | 1,720,189,046 |

| SHAREHOLDERS' FUNDS AND LIABILITIES | Notes | September 2007 | September 2006 | December 2006 |
|---|---|---|---|---|
| SHAREHOLDERS' FUNDS: | | | | |
| Share capital | | 366,246,868 | 296,526,868 | 366,246,868 |
| Own Shares | 13 | (8,938,165) | - | - |
| Reserves | 1.t) | 539,766,797 | 280,698,275 | 556,646,226 |
| Consolidated net income/(loss) for the period | | 2,931,367 | 26,471,081 | (13,883,168) |
| | | 900,006,867 | 603,696,224 | 909,009,926 |
| Minority interests | | 700,433 | 121,051,791 | 471,382 |
| Total Shareholders' Funds | | 900,707,300 | 724,748,015 | 909,481,308 |
| LIABILITIES: | | | | |
| NON CURRENT LIABILITIES: | | | | |
| Medium and long-term loans - net of short-term portion | 1.l), 1.m) and 14 | 307,786,705 | 459,363,451 | 460,600,827 |
| Other non current creditors | | - | 7,877,940 | - |
| Other non current financial liabilities | 1.h) and 15 | 17,359,650 | 1,981,974 | 1,614,602 |
| Provisions for other liabilities and charges | 1.o), 1.s) and 16 | 30,895,343 | 16,895,582 | 20,078,571 |
| Deferred tax liabilities | 1.p) | 214,885 | - | - |
| Other non current liabilities | 1.r), 1.s), 1.w) and 25 | 413,598 | 4,150,864 | 3,785,049 |
| Total non current liabilities | | 356,670,181 | 490,269,811 | 486,079,049 |
| CURRENT LIABILITIES: | | | | |
| Short-term loans and other loans | 1.l), 1.m) and 14 | 165,574 | 688,693 | 74,607 |
| Trade creditors | | 130,359,778 | 119,882,913 | 162,680,112 |
| Other current financial liabilities | 1.h) and 17 | 1,899,037 | 1,964,648 | 1,708,922 |
| Other creditors | | 21,023,495 | 15,263,953 | 17,538,711 |
| Other current liabilities | 1.r), 1.s), 1.w) and 25 | 191,909,573 | 135,688,600 | 142,626,337 |
| Total current liabilities | | 345,357,457 | 273,488,807 | 324,628,689 |
| Total Shareholders' Funds and liabilities | | 1,602,734,938 | 1,488,506,633 | 1,720,189,046 |

The notes are an integral part of the consolidated financial statements at 30 September 2007 and 2006

The Chief Accountant

The Board of Directors

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT BY NATURE

FOR THE QUARTERS AND THE PERIODS ENDED AT 30 SEPTEMBER 2007 AND 2006 AND

FOR THE YEAR ENDED AT 31 DECEMBER 2006

(Amounts expressed in Euro)

| | Notes | September 2007 (Not audited) | June to September 2007 (Not audited) | September 2006 (Not audited) | June to September 2006 (Not audited) | December 2006 |
|---|---|---|---|---|---|---|
| Sales | | 54,917,954 | 18,755,029 | 66,621,719 | 22,619,920 | 89,288,539 |
| Services rendered | | 589,360,076 | 212,090,959 | 557,408,559 | 191,866,556 | 746,751,737 |
| Other operating revenues | | 4,232,275 | 2,164,743 | 29,623,061 | 1,081,809 | 32,035,543 |
| | | 648,510,305 | 233,010,731 | 653,653,339 | 215,568,285 | 868,075,819 |
| Cost of sales | | (74,720,019) | (27,208,343) | (72,414,665) | (25,695,092) | (102,115,774) |
| External supplies and services | 18 | (365,300,196) | (130,122,125) | (336,470,466) | (114,338,384) | (457,366,138) |
| Staff expenses | | (69,080,013) | (22,268,359) | (77,312,005) | (24,368,397) | (102,501,059) |
| Depreciation and amortisation | 5 and 6 | (101,497,212) | (34,437,553) | (100,190,269) | (33,893,103) | (135,670,907) |
| Provisions and impairment losses | 1.o), 1.v) and 16 | (9,232,475) | (2,883,982) | (8,234,222) | (2,628,747) | (10,612,459) |
| Other operating costs | 1.v) | (9,608,175) | (3,137,173) | (7,964,324) | (2,763,478) | (11,142,336) |
| | | (629,438,090) | (220,057,535) | (602,585,951) | (203,687,201) | (819,408,673) |
| Tender Offer costs | | - | - | - | - | (30,906,602) |
| | | (629,438,090) | (220,057,535) | (602,585,951) | (203,687,201) | (850,315,275) |
| Gains and losses on associated companies | 19 | (87,573) | - | (121,234) | (86,425) | (162,483) |
| Gains and losses on investments available for sale | 19 | 5,578,307 | 3,104,862 | - | - | - |
| Other financial expenses | 1.m), 1.n), 1.u), 1.v) and 19 | (34,753,351) | (14,735,720) | (16,901,510) | (6,051,649) | (23,138,426) |
| Other financial income | 1.n), 1.u) and 19 | 11,622,387 | 2,226,135 | 4,527,797 | 1,362,028 | 5,931,577 |
| **Current income/(loss)** | | **1,431,985** | **3,548,473** | **38,572,441** | **7,105,038** | **391,212** |
| Income taxation | 1.p), 9 and 20 | 1,705,195 | 4,166,514 | (3,191,061) | (4,290,573) | (5,259,937) |
| **Consolidated net income/(loss)** | | **3,137,180** | **7,714,987** | **35,381,380** | **2,814,465** | **(4,868,725)** |
| Attributed to: | | | | | | |
| Shareholders of parent company | 24 | **2,931,367** | **7,644,691** | **26,471,081** | **2,194,962** | **(13,883,168)** |
| Minority interests | | 205,813 | 70,296 | 8,910,299 | 619,503 | 9,014,443 |
| Earnings per share | | | | | | |
| Including discontinued operations | | | | | | |
| Basic | | 0.01 | 0.02 | 0.12 | 0.01 | (0.04) |
| Diluted | | 0.01 | 0.02 | 0.12 | 0.01 | (0.04) |
| Excluding discontinued operations | | | | | | |
| Basic | | 0.01 | 0.02 | 0.12 | 0.01 | (0.04) |
| Diluted | | 0.01 | 0.02 | 0.12 | 0.01 | (0.04) |

The notes are an integral part of the consolidated financial statements at 30 September 2007 and 2006

**The Chief Accountant** **The Board of Directors**

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

CONSOLIDATED MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE PERIODS ENDED AT 30 SEPTEMBER 2007 AND 2006

(Amounts expressed in Euro)

| | 2007 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Reserves | | | | | | | | | |
| | Share capital | Legal reserves | Share premium | Own Shares (Note 13) | Other reserves | Reserves Medium Term Incentive Plans | Fair value reserves (Note 8) | Total reserves | Minority Interests | Net income/(loss) | Total |
| Balance at 31 December 2006 | 366,246,868 | 559,078 | 775,290,377 | - | (225,277,495) | 952,390 | 5,121,876 | 556,646,226 | - | (13,883,168) | 909,009,926 |
| Appropriation of the consolidated result of 2006 | - | 443,209 | - | - | (14,326,377) | - | - | (13,883,168) | - | 13,883,168 | - |
| Consolidated net income/(loss) for the period ended 30 September 2007 | - | - | - | - | - | - | - | - | - | 2,931,367 | 2,931,367 |
| Acquisition of own shares | - | - | - | (8,938,165) | - | - | - | (8,938,165) | - | - | (8,938,165) |
| Fair value reserves | - | - | - | - | 176,657 | - | (5,121,876) | (4,945,219) | - | - | (4,945,219) |
| Medium Term Incentive Plans recognition | - | - | - | - | - | 1,742,509 | - | 1,742,509 | - | - | 1,742,509 |
| Reimbursements of expenses incurred in share capital increases (stamp tax) | - | - | - | - | 300,000 | - | - | 300,000 | - | - | 300,000 |
| Adjustments in foreign currency translation reserves and others | - | - | - | - | (93,551) | - | - | (93,551) | - | - | (93,551) |
| Balance at 30 September 2007 | 366,246,868 | 1,002,287 | 775,290,377 | (8,938,165) | (239,220,766) | 2,694,899 | - | 530,828,632 | - | 2,931,367 | 900,006,867 |
| Minority interests | | | | | | | | | | | |
| Balance at 31 December 2006 | - | - | - | - | - | - | - | - | 471,382 | - | 471,382 |
| Minority interests on results | - | - | - | - | - | - | - | - | 205,813 | - | 205,813 |
| Other changes | - | - | - | - | - | - | - | - | 23,238 | - | 23,238 |
| Balance at 30 September 2007 | - | - | - | - | - | - | - | - | 700,433 | - | 700,433 |
| Total | 366,246,868 | 1,002,287 | 775,290,377 | (8,938,165) | (239,220,766) | 2,694,899 | - | 530,828,632 | 700,433 | 2,931,367 | 900,707,300 |

| | 2006 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Reserves | | | | | | | | | |
| | Share capital | Legal reserves | Share premium | Own Shares (Note 13) | Other reserves | Reserves Medium Term Incentive Plans | Fair value reserves (Note 8) | Total reserves | Minority Interests | Net income/(loss) | Total |
| Balance at 31 December 2005 | 296,526,868 | 114,360 | 499,633,160 | - | (226,654,302) | - | - | 273,093,218 | - | 2,156,198 | 571,776,284 |
| Appropriation of the consolidated result of 2005 | - | 444,718 | - | - | 1,711,480 | - | - | 2,156,198 | - | (2,156,198) | - |
| Consolidated net income/(loss) for the period ended 30 September 2006 | - | - | - | - | - | - | - | - | - | 26,471,081 | 26,471,081 |
| Fair value reserves | - | - | - | - | - | - | 5,234,793 | 5,234,793 | - | - | 5,234,793 |
| Adjustments in foreign currency translation reserves and others | - | - | - | - | 214,066 | - | - | 214,066 | - | - | 214,066 |
| Balance at 30 September 2006 | 296,526,868 | 559,078 | 499,633,160 | - | (224,728,756) | - | 5,234,793 | 280,698,275 | - | 26,471,081 | 603,696,224 |
| Minority interests | | | | | | | | | | | |
| Balance at 31 December 2005 | - | - | - | - | - | - | - | - | 115,163,114 | - | 115,163,114 |
| Minority interests on results | - | - | - | - | - | - | - | - | 8,910,299 | - | 8,910,299 |
| Sales of group companies | - | - | - | - | - | - | - | - | (3,035,780) | - | (3,035,780) |
| Other changes | - | - | - | - | - | - | - | - | 14,158 | - | 14,158 |
| Balance at 30 September 2006 | - | - | - | - | - | - | - | - | 121,051,791 | - | 121,051,791 |
| Total | 296,526,868 | 559,078 | 499,633,160 | - | (224,728,756) | - | 5,234,793 | 280,698,275 | 121,051,791 | 26,471,081 | 724,748,015 |

The notes are an integral part of the consolidated financial statements at 30 September 2007 and 2006

SONAECOM, S.G.P.S., S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIODS ENDED AT 30 SEPTEMBER 2007 AND 2006

(Amounts expressed in Euro)

| | 30 September 2007 | | 30 September 2006 | |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Receipts from trade debtors | 636,712,718 | | 607,742,404 | |
| Payments to trade creditors | (443,537,640) | | (420,240,769) | |
| Payments to employees | (77,354,117) | | (88,310,510) | |
| **Cash flows from operating activities** | **115,820,961** | | **99,191,125** | |
| Payments/receipts relating to income taxes, net | (2,336,424) | | (1,249,198) | |
| Other payments/receipts relating to operating activities, net | 4,618,025 | | (17,854,676) | |
| **Cash flows from operating activities (1)** | **118,102,562** | **118,102,562** | **80,087,251** | **80,087,251** |
| **Investing activities** | | | | |
| Receipts from: | | | | |
| Loans granted | - | | 10 | |
| Investments | 108,549,264 | | 27,659,875 | |
| Tangible assets | 553,596 | | 2,197,161 | |
| Intangible assets | 14,839 | | 8,235 | |
| Interest and similar income | 11,174,497 | 120,292,196 | 4,102,794 | 33,968,075 |
| Payments for: | | | | |
| Loans granted | (5,000) | | - | |
| Investments | (32,243,905) | | (106,702,871) | |
| Tangible assets | (86,228,620) | | (71,567,880) | |
| Intangible assets | (25,900,401) | (144,377,926) | (11,941,736) | (190,212,487) |
| **Cash flows from investing activities (2)** | | **(24,085,730)** | | **(156,244,412)** |
| **Financing activities** | | | | |
| Receipts from: | | | | |
| Loans obtained | 159,000,000 | 159,000,000 | - | - |
| Payments for: | | | | |
| Leasing | (1,744,757) | | (2,814,795) | |
| Interest and similar expenses | (26,977,133) | | (11,862,861) | |
| Own shares | (8,938,165) | | - | |
| Loans obtained | (327,969,546) | (365,629,601) | - | (14,677,656) |
| **Cash flows from financing activities (3)** | | **(206,629,601)** | | **(14,677,656)** |
| Net cash Flows (4)=(1)+(2)+(3) | | (112,612,769) | | (90,834,817) |
| Effect of the foreign exchanges | | (126,611) | | (3,511) |
| Cash and cash equivalents at the beginning of the year | | (126,181,404) | | (205,084,656) |
| Cash and cash equivalents at end of the year | | 13,695,247 | | 114,253,350 |

The notes are an integral part of the consolidated financial statements at 30 September 2007 and 2006.

Chief Accountant

The Board of Directors

SONAECOM, S.G.P.S., S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIODS ENDED AT 30 SEPTEMBER 2007 AND 2006

(Amounts expressed in Euro)

| | | 2007 | 2006 |
|---|---|---|---|
| 1 - Acquisition or sale of subsidiaries or other businesses | | | |
| a) | Acquisitions | | |
| | Profimetrics - Software Solutions, S.A. | - | 150,000 |
| | Tecnológica Telecomunicações, Ltda. | 2,385,552 | - |
| | Telemilénio Telecomunicações - Sociedade Unipessoal, Lda. | 14,553,012 | - |
| | Advance under the acquisition of Cape Technologies, Limited | 17,250,000 | - |
| b) | Amount to pay from the aquisition of financial investments | | |
| | Tecnológica Telecomunicações, Ltda. | 2,244,439 | - |
| c) | Amount of other assets and liabilities acquired | | |
| | 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 |
| | | 31,944,125 | 106,702,871 |
| d) | Sales | | |
| | Retailbox | - | 33,268,380 |
| | Sonae Indústria, S.G.P.S., S.A. Shares | - | 211,445 |
| | Portugal Telecom, S.G.P.S., S.A. Shares | 108,461,474 | - |
| | Outsystem Software em Rede, S.A. | 87,790 | - |
| e) | Amount to be paid related to financial investments sold | | |
| | Retailbox BV | - | 5,819,950 |
| | | 108,549,264 | 39,299,775 |
| f) | Amounts of cash and cash equivalents in the subsidiary sold | | |
| | Retailbox BV | - | 247,394 |
| | Enabler - Informática, S.A. | - | 3,166,660 |
| | Enabler Brasil, Lda. | - | 118,161 |
| | Enabler Retail & Consult, Gmbh | - | 17,900 |
| | Enabler UK, Limited | - | 570,900 |
| | Enabler France | - | 155,860 |
| g) | Amounts of other assets and liabilities sold | | |
| | Retailbox BV | | |
| | Fixed assets | - | 611,599 |
| | Trade debtors and other current debtors | - | 6,490,798 |
| | Other current assets | - | 2,384,622 |
| | Financial assets at fair value | - | 391,216 |
| | Trade creditors and other creditors | - | (2,416,842) |
| | Other current liabilities | - | (3,847,277) |
| 2 - Details of cash and cash equivalents | | | |
| | Cash in hand | 184,687 | 200,961 |
| | Cash at bank | 7,611,271 | 2,078,458 |
| | Treasury applications | 6,064,863 | 112,662,624 |
| | Overdrafts | (165,574) | (688,693) |
| | Cash and cash equivalents | 13,695,247 | 114,253,350 |
| | Overdrafts | 165,574 | 688,693 |
| | Cash assets | 13,860,821 | 114,942,043 |

The difference between Cash and cash equivalents at 31 December 2006 and Cash and cash equivalents at the beginning of the period relates to the change of the consolidation perimeter and can be detail as follows:

| | |
|---|---|
| Cash and cash equivalents at 31 December 2006 | 125,842,737 |
| Changes on the consolidation perimeter: | |
| Tecnológica Telecomunicações, Ltda. | 186 |
| Telemilénio Telecomunicações - Sociedade Unipessoal, Lda. | 338,480 |
| Cash and cash equivalents at the beginning of the period ended on 30 Steptember 2007 | 126,181,404 |

| | | 2007 | 2006 |
|---|---|---|---|
| 3 - Description of non monetary financing activities | | | |
| a) | Bank credit granted and not used | 180,911,397 | 225,412,569 |
| 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 |
|---|---|---|---|---|
| Mobile network | 105,077,384 | (70,137,025) | (336,321,123) | (301,380,764) |
| Fixed network and internet | 32,588,919 | (36,370,477) | (1,529,533) | (5,311,092) |
| Multimedia | (4,332,541) | (579,249) | (12,366) | (4,924,156) |
| Information systems | (8,090,645) | (20,043,126) | (202,755) | (28,336,526) |
| Others | (7,140,555) | 103,044,147 | 131,436,176 | 227,339,769 |
| | 118,102,562 | (24,085,730) | (206,629,601) | (112,612,769) |

The notes are an integral part of the consolidated financial statements at 30 September 2007 and 2006.

**Chief Accountant** **The Board of Directors**

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# *Notes to the consolidated financial statements at 30 September 2007 and 2006*

(Amounts expressed in Euro)

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

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

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

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

- A Retail Share Offer of 5,430,000 shares, representing 3.62% of the share capital, made in the domestic market and aimed at: (i) employees of the Sonae Group; (ii) customers of the companies controlled by Sonaecom; and (iii) the general public.

- An Institutional Offering for sale of 26,048,261 shares, representing 17.37% of the share capital, aimed at domestic and foreign institutional investors.

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

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

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

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

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

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

The Group's business consists essentially of:

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

The Group operates, since 30 June 2006 and after the sale of Retailbox sub-group (that operates in England, Germany, France and Brazil), essentially, in Portugal, with two of its subsidiaries (from the information systems consultancy segment) operating 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, rounded at unit, 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) in accordance with International Financial Reporting Standards ("IAS/IFRS") as adopted by the European Union ("EU") and following the IAS 34 – "Interim Financial Reporting".

For Sonaecom, there are no differences between IFRS as adopted by European Union and IFRS published by the International Accounting Standards Board.

During the period ended at 30 September 2007, no changes were made to the accounting policies in relation to those used in the consolidated financial statements reported at 31 December 2006.

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

On 29 March 2007, with mandatory effect as from 1 January 2009, but with early adoption permitted, the IASB issued a revised IAS 23 – "Borrowing Costs", which in relation to the previous version, eliminated the possibility of immediate recognition in the statement of profit and loss of borrowing costs relating to assets that require a substantial period of time to be ready for use or sale. Sonaecom already adopted the procedure of capitalising such costs as part of the cost of the related assets and, consequently, the revision of this standard did not have any impact on the consolidated financial statements of the Group.

### 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 when 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 of control acquisition) or up to the date of sale (or of control cession). Intra Group transactions, balances and dividends are eliminated.

The expenses incurred with the acquisition of investments in Group companies are considered as part of the acquisition cost.

The fully consolidated companies are listed in Note 2.

### b) Investments in associated companies

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

In accordance with the equity method, investments are adjusted annually by an amount corresponding to the Group's share of the net results of associated companies, against a corresponding entry to gain or loss for the year, and by the amount of dividends received, as well as by other changes in the equity of the associated companies, which are recorded by corresponding entry to the caption '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 available for use in the condition necessary to operate as intended by management, by corresponding charge to the statement of profit and loss caption 'Depreciation and amortisation'.

Impairment losses detected in the market value of tangible assets are recorded in the year in which they arise, by a corresponding charge to the caption 'Depreciation and amortisation' 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:

| | Years of useful life |
|---|---|
| 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 in condition to be used and when they operate as intended by management. Good condition in terms of network coverage and/or necessary quality and technical reliability to ensure minimum service are examples of conditions evaluated by management.

During the period ended at 30 September 2007 the Group reassessed the useful life  of certain assets recorded under  'Tangible assets', on a prospective basis (Note 5), based on reports of independent specialised entities.

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 for an 11 year period, which corresponds to the period between the commercial launch date and the maturity date of the license. Additional licence costs, namely costs relating to the commitments payable in cash assumed under the UMTS license, regarding contributions to the "Information Society", are amortised from the time they are incurred up to the end of the license.

Internally-generated intangible assets, namely research and development expenditures, are recognised in net income when incurred. Development expenditures can only be recognised initially as an intangible asset if the Group demonstrates the ability to complete the project and put it in use or available for sale.

Amortisation for the year 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 their 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 'Depreciation and amortisation'.

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 investment 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 the 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 till its maturity.

d) 'Available-for-sale financial assets'
Available-for-sale financial assets are non-derivatives investments that are either designated as available for sale 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. The financial assets at fair value through profit or loss are initially recognised at fair value and the transaction costs are recorded in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred substantially all the 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 listed investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. The fair value of listed investments is calculated based on the closing Euronext share price at the balance sheet date.

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 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 assets.

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 the present value of payments until the end of the contract. In addition, interest included in lease payments and depreciation of the tangible assets are 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 amount of inventories, as well as the estimated impairment losses due to low turnover, obsolescence and deterioration (Note 16).

### 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.

The consolidated cash flow statement has been prepared in accordance with IAS 7, using the direct method. The Group classifies, in the caption 'Cash and cash equivalents', investments that mature in less than three months, for which the risk of change in value is insignificant. The caption 'Cash and cash equivalents' in the cash flow statement also includes bank overdrafts, which are reflected in the balance sheet in the caption 'Short-term loans and other loans'.

The cash flow statement is classified by operating, financing and investing activities. Operating activities include collections from customers, payments to suppliers, payments to personnel and other captions relating to operating activities. Cash flows from investing activities include the acquisition and sale of investments in associated and subsidiaries companies and receipts and payments resulting from the purchase and sale of fixed assets.

Cash flows from financing activities include payments and receipts relating to loans obtained and finance lease contracts.

### l) Loans

Loans are recorded as liabilities 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 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 'Fair value 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, unless 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, as a deduction to amortisations and depreciations, 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.

Costs relating to customer loyalty programmes, under which points are awarded by the subsidiary Optimus, are quantified considering the probability of the points being effectively used, and are recognised, as a deduction to income, at the time the points are generated, by a corresponding entry in the caption 'Other current liabilities'.

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 'Other financial expenses' and 'Other financial income'.

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 taxes and the provisions for other liabilities and charges, are classified as non current assets and liabilities (Notes 9 and 20).

### t) Legal reserve

Portuguese commercial legislation requires that at least 5% of annual net profit must be appropriated to a legal reserve, until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in the case of liquidation of the company, but 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:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | 30.09.07 | Average | 30.09.06 | Average |
| Pounds Sterling | - | - | 1.47558 | 1.46094 |
| Brazilian Real | 0.38278 | 0.37219 | 0.36603 | 0.36834 |

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 amount 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 'Depreciation and amortisation' in the case of fixed assets and goodwill, under the caption 'Other 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 the sale of an asset in an arm's length transaction, 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 amount is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

For Goodwill and Financial Investments, the recoverable amount is determined based on business plans duly approved by the Board of Directors of the Group and corroborated by reports prepared by independent entities. For accounts receivables, the Group uses historical and statistic information to estimate the amounts in impairment. For inventories, the impairments are calculated based on market values and several indicators of stock rotation.

w) Medium Term Incentive Plans

The Accounting Treatment of Medium Term Incentive 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 'Reserves – Medium Term Incentive Plans', 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 statement, the "elapsed" proportion continues to be charged as an expense under the caption 'Staff expenses'.

Equity-settled payments in shares of the parent company are recorded as if they were settled in cash, which means that the estimated liability is recorded in the balance sheet caption 'Other non current liabilities' and 'Other current liabilities' by a corresponding entry to the income statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each balance sheet date.

When the liability is covered by a hedging contract, it is recognised in the same way described above, but with the liability being quantified based on the amount fixed in the contract.

In 2003, the Group signed a hedging contract under which, through the establishment of the payment of a fixed amount, it was transferred its liability relating to the Sonaecom share plan to an entity outside the Sonaecom Group. At 30 September 2007 only one of the existing plans was covered by hedging contracts. Therefore, the impacts of the share plans of the Medium Term Incentive Plans are recognised in the balance sheet captions 'Other current assets' and 'Other current liabilities' for the plans covered by hedging contracts, and in the caption 'Reserve - Medium Term Incentive Plans' for the other two plans. The cost is recognised in the income statement caption 'Staff expenses'.

In what concerns plans of shares of the parent company, the Group signed contracts with an external entity, under which the price for the acquisition of those shares was fixed. The responsibility associated to those plans is recorded based on that fixed price. Beside the referred contracts, a marginal part of those plans is covered through the holding of shares.

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.

y) Judgements and estimates

The most significant accounting estimates reflected in the consolidated financial statements as at 30 September 2007 and 2006, are as follows:

a) Useful lives of tangible and intangible assets;
b) Impairment analysis of goodwill and of other tangible and intangible assets;
c) Recognition of adjustments on assets and provisions;
d) Assessment of responsibilities associated with customers' loyalty programs.

Estimates used are based on the best information available during the preparation of consolidated financial statements and are based on the best knowledge of past and present events. Although future events, are not controlled by the Group neither foreseeable, some could occur and have impact on the estimates. Changes to the estimates used by the management that occur after the date of these consolidated financial statements, will be recognised in net income, in accordance with IAS 8, using a prospective methodology.

The main estimates and assumptions in relation to future events included in the preparation of consolidated financial statements are disclosed in the correspondent notes.

z) Financial risk management

The Group's activities expose it to a variety of financial risks as market risk, liquidity risk and credit risk.

Those risks arise from the unpredictability of financial markets that affect the capacity of project cash flows and profits. The Group financial risk management, subject to a perspective of long term ongoing, seeks to minimize potential adverse effects that derive from that uncertainty, using, every time that is possible and advisable, derivative financial instruments to hedge certain risks exposure (Note 1. n)).

Market risk

a. Foreign exchange risk

The Group operates internationally, having two subsidiaries that operate in Brazil and so it is exposed to exchange rate risk.

Foreign exchange risk management seeks to minimize the volatility of investments and transactions made in foreign currency and contributes reducing the sensitivity of Group results to changes in foreign exchange rates.

Whenever possible, the Group uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When this is not possible, the Group implements coverage using financial hedging instruments.

b. Price risk

The Group is exposed to the risk of price variations on investments recorded at fair value through profit and loss. This caption is made up of Sonae S.G.P.S., S.A. shares, acquired to cover the Group's liability under the Medium Term Incentive Plans granted to its employees (Note 1. w) and 25), the variation in the price of these shares being compensated by the variation in the liability.

c. Interest rate risk

Sonaecom's total indebtedness is indexed to variable rates, accordingly debt servicing costs are likely to be volatile.

The Group only uses derivatives or similar transactions to hedge those interest rate risks considered as significant. Three main principles are respected in all instruments selected and used to hedge interest rate risk:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates on the loans subject to the hedging must coincide with the settlement dates under the hedging instrument;

- Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the facility / transaction which is being hedged;

- As from the start of the transaction, the maximum cost of the debt, resulting from the hedging operation is known and limited, even in scenarios of extreme change in market interest rates, so that the resulting rates are within the cost of the funds considered in the Group's business plan.

As all Sonaecom's borrowings are at variable rates, interest rate swaps and other derivatives are used to hedge future changes in cash flow relating to interest payments. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, the Group's policy when contracting such instruments, being to give preference to financial institutions that form part of its financing transactions.

In determining the fair value of hedging operations, the Group uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates prevailing at the balance sheet date. Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the valuation.

The fair value of derivatives contracted, the ones that are considered as fair value hedge or the ones that are considered not sufficiently effective for cash flow coverage (in accordance with the conditions established in IAS 39), is recognised under borrowings captions and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the year. The fair value of derivatives of cash flow hedge, that are considered effective according to IAS 39, is recognised under borrowing captions and changes in the fair value are recognised in equity.

d. Liquidity risk

The goal of liquidity risk management is to ensure, at all times, that the Group has the financial capacity to fulfill its commitments as they become due.

Given the dynamic nature of its activities, the Group needs a flexible financial structure and, for that, uses a combinations of:

- Short and medium term credit facilities;
- Rigorous financial planning and monthly cash forecasts by company;
- Treasury applications in banks and in group companies;
- Diversification of financing sources.

e. Credit risks

The Goup's exposure to credit risk is mainly associated with the accounts receivable related to current operational activities.

The management of this risk seeks to guarantee an amounts owing are effectively collected within the periods negotiated without impacting the financial health of the Group. The Group uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, which all contribute to the mitigation of credit risk.

## 2. Companies included in the consolidation

Group companies included in the consolidation, their head offices, main activity, shareholders and percentage of share capital held at 30 September 2007 and 2006, are as follows:

| | | | | Percentage of share capital held | | | |
|---|---|---|---|---|---|---|---|
| | | | | 2007 | | 2006 | |
| Company (Commercial Brand) | Head Office | Main activity | Shareholder | Direct | Effective* | Direct | Effective* |
| Parent company: | | | | | | | |
| SONAECOM, S.G.P.S., S.A. ("Sonaecom") | Maia | Management of shareholdings. | - | - | - | - | - |
| Subsidiaries: | | | | | | | |
| 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 | 75.10% | 75.10% | 75.10% | 75.10% |
| Mainroad – Serviços em Tecnologias de Informação, S.A. ("Mainroad") | Maia | Rendering of consultancy services in IT areas. | Sonae.com Sistemas de Informação | 100% | 100% | 100% | 100% |
| 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 | 100% | 99% | 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% | 58.33% | 58.33% |
| | | | 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 | 40.06% | 40.06% | 49.06% | 49.06% |
| | | | Sonaecom BV | 9.00% | 9.00% | - | - |
| | | | Sonaecom | 50.94% | 50.94% | 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% | 100% | 100% | 69.24% |
| Público – Comunicação Social, S.A. ("Público") | Oporto | Editing, composition and publication of periodical and non-periodical material. | Sonaetelecom BV | 99% | 99% | 99% | 99% |
| 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% | 100% | 100% | 69.24% |

* Sonaecom effective participation

| Company (Commercial Brand) | Head Office | Main activity | Shareholder | Percentage of share capital held 2007 Direct | 2007 Effective* | 2006 Direct | 2006 Effective* |
|---|---|---|---|---|---|---|---|
| Saphety Level – Trusted Services, S.A. (Saphety) (a) | Maia | Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; trade, development and representation of software. | Sonae.com Sistemas de Informação | 100% | 100% | - | - |
| 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 | Amsterdam | Management of shareholdings. | Sonaecom | 100% | 100% | 100% | 100% |
| Sonaetelecom BV | Amsterdam | Management of shareholdings. | Sonaecom | 100% | 100% | 100% | 100% |
| Tecnológica Telecomunicações, LTDA. ("Tecnológica") (b) | Rio de Janeiro | Rendering of consultancy and technical assistance in the area of IT systems and telecommunications. | We Do Brasil | 99.99% | 99.34% | - | - |
| 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 | 99.44% | 99.44% | 97.58% | 97.58% |
| Wedo do Brasil Soluções Informáticas, Ltda. ("We Do Brazil") | Rio de Janeiro | Commercialisation of software and hardware. Rendering of consultancy and technical assistance related to information technology and data processing. | We Do | 99.91% | 99.35% | 99.89% | 97.47% |
| Telemilénio Telecomunicações - Sociedade Unipessoal, Lda. ("tele2") (c) | Lisbon | Rendering of mobile telecommunications services, including fixed telecommunications and internet service. | Sonaecom | 100.00% | 100.00% | - | - |

* Sonaecom effective participation
(a) Company incorporated in December 2006.
(b) Company acquired in April 2007.
(c) Companies acquired in September 2007.

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.

## 3. Investments in associated companies

As at 30 September 2007 and 2006, 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 2007 Direct | Effective* | 2006 Direct | Effective* | Book value 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|
| 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% | 39.51% | 39.51% | (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% | 735,614 | 714,434 |
| Profimetrics – Software Solutions, S.A. (Profimetrics) | Maia | Development of software solutions to optimize the retail sales. | Sonae.com Sistemas de Informação | 30% | 30% | 30% | 30% | (a) | (a) |
| | | | | | | | | 735,614 | 714,434 |

* Sonaecom effective participation
(a) Investment recorded at 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).

The amount of assets, liabilities, total revenues and net income of associated companies is as follows:

| Company | Assets | Liabilities | Total Revenues | Net Income |
|---|---|---|---|---|
| Unipress - Centro Gráfico, Lda (1) | 5,027,507 | 3,198,883 | 2,934,954 | 52,945 |
| Profimetrics - Software Solutions, S.A. | 1,133,656 | 1,297,891 | 111,785 | (455,131) |
| Sociedade Independente de Radiodifusão Sonora, S.A. | 512,008 | 499,936 | 605,425 | 109,409 |
| Netmall, S.G.P.S., S.A. | 6,220 | 12,685 | 27 | (2,325) |

(1) Values at 31.12.2006

## **4.** Changes in the Group

During the periods ended 30 September 2007 and 2006 the following changes occurred in the composition of the Group:

### 4. a) Acquisitions

| 2007 | | | | |
|---|---|---|---|---|
| Purchaser | Subsidiary | Date | % acquired | Current % shareholding |
| Sonae.com SI | We Do | Jan-07 | 0.70% | 98.36% |
| Sonae.com SI | We Do | Feb-07 | 0.66% | 99.02% |
| Sonae.com SI | We Do | Mar-07 | 0.06% | 99.08% |
| Sonae.com SI | We Do | Apr-07 | 0.14% | 99.22% |
| We Do Brazil | Tecnológica | Apr-07 | 99.99% | 99.99% |
| Sonae.com SI | We Do | May-07 | 0.10% | 99.32% |
| Sonae.com SI | We Do | Jul-07 | 0.09% | 99.41% |
| Sonae.com SI | We Do | Aug - 07 | 0.03% | 99.44% |
| Sonae.com SI | We Do | Sep - 07 | 0.00% | 99.44% |
| Sonaecom | Tele2 | Sep - 07 | 100.00% | 100.00% |

During the period ended 30 September 2007 and as a result of the above mentioned acquisitions, an additional Goodwill of Euro 16,130,875 was recorded (Note 7).

The Goodwill generated with the acquisition of Tele2, was calculated as follows:

| | |
|---|---|
| Acquired Assets: | |
| Tangible and intangible assets | 6,659,477 |
| Inventories | 106,090 |
| Trade debtors | 4,677,059 |
| Other debtors | 1,836,530 |
| Deferrals & Accruals | 5,897,657 |
| Cash and cash equivalents | 338,480 |
| | 19,515,293 |
| Acquired Liabilities: | |
| Provisions for other liabilities and charges | 6,106,524 |
| Trade creditors | 8,231,622 |
| Other creditors | 121,215 |
| Deferrals & Accruals Liabilities | 6,299,621 |
| | 20,758,982 |
| Total net assets acquired | (1,243,689) |
| Acquisition price | 14,664,150 |
| Goodwill | 15,907,839 |

As refered in IFRS 3 – 'Business Combinations', the acquisition of Tele2 was provisionally recorded because the fair value of assets and liabilities acquired was not identified.

| 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% |
| Sonae.com SI | We Do | Jul-06 | 0.12% | 96.83% |
| Sonae.com SI | We Do | Aug - 06 | 0.17% | 97.00% |
| Sonae.com SI | We Do | Sep - 06 | 0.58% | 97.58% |

During the period ended 30 Septembr 2006 and as a result of the above mentioned acquisitions, an additional Goodwill of Euro 275,683 was recorded (Note 7).

### 4. b) Incorporations

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

### 4. c) Sales

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

The sale of Retailbox BV in 2006 generated a gain of Euro 25,370,915 which was recorded in the consolidated profit and loss statement under the caption 'Other operating revenues'.

### 4. d) Liquidated companies

| Year | Shareholder | Subsidiary | Date | % Shareholding |
|---|---|---|---|---|
| 2006 | Optimus | SESI | Feb-06 | 9.75% |

### 4. e) Others

During the period ended at 30 September 2007, the Group had begun the process to merge its mobile and fixed divisions. This operation that has been provisionally approved by Anacom and MOPTC ('Ministério das Obras Públicas e Telecomunicações'), represents an internal reorganization that is the next natural step in the development of integrated telecoms strategy and which intends to: (i) reinforce the Group growth strategy both in organic and non organic terms; (ii) position the organisation to anticipate and react to market trends that are moving more and more towards

Fixed/ Mobile convergence; (iii) ease the further development of new products and services; and (iv) improve operating efficiencies and reduce costs.

## 5. Tangible Assets

The movement in tangible assets and corresponding accumulated depreciation and impairment losses in the periods ended 30 September 2007 and 2006 was as follows:

| | Land | Buildings and other constructions | Plant and machinery | Vehicles | Fixtures and fittings | Tools | Other tangible assets | Work in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| GROSS ASSETS | | | | | | | | | |
| **Balance at 31.12.2006** | **1,391,593** | **223,133,165** | **744,209,079** | **53,271** | **134,075,541** | **1,087,839** | **2,567,599** | **22,560,357** | **1,129,078,444** |
| New Companies (Nota 4.a)) | - | 491,711 | 7,090,488 | - | 170,889 | - | - | - | 7,753,088 |
| Additions | - | 3,508,708 | 11,199,725 | 31,855 | 1,960,567 | 2,195 | 16,219 | 93,392,835 | 110,112,103 |
| Disposals | - | (936,413) | (21,080,783) | (43,167) | (1,557,157) | - | - | (28,439) | (23,645,959) |
| Transfers and writte-offs | - | 4,977,214 | 68,643,976 | 19,321 | 4,560,002 | 1995 | 135,500 | (79,515,172) | (1,177,166) |
| **Balance at 30.09. 2007** | **1,391,593** | **231,174,385** | **810,062,484** | **61,279** | **139,209,841** | **1,092,029** | **2,719,318** | **36,409,581** | **1,222,120,510** |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES: | | | | | | | | | |
| **Balance at 31.12. 2006** | **-** | **108,987,153** | **418,800,773** | **48,768** | **103,280,214** | **1,021,794** | **2,168,000** | **-** | **634,306,702** |
| New Companies (Nota 4.a)) | - | 478,833 | 930,227 | - | 94,118 | - | - | - | 1,503,177 |
| Depreciation for the period | - | 10,033,236 | 56,740,016 | 1,692 | 10,370,301 | 13,761 | 140,831 | - | 77,299,836 |
| Reversal of impairment losses in the period | - | (8,863) | (120,207) | - | (79,516) | (228) | (16) | - | (208,830) |
| Disposals | - | (465,355) | (4,058,810) | (1,672) | (950,164) | - | - | - | (5,476,001) |
| Transfers and writte-offs | - | (4,932,786) | (43,056) | (1) | (236,038) | (21) | (1,441) | - | (5,213,342) |
| **Balance at 30.09. 2007** | **-** | **114,092,217** | **472,248,943** | **48,787** | **112,478,914** | **1,035,306** | **2,307,374** | **-** | **702,211,542** |
| **Net value** | **1,391,593** | **117,082,168** | **337,813,541** | **12,492** | **26,730,927** | **56,723** | **411,943** | **36,409,581** | **519,908,968** |

| | Land | Buildings and other constructions | Plant and machinery | Vehicles | Fixtures and fittings | Tools | Other tangible assets | Work in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| GROSS ASSETS | | | | | | | | | |
| **Balance at 31.12.2005** | **1,391,593** | **193,802,186** | **669,946,802** | **168,785** | **132,463,176** | **1,046,912** | **2,769,153** | **11,914,444** | **1,013,503,051** |
| Companies no longer consolidated (Note 4. c)) | - | - | (2,414,413) | (89,507) | (546,614) | - | (268,965) | - | (3,319,499) |
| Additions | - | 11,090,562 | 2,573,347 | 58,428 | 1,534,275 | 1,466 | 28,585 | 64,704,280 | 79,990,943 |
| Disposals | - | (720,428) | (287,097) | (80,811) | (2,477,287) | (2,933) | (1,763) | (171,610) | (3,741,929) |
| Transfers and writte-offs | - | 11,161,470 | 48,569,109 | 8,208 | 3,415,017 | 40,667 | 8,266 | (64,481,192) | (1,278,455) |
| **Balance at 30.09.2006** | **1,391,593** | **215,333,790** | **718,387,748** | **65,103** | **134,388,567** | **1,086,112** | **2,535,276** | **11,965,922** | **1,085,154,111** |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES: | | | | | | | | | |
| **Balance at 31.12.2005** | **-** | **89,408,263** | **350,360,883** | **102,913** | **93,059,285** | **1,010,003** | **2,129,329** | **-** | **536,070,676** |
| Companies no longer consolidated (Note 4. c)) | - | - | (2,109,812) | (18,153) | (366,872) | - | (253,855) | - | (2,748,692) |
| Depreciation for the period | - | 14,654,839 | 52,063,297 | 11,946 | 11,700,883 | 11,272 | 285,094 | - | 78,727,331 |
| Reversal of impairment losses in the period | - | - | - | - | (20,302) | - | (8,012) | - | (28,314) |
| Disposals | - | (100,799) | (163,869) | (43,014) | (2,260,737) | (2,933) | (558) | - | (2,571,910) |
| Transfers and writte-offs | - | (74,666) | (110,933) | 2,778 | (95,706) | (65) | (42,204) | - | (320,796) |
| **Balance at 30.09.2006** | **-** | **103,887,637** | **400,039,566** | **56,470** | **102,016,551** | **1,018,277** | **2,109,794** | **-** | **609,128,295** |
| **Net value** | **1,391,593** | **111,446,153** | **318,348,182** | **8,633** | **32,372,016** | **67,835** | **425,482** | **11,965,922** | **476,025,816** |

The additions to Tangible assets during the period includes: 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. It also includes an amount of Euro 17,679,922 related to agreements of backbone rental which were classified as financial leasing and therefore recorded , in tangible assets, accordingly.

The disposals of the period includes circa Euro 18,6 million related to the replacement of the equipments associated to UMTS network.

The acquisition cost of Tangible assets held by the Group under finance lease contracts amounted to Euro 24,147,272 and Euro 9,378,039 as of 30 September 2007 and 2006, respectively and their net book value as of those dates amounted to Euro 21,144,365 and Euro 4,934,645, respectively.

The revision made in the period ended 30 September 2007 (Note 1.c)), of the useful life of certain assets relating to the telecommunications towers and other GSM related assets, resulted in a decrease of around Euro 10.6 million in depreciation charges in the period, in relation to the amount that would have been recorded if the previous useful lives were used.

The transfers and write-offs under the caption 'Buildings and other constructions' corresponds mainly to accelerated depreciation of building improvements, resulting from our move to new installations in Lisbon.

Tangible assets in progress at 30 September 2007 and 2006 were made up as follows:

| | 2007 | 2006 |
|---|---|---|
| Development of mobile network | 23,607,040 | 4,491,500 |
| Development of fixed network | 8,977,165 | 4,575,324 |
| Information systems | 3,361,287 | 2,739,754 |
| Other projects in progress | 464,088 | 159,344 |
| | 36,409,581 | 11,965,922 |

The development of fixed network includes Euro 8,109,745 related to theTriplePlay project.

As at 30 September 2007 and 2006, the amounts of commitments to third parties relating to investments to be made were as follows:

| | 2007 | 2006 |
|---|---|---|
| Technical investments | 17,090,905 | 30,389,134 |
| Investments in information systems | 3,933,098 | 7,294,150 |
| | 21,024,003 | 37,683,284 |

## 6. Intangible assets

The movement in Intangible assets and in the corresponding accumulated amortisation and impairment losses in the periods ended 30 September 2007 and 2006 was as follows:

| | Brands and patents and other rights | Software | Intangible assets in progress | Total |
|---|---|---|---|---|
| GROSS ASSETS: | | | | |
| Balance at 31.12.2006 | 147,400,303 | 190,159,744 | 7,986,808 | 345,546,855 |
| New companies (Note 4.a)) | 278,937 | 2,385,366 | - | 2,664,303 |
| Additions | 20,584,558 | 404,302 | 10,845,564 | 31,834,423 |
| Disposals | - | (15,034) | (11,420) | (26,454) |
| Transfers and writte-offs | 70,450 | 7,709,580 | (11,708,596) | (3,928,566) |
| Balance at 30.09.2007 | 168,334,247 | 200,643,958 | 7,112,356 | 376,090,561 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES: | | | | |
| Balance at 31.12.2006 | 31,677,199 | 147,204,682 | - | 178,881,881 |
| New companies (Note 4.a)) | 180,217 | - | - | 180,217 |
| Depreciation for the period | 10,751,768 | 13,445,608 | - | 24,197,376 |
| Reversal of impairment losses in the period | (236) | (131,637) | - | (131,873) |
| Disposals | - | (2,880) | - | (2,880) |
| Transfers and writte-offs | 79 | 49,435 | - | 49,514 |
| Balance at 30.09.2007 | 42,609,027 | 160,565,208 | - | 203,174,235 |
| Net value | 125,725,220 | 40,078,750 | 7,112,356 | 172,916,326 |

| | Brands and patents and other rights | Software | Intangible assets in progress | Total |
|---|---|---|---|---|
| GROSS ASSETS: | | | | |
| Balance at 31.12.2005 | 147,155,167 | 172,425,905 | 7,085,344 | 326,666,416 |
| Companies no longer consolidated (Note 4. c)) | (32,035) | (386,943) | - | (418,978) |
| Additions | 47,087 | 143,424 | 11,786,959 | 11,977,470 |
| Disposals | (6,853) | (17,600) | (434,262) | (458,715) |
| Transfers and writte-offs | 27,102 | 9,401,904 | (8,464,533) | 964,473 |
| Balance at 30.09.2006 | 147,190,468 | 181,566,690 | 9,973,508 | 338,730,666 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES: | | | | |
| Balance at 31.12.2005 | 18,483,941 | 132,907,337 | - | 151,391,278 |
| Companies no longer consolidated (Note 4. c)) | (22,740) | (355,446) | - | (378,186) |
| Depreciation for the period | 9,939,592 | 11,551,660 | - | 21,491,252 |
| Disposals | (1,725) | (1,941) | - | (3,666) |
| Transfers and writte-offs | (16,393) | 158,640 | - | 142,247 |
| Balance at 30.09.2006 | 28,382,675 | 144,260,250 | - | 172,642,925 |
| Net value | 118,807,793 | 37,306,440 | 9,973,508 | 166,087,741 |

The additions of the period ended at 30 September 2007 include the amount of circa Euro 11,8 million related to the acquisition of customers portfolio from ONI.

As at 30 September 2007 and 2006, the Group has recorded under the heading 'Intangible assets' the amounts of Euro 113,034,255 and Euro 118,191,153, respectively, that correspond to the investments net of depreciations made in the development of the UMTS network, including: (i) Euro 74,257,131 (amount of Euro 83,257,995 in 2006) related to the license; (ii) Euro 24,812,030 (amount of Euro 27,819,549 in 2006) related to the agreement reached in 2002 between Oni Way and the other three mobile telecommunication operators in Portugal with UMTS licenses; and (iii) Euro 7,620,523 related to a contribution to the Information Society Fund, established in 2007, relating to obligations under the terms of the UMTS licenses, under an agreement entered into between the Ministry of Public Works, Transport and Communications ('Ministério das Obras Públicas, Transportes e Comunicações') and the three mobile telecommunication operators in Portugal.

The intangible assets in progress, at 30 September 2007 and 2006, were mainly composed by software development.

Intangible and tangible assets include interest and other financial expenses incurred, directly related to the construction of certain items of work in progress. At 30 September 2007 and 2006 such expenses amounted to Euro 14,000,003 and Euro 12,819,322, respectively. The amounts capitalised on the periods ended 30 September 2007 and 2006 were Euro 903,493 and Euro 365,721, respectively. An interest capitalization rate of 4.69% was used in 2007 (3.5% in 2006), which corresponds to the average interest rate supported by the Group.

## 7. Goodwill

As at 30 September 2007 and 2006, the movements occurred in goodwill were as follows:

| | 2007 | 2006 |
|---|---|---|
| Opening balance | 506,902,772 | 285,468,452 |
| Increase of participations (Note 4. a)) | 16,130,875 | 275,683 |
| Sale of participations (Note 4. c)) | - | (3,674,059) |
| Closing balance | 523,033,647 | 282,070,076 |

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

The goodwill at 30 September 2007 and 2006 was made up as follows:

| | 2007 | 2006 |
|---|---|---|
| Optimus | 389,902,620 | 165,081,139 |
| Novis | 95,189,755 | 95,189,755 |
| Público | 20,000,000 | 20,000,000 |
| Tele2 | 15,907,839 | - |
| WeDo | 1,902,647 | 1,668,396 |
| SIRS | 72,820 | 72,820 |
| Permar | 47,253 | 47,253 |
| Optimus Towering | 10,713 | 10,713 |
| | 523,033,647 | 282,070,076 |

## 8. Investments available for sale

As at 30 September 2007 and 2006, this caption included investments classified as available for sale and was made up as follows:

| | | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|---|
| | % | Gross amount | Accumulated impairment losses (Note 16) | Net amount | Gross amount | Accumulated impairment losses (Note 16) | Net amount |
| Portugal Telecom, S.G.P.S., S.A. | 1.00% | - | - | - | 111,222,824 | - | 111,222,824 |
| Despegar.com | - | - | - | - | 2,539,229 | (2,539,229) | - |
| Altitude, SGPS, S.A. | 11.54% | 1,000,000 | - | 1,000,000 | 1,000,000 | - | 1,000,000 |
| Lusa – Agência de Notícias de Portugal, S.A. | 1.37% | 197,344 | - | 197,344 | 197,344 | - | 197,344 |
| Others | - | 9,976 | - | 9,976 | 9,976 | - | 9,976 |
| | | 1,207,320 | - | 1,207,320 | 114,969,373 | (2,539,229) | 112,430,144 |

These investments correspond to participations of immaterial amount, the book value of which is a reasonable approximation of their fair value, adjusted where applicable, by the respective impairment losses.

Following is financial information relating to these investments (in thousands of Euro):

| | Assets | Shareholders fund's | Gross Debt | Turnuver | Operational results | Net Income |
|---|---|---|---|---|---|---|
| Altitude, SGPS, S.A. | 17,237 | 6,314 | 2,329 | 22,391 | 1,788 | 610 |
| Lusa – Agência de Notícias de Portugal, S.A. | 23,787 | 7,311 | 11,115 | 18,348 | 1,974 | 1,058 |

Values expressed in millions Euros at 31-12-06

During the period ended 30 September 2007 and 2006, the movements in investments available for sale were as follows:

| | 2007 | 2006 |
|---|---|---|
| Opening balance | 112,317,225 | 1,207,320 |
| Acquisitions | - | 105,988,029 |
| Fair value adjustments recorded under reserves | (5,121,876) | 5,234,795 |
| Sales | (111,566,336) | - |
| Capital gain recorded under profit and loss statement (Note 19) | 5,578,307 | - |
| Closing balance | 1,207,320 | 112,430,144 |

During the period ended 30 September 2007, the movements occurred in this caption are related to the sale of 1% of the share capital of Portugal Telecom, S.G.P.S., S.A., in March 2007, to the sale of shares representative of 5.50% of Despegar, in August 2007 and to the sale of 1.5% of Outsystems, in July 2007.

In addition, in accordance with IAS 39 the gains recorded in prior years in equity, relating to fair value adjustments of investments available for sale (Euro 5,121,876), were transferred to the profit and loss statement at the time of the sale.

## 9. Deferred tax assets

Deferred tax assets at 30 September 2007 and 2006, in the amount of Euro 67,377,137 and Euro 63,484,152, respectively, result mainly from timing differences relating to tax losses carried forward and non tax deductible provisions.

The movements in deferred tax assets in the periods ended 30 September 2007 and 2006 were as follows:

| | 2007 | 2006 |
|---|---|---|
| Opening balance | 61,786,654 | 66,239,165 |
| Impact on results | | |
| Tax losses carried forward | 2,009,863 | (10,802,530) |
| Adjustments to the estimated taxable income of prior year | 143,501 | - |
| Recognition of deferred taxes, not recorded in previous years as, at that time, the existence of future taxable profits was considered to be uncertain | 4,039,122 | 8,600,000 |
| Movements in provisions not deductible for tax purposes and on tax benefits | 136,863 | 685,695 |
| Temporary differences between the tax and accounting value of fixed assets | (641,716) | (849,891) |
| Sub-total (Note 20) | 5,687,633 | (2,366,726) |
| Others (including Retailbox sub-group sale in 2006) | (97,150) | (388,287) |
| Closing balance | 67,377,137 | 63,484,152 |

As at 30 September 2007 and 2006, 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.

The rates used at 30 September 2007 and 2006 to calculate the deferred tax assets relating to tax losses carried forward were 25% and 27.5%, respectively. The rates used at 30 September 2007 and 2006 to calculate deferred tax assets resulting from temporary differences were 26.5% and 27.5%, respectively. The change in the tax rate between 2006 and 2007 was a consequence of the publication of the Local Finances Law in the beginning of 2007, which changed the form of calculation of the Municipal Surcharge.

In accordance with the tax returns and other information prepared by the companies that have registered deferred tax assets, the detail of such deferred tax assets by nature at 30 September 2007 were as follows:

| Nature | Novis | Optimus | We Do | Público | Digitmarket | Mainroad | Total |
|---|---|---|---|---|---|---|---|
| Tax losses: | | | | | | | |
| To be used until 2009 | - | - | - | - | 12,040 | - | 12,040 |
| To be used until 2010 | - | - | - | - | 257,298 | 16,045 | 273,343 |
| To be used until 2011 | - | - | 124,700 | - | 210,662 | 31,676 | 367,038 |
| To be used until 2012 | 2,958,624 | - | - | 1,343,916 | - | 170,616 | 4,473,156 |
| To be used until 2013 | 4,041,376 | - | - | - | - | 13,663 | 4,055,039 |
| | 7,000,000 | - | 124,700 | 1,343,916 | 480,000 | 232,000 | 9,180,616 |
| Provisions not accepted for tax purposes and other temporary differences | - | 7,939,742 | 543,805 | - | - | - | 8,483,547 |
| Adjustments in the conversion to IAS/ IFRS | - | 35,188,470 | 11,048 | 29,421 | - | - | 35,228,939 |
| Differences between the tax and accounting value of fixed assets and others | - | 14,484,035 | - | - | - | - | 14,484,035 |
| Total | 7,000,000 | 57,612,247 | 679,553 | 1,373,337 | 480,000 | 232,000 | 67,377,137 |

As at 30 September 2007 and 2006, 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:

| | 2007 | 2006 |
|---|---|---|
| Tax losses | 94,855,923 | 104,643,887 |
| Temporary differences (mainly provisions not accepted for tax purposes) | 21,269,981 | 22,548,637 |
| Adjustments in the conversion to IAS/IFRS | 2,037,126 | 2,336,180 |
| | 118,163,030 | 129,528,704 |

The reconciliation between the earnings before taxes and the taxes recorded in the periods ended 30 September 2007 and 2006 is as follows:

| | 2007 | 2006 |
|---|---|---|
| Earnings before taxes | 1,431,975 | 38,572,441 |
| Income tax rate (25% and 27.5%) | (357,994) | (10,607,421) |
| Deferred tax assets not recognised in the individual accounts and/or resulting from consolidation adjustments | (1,369,224) | (8,331,397) |
| Adjustments to taxable income | 243,947 | 7,997,649 |
| Deferred tax assets not recognised in previous years | 4,039,122 | 8,600,000 |
| Record of deferred tax liabilities | (208,940) | - |
| Movements in the temporary differences between the tax and accounting value of assets | (641,716) | (849,891) |
| Income taxation recorded in the period (Note 20) | 1,705,195 | (3,191,060) |

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),except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in course, in which circumstances, the periods are extended or suspended. Consequently, tax returns of each year, since the year 2003 (inclusive) 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

As at 30 September 2007 and 2006 this caption was comprised mainly by loans granted to associated companies, payments made in advance related to financial investments and was made up as follows:

| | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Gross amount | Accumulated impairment losses (Note 16) | Net amount | Gross amount | Accumulated impairment losses (Note 16) | Net amount |
| FINANCIAL ASSETS: | | | | | | |
| Loans granted to companies recorded under the equity method: | | | | | | |
| Profimetrics | - | - | - | 150,000 | (4,085) | 145,915 |
| Rádio Nova | - | - | - | 118,500 | (118,500) | - |
| Payments made in advance related to financial investments | 17,250,000 | - | 17,250,000 | - | - | - |
| | 17,250,000 | - | 17,250,000 | 268,500 | (122,585) | 145,915 |
| NON FINANCIAL ASSETS: | | | | | | |
| Medium Term Incentive Plans (Notes 1. w) and 25) | - | - | - | 769,077 | - | 769,077 |
| | - | - | - | 769,077 | - | 769,077 |
| | 17,250,000 | - | 17,250,000 | 1,037,577 | (122,585) | 914,992 |

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

The payment made in advance, amounted in Euro 17,250,000, is related to the acquisition agreement of Cape Technology, which is effective on 1st October 2007.

## 11. Investments recorded at fair value through profit and loss

During the periods ended 30 September 2007 and 2006, the movements in this heading were as follows:

| | 2007 | 2006 |
|---|---|---|
| Balance at the beginning of the year | 849,375 | 1,321,690 |
| Acquisitions in the semester | - | 414,842 |
| Disposals in the semester | (738,634) | (1,237,987) |
| Increases/ reductions to fair value (Note 19) | 240,852 | 272,080 |
| | 351,593 | 770,625 |

As at 30 September 2007, 'Investments recorded at fair value through profit and loss' correspond to 193,183 shares of Sonae, S.G.P.S., S.A., acquired to fulfil future obligations under the Medium Term Incentive Plans (562,500 shares in September 2006) and which was recorded based on the closing share price of Euronext at the balance sheet date.

Those shares were classified, at the initial moment, as investments recorded at fair value through profit and loss because they were acquired with the purpose of hedging the responsibilities associated to the Medium Term Incentive Plans .

## 12. Cash and cash equivalents

As at 30 September 2007 and 2006, the detail of cash and cash equivalents was as follows:

| | 2007 | 2006 |
|---|---|---|
| Cash | 184,687 | 200,961 |
| Bank deposits repayable on demand | 7,611,271 | 2,078,458 |
| Treasury applications | 6,064,863 | 112,662,624 |
| Cash and cash equivalents | 13,860,821 | 114,942,043 |
| Bank overdrafts (Note 14) | (165,574) | (688,693) |
| | 13,695,247 | 114,253,350 |

As at 30 September 2007 and 2006, the heading 'Treasury applications' had the following breakdown:

| | 2007 | 2006 |
|---|---|---|
| Funds placed in Sonae: | | |
| Sonaecom | - | 52,900,004 |
| Bank term deposits: | | |
| Sonaecom | 4,030,004 | - |
| Mainroad | 1,245,000 | 520,000 |
| WeDoBrasil | 639,859 | 2,312,620 |
| Sonaecom BV | 150,000 | - |
| Optimus | - | 56,465,000 |
| Digitmarket | - | 240,000 |
| Sonaecom | - | 60,000 |
| Others | - | 165,000 |
| | 6,064,863 | 112,662,624 |

During the period ended 30 September 2007, the above referred treasury applications bear interests at an average rate of 3.842%.

## 13. Own shares

During the period ended 30 September 2007, Sonaecom acquired a total of 1,894,326 own shares, representative of 0.52% of its share capital, at a medium price of Euro 4.72, to hedge the responsibilities associated with Medium Term Incentive Plans.

## 14. Loans

As at 30 September 2007 and 2006, 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 2007 | Amount outstanding 2006 |
|---|---|---|---|---|---|---|
| Sonaecom SGPS | "Obrigações Sonaecom SGPS 2005" | - | Jun-13 | Final | 150,000,000 | 150,000,000 |
| | Costs associated with setting-up the financing | - | - | - | (3,005,583) | (3,472,318) |
| | Interests | - | - | - | 2,194,275 | - |
| | | | | | 149,188,692 | 146,527,682 |
| Sonaecom SGPS | Commercial paper | 250,000,000 | Jul-12 | - | 159,000,000 | - |
| | Costs associated with setting-up the financing | - | - | - | (552,084) | - |
| | Interests | - | - | - | 341,869 | - |
| | Fair value of swaps | - | - | - | (176,657) | - |
| | | | | | 158,613,128 | - |
| Optimus | European Investment Bank (a) | 324,458,200 | Jun-09 | 30% - Jun 08<br>70% - Jun 09 | - | 324,458,200 |
| | Costs associated with setting-up the financing | - | - | - | - | (11,728,406) |
| | Fair value of swaps | - | - | - | (15,115) | 105,975 |
| | | | | | (15,115) | 312,835,769 |
| | | | | | 307,786,705 | 459,363,451 |

(a) As a guarantee of the EIB loans, the banks participating in the Optimus syndicated credit facility have issued a bank guarantee in favour of the EIB (cancelled in 2007with the reimbursement of loan).

### b) Short-term loans and other loans

| Subsidiary | Lender | Type | Amount outstanding 2007 | Amount outstanding 2006 |
|---|---|---|---|---|
| Various | Various | Bank overdrafts | 165,574 | 688,693 |
| | | | 165,574 | 688,693 |

In July 2007, Sonaecom contracted a Program of Commercial Papper Issuance of a maximum amount of Euro 250 million with a subscription grant and a maturity of five years, organized by Banco Santander de Negócios Portugal and by Caixa – Banco de Investimento.

The placing guarantee union is composed for the following institutions: Banco Santander Totta, Caixa Geral de Depósitos, Banco BPI, Banco Bilbao Vizcaya Argentina (Portugal), Banco Comercial Português and BNP Paribas (department in Portugal).

In September 2007, the subsidiary Optimus – Telecomunicações, S.A., amortised its financing from European Investment Bank (BEI), amounted in Euro 324 million.

The new financing made by Sonaecom, allows, in current more favourable market conditions, a significative enlargement of debt maturity, an elimination of contractual, financial and operational limited conditions imposed by previous syndicated financing of Optimus and a greater efficiency in consolidated treasury management.

These loans bear interest at market rates, indexed to the Euribor for the respective terms and were all contracted in Euros. Consequently, it is estimated that their fair value does not differ significantly from their market value.

The spread on the medium and long term loans is between 22.5 and 87.5 basis points.

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

As at 30 September 2007 and 2006, the repayment schedule of medium and long term loans, bonds and commercial paper was as follows:

| Maturity year | 2007 | 2006 |
|---|---|---|
| 2008 | - | 97,337,460 |
| 2009 | - | 227,120,740 |
| 2012 | 159,000,000 | - |
| 2013 | 150,000,000 | 150,000,000 |

The following interest rate hedging instruments were outstanding at 30 September 2007 and 2006:

| Subsidiary | Hedged loan | Notional amount | Expiry date | Base rate | Fixed rate contracted | Fair value of the derivative transactions | |
|---|---|---|---|---|---|---|---|
| Optimus | European Investment Bank | 55,000,000 | Dec - 07 | Euribor 3m | 4,75% (a) | 15,115 | - |
| | | | | | 4.10% | - | (105,975) |
| Sonaecom | Commercial paper | 110,000,000 | Mar-09 | Euribor 6m | 4.365% | (176,657) | - |
| | | 165,000,000 | | | | (161,542) | (105,975) |

(a) This rate corresponds to the cap (maximum rate) contracted and effective after 15 September 2006. The rate effectively paid corresponds to the simple average of the 2 year swap rates verified during the period (4.75% in the last period of exchange).

In September 2007, Sonaecom contracted a interest rate swap, with a notional amount of Euro 110 million, for a period of 18 months but re-fixed every semester, to tottaly cover the risk associated to interest rate of one plot of commercial paper issued in 13 September 2007, for the same amount and the same period. This plot will be renewed for the same amount and for the same period , at least, until 13 March 2009, this is, until the maturity date of this new interest rate swap.

During the period ended 30 September 2007, the changes in the fair value of the swap related to the financing of European Investment Bank, amounted to Euro 121,090, was recorded in the profit and loss statement of the period, as it was not considered to be efficient (Note19). The changes in the fair value of the swap related to Commercial paper, amounted in Euro 176,657, was recorded in Reserves, as it was considered to be efficient, according to the definitions of IAS 39.

The payments of interest on the loan and swap were made simultaneously. The next payment of interests associated to the swap of notional amount of Euro 55 million, is due on 15 December 2007. The next payment of interests associated to the swap of notional amount of Euro 110 million, is due on 13 March 2008.

## 15. Other non current financial liabilities

As at 30 September 2007 and 2006, this caption was made up of accounts payable to fixed assets suppliers related to leasing contracts that are due in more than one year in the amount of Euro 17,359,650 and Euro 1,981,974, respectively.

As at 30 September 2007 and 2006, accounts payable to fixed assets suppliers related to leasing contracts are due as follows:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Lease payments | Present value of lease payments | Lease payments | Present value of lease payments |
| 2006 | - | - | 917,688 | 885,844 |
| 2007 | 446,350 | 413,953 | 1,549,868 | 1,446,175 |
| 2008 | 2,581,220 | 1,673,348 | 959,885 | 908,212 |
| 2009 | 2,124,929 | 1,288,374 | 477,035 | 457,943 |
| 2010 | 1,897,316 | 1,113,435 | 228,719 | 220,614 |
| 2011 | 1,717,831 | 986,795 | 27,909 | 27,834 |
| 2012 and follows | 18,075,924 | 13,782,782 | - | - |
| | 26,843,570 | 19,258,687 | 4,161,104 | 3,946,622 |
| Interests | (7,584,883) | - | (214,483) | - |
| | 19,258,687 | 19,258,687 | 3,946,621 | 3,946,622 |
| Short term liability (Note 17) | - | (1,899,037) | - | (1,964,648) |
| | 19,258,687 | 17,359,650 | 3,946,621 | 1,981,974 |

As these lease contracts bear interest at market rates, their fair value is estimated not to differ significantly from their book value.

The medium and long term agreements made with the suppliers of the fibre optic network capacity, under which the Group has the right to use that network, which is considered as a specific asset, are recorded as finance leases in accordance with IAS 17 – "Leases" and IFRIC 4 – "Determining whether an arrangement contains a Lease".

## 16. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the periods ended 30 September 2007 and 2006 were as follows:

| 2007 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Heading | Opening balance | New Companies | Transfers | Increases | Utilisations | Decreases | Closing balance |
| Accumulated impairment losses on accounts receivables | 61,060,155 | 5,883,408 | (1,088,763) | 6,550,451 | (4,619,175) | (79,957) | 67,706,119 |
| Accumulated impairment losses on inventories | 6,122,085 | - | - | 1,693,000 | - | - | 7,815,085 |
| Accumulated impairment losses on investments available for sale (Note 8) | 2,539,229 | - | - | - | - | (2,539,229) | - |
| Provisions for other liabilities and charges | 20,078,571 | 5,795,677 | 1,088,763 | 4,182,644 | (137,754) | (112,558) | 30,895,343 |
| | 89,800,040 | 11,679,085 | - | 12,426,095 | (4,756,929) | (2,731,744) | 106,416,547 |

| 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Heading | Opening balance | Companies no longer consolidated | Transfers | Increases | Utilisations | Decreases | Closing balance |
| Accumulated impairment losses on accounts receivables | 64,905,431 | (158,854) | (189,820) | 4,461,852 | (5,245,463) | (76,499) | 63,696,647 |
| Accumulated impairment losses on inventories | 7,134,249 | - | - | 1,790,000 | (1,511,793) | - | 7,412,456 |
| Accumulated impairment losses on investments available for sale (Note 8) | 2,685,477 | - | - | - | (146,248) | - | 2,539,229 |
| Accumulated impairment losses on other non current assets and in associated companies investments (Notes 3 and 10) | 986,956 | - | - | 4,085 | (868,456) | - | 122,585 |
| Provisions for other liabilities and charges | 5,092,476 | (339,409) | 428,283 | 12,237,350 | (469,688) | (53,430) | 16,895,582 |
| | 80,804,589 | (498,263) | 238,463 | 18,493,287 | (8,241,648) | (129,929) | 90,666,499 |

The increase of 'Provisions for other liabilities and charges' includes the amount of Euro 3,193,620 associated with the dismantling of sites (Euro 10,254,980 in 2006), 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 9,232,475 (Euro 8,238,307 in 2006).

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

As at 30 September 2007 and 2006, the breakdown of the provisions for other liabilities and charges were as follows:

| | 2007 | 2006 |
|---|---|---|
| Dismantling of sites | 18,299,440 | 13,138,180 |
| Legal processes | 8,201,991 | 2,810,814 |
| Indemnities | 595,432 | 598,840 |
| Others | 3,798,480 | 347,748 |
| | 30,895,343 | 16,895,582 |

As at 30 September 2007, accounts receivable overdue more than 6 months, net of the amount of VAT that the Group expects to recover, were fully provided for.

Credit risk, which is monitored continuously, is made up as follows:

The amounts receivable from operators are subject to review on an individual basis. The maximum exposure to risk is determined for each operator and the impairment adjustment is calculated based on the age of each balance, the existence of disputes and the financial situation of the operator.

Agents are classified, in terms of risk, based on the regularity of the services rendered by them and their financial situation, the impairment adjustment being calculated by application of an uncollectible percentage, based on historical data.

In the case of regular customers, impairment is calculated by application of an uncollectible percentage based on historical data regarding collections.

In the case of the remaining accounts receivable, impairment losses are determined based on the age of the receivables, net of the amounts payable.

Guarantees and pledges from some operators and agents are not material.

## 17. Other current financial liabilities

As at 30 September 2007 this caption includes the amount of Euro 1,899,037 (Euro 1,964,648 in 2006) related to the short term portion of lease contracts (Note 15).

## 18. External supplies and services

'External supplies and services' for the periods ended 30 September 2007 and 2006 are made up as follows:

| | 2007 | 2006 |
|---|---|---|
| Interconnection costs | 168,820,817 | 148,703,478 |
| Commissions | 40,925,946 | 41,453,186 |
| Specialised works | 35,921,272 | 35,126,616 |
| Advertising and publicity | 28,644,030 | 25,752,860 |
| Rents | 21,590,399 | 23,177,610 |
| Leased lines | 18,757,941 | 14,759,468 |
| Others subcontracts | 15,091,567 | 16,244,752 |
| Energy | 6,089,082 | 5,121,850 |
| Maintenance and repairs | 4,908,963 | 3,903,961 |
| Communications | 3,905,586 | 3,469,120 |
| Fees | 3,696,984 | 2,523,358 |
| Travelling costs | 2,918,124 | 4,174,773 |
| Others | 14,029,485 | 12,059,434 |
| | 365,300,196 | 336,470,466 |

The commitments assumed by the Group in 30 September 2007 related with operational leases are as follows:

| Minimum payments of operational leases | |
|---|---|
| 2007 | 1,083,957 |
| 2008 | 3,803,419 |
| 2009 | 2,410,542 |
| 2010 | 1,176,438 |
| 2011 | 203,660 |
| | 8,678,016 |

## 19. Financial results

Net financial results for the periods ended 30 September 2007 and 2006 are made up as follows:

| | 2007 | 2006 |
|---|---|---|
| Gains and losses on associated companies: | | |
| Losses on associated companies | (87,573) | (150,000) |
| Gains on associated companies | - | 28,766 |
| | (87,573) | (121,234) |
| Gains and losses on Investments available for sale (Note 8) | 5,578,307 | - |
| Other financial expenses: | | |
| Interest expenses | | |
| Bank loans | (15,573,501) | (12,065,880) |
| Other loans | (6,509,514) | (3,048) |
| Swap interests | (195,837) | (318,846) |
| Leasing interests | (717,720) | (161,349) |
| Bank overdrafts and others | (394,255) | (90,476) |
| | (23,390,827) | (12,639,599) |
| Foreign exchange losses | (199,570) | (149,241) |
| Adjustments to fair value on investments recorded at fair value through profit and loss (Note 11) | - | (16,875) |
| Other financial expenses | | |
| Set up costs (Note 14) | (10,959,252) | (3,691,565) |
| Swap fair value (Note 14) | (122,574) | (110,438) |
| Others | (81,128) | (310,667) |
| | (11,162,954) | (4,112,670) |
| | (34,753,351) | (16,918,385) |
| Other financial income: | | |
| Interest income | 11,068,972 | 3,913,787 |
| Foreign exchange gains | 312,564 | 242,885 |
| Adjustments to fair value on investments recorded at fair value through profit and loss (Note 11) | 240,852 | 288,955 |
| Other financial income | - | 82,170 |
| | 11,622,388 | 4,527,797 |

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

## 20. Income taxation

Income taxes recognised during the periods ended 30 September 2007 and 2006 are made up as follows ((costs)/gains):

| | 2007 | 2006 |
|---|---|---|
| Current tax | (3,773,498) | (824,335) |
| Deferred tax asset (Note 9) | 5,687,633 | (2,366,726) |
| Deferred tax liability | (208,940) | - |
| | 1,705,195 | (3,191,061) |

## 21. Related parties

During the periods ended 30 September 2007 and 2006, the balances and transactions with related parties mainly relate to the normal operational activity of the Group (providing communications and consultancy services) as well granting and obtaining loans.

The most significant balances and transactions with related parties at 30 September 2007 and 2006 were as follows:

| Balances at 30 September 2007 | | | | | |
|---|---|---|---|---|---|
| | Accounts receivable | Accounts payable | Treasury applications | Accruals | Loans obtained |
| Sonae | 57,229 | 14,003 | 4 | (505,341) | - |
| Modelo Continente Hipermercados, S.A. | 530,856 | 422,730 | - | 256,179 | - |
| Worten | 3,180,455 | 1,286,710 | - | (701,060) | - |
| France Telecom | 9,914,556 | 6,471,955 | - | (14,655,994) | - |
| Sonae Investments BV | - | - | - | (3,533,417) | - |
| | 13,683,096 | 8,195,398 | 4 | (19,139,634) | - |

| Balances at 30 September 2006 | | | | | |
|---|---|---|---|---|---|
| | Accounts receivable | Accounts payable | Treasury applications | Accruals | Loans obtained |
| Sonae | 29,750 | 15,851 | 52,900,004 | 460,425 | - |
| Modelo Continente Hipermercados, S.A. | 4,283,778 | 318,265 | - | (766,038) | - |
| France Telecom | 7,569,760 | 931,451 | - | (2,557,062) | - |
| Sonae Investments BV | - | - | - | (4,927,742) | - |
| | 11,883,288 | 1,265,567 | 52,900,004 | (7,790,417) | - |

Transactions at 30 September 2007

| | Sales and services rendered | Supplies and services received | Interest and similar income/ (expense) | Supplementary income |
|---|---|---|---|---|
| Sonae | 284,593 | 102,809 | 2,091,349 | 61,793 |
| Modelo Continente Hipermercados, S.A. | 4,405,508 | 1,369,801 | - | 427,738 |
| Worten | 3,610,221 | 1,269,083 | - | - |
| France Telecom | 10,588,695 | 6,744,091 | - | - |
| | 18,889,016 | 9,485,785 | 2,091,349 | 489,530 |

Transactions at 30 September 2006

| | Sales and services rendered | Supplies and services received | Interest and similar income/ (expense) | Supplementary income |
|---|---|---|---|---|
| Sonae | 234,265 | 290,737 | 2,404,030 | 2,621 |
| Modelo Continente Hipermercados, S.A. | 11,675,682 | 1,583,279 | - | - |
| France Telecom | 9,413,905 | 1,576,186 | - | - |
| | 21,323,852 | 3,450,202 | 2,404,030 | 2,621 |

| Transactions at 30 September 2007 | | | | |
|---|---|---|---|---|
| | Sales and services rendered | Supplies and services received | Interest and similar income/ (expense) | Supplementary income |
| Sonae | 284,593 | 102,809 | 2,091,349 | 61,793 |
| Modelo Continente Hipermercados, S.A. | 4,405,508 | 1,369,801 | - | 427,738 |
| Worten | 3,610,221 | 1,269,083 | - | - |
| France Telecom | 10,588,695 | 6,744,091 | - | - |
| | 18,889,016 | 9,485,785 | 2,091,349 | 489,530 |

| Transactions at 30 September 2006 | | | | |
|---|---|---|---|---|
| | Sales and services rendered | Supplies and services received | Interest and similar income/ (expense) | Supplementary income |
| Sonae | 234,265 | 290,737 | 2,404,030 | 2,621 |
| Modelo Continente Hipermercados, S.A. | 11,675,682 | 1,583,279 | - | - |
| France Telecom | 9,413,905 | 1,576,186 | - | - |
| | 21,323,852 | 3,450,202 | 2,404,030 | 2,621 |

A complete listing of the Sonaecom Group's related parties is presented in an appendix to this report.

## 22. Guarantees provided to third parties

Guarantees provided to third parties at 30 September 2007 and 2006 were as follows:

| Company | Beneficiary | Description | 2007 | 2006 |
|---|---|---|---|---|
| Optimus | European Investment Bank | Loan | - | 324,458,200 |
| Sonaecom | BBVA – Portugal, ING Belgium Portugal and Millennium BCP | Commercial paper | 320,000,000 | 70,000,000 |
| Novis and Sonaecom | Direcção de Contribuições e Impostos (Portuguese tax authorities) | VAT Reimbursements | 5,070,594 | 126,372 |
| Optimus | Direcção de Contribuições e Impostos (Portuguese tax authorities) | IRC - Tax assessment | 1,650,000 | - |
| Optimus and Público | Direcção de Contribuições e Impostos (Portuguese tax authorities) | VAT - Impugnation process | 598,000 | 580,000 |
| Público | Tribunal de Trabalho de Lisboa (Lisbon Labour Court) | Execution action n. 199A/92 | 271,511 | 271,511 |
| Público | Fazenda Pública do Porto (Oporto Public Treasury) | Tax process n. 3190/98 | 209,493 | 209,493 |
| 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 – Witholding tax on payments to non-residents | 164,000 | 164,000 |
| Novis and Digitmarket | Hewlett Packard | Finance lease and services provider contracts | 159,859 | 166,960 |
| Novis | Governo Civil de Santarém (Santarém Government Civil) | Guarantee the fulfilment of legal obligations associated with a public contest launched | 119,703 | 119,703 |
| Novis | Câmara Municipal de Coimbra (Coimbra Municipality) | Performance bond - works | 108,333 | 101,403 |
| Optimus | Governo Civil de Lisboa (Lisbon Government Civil) | Guarantee the fulfilment of legal obligations | 143,165 | 98,195 |
| Novis | Câmara Municipal de Lisboa (Lisbon Municipality) | Performance bond - works | 85,652 | 85,652 |
| 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 |
| Optimus | ANACOM | UMTS License | - | 2,493,989 |
| Various | Others | | 1,139,344 | 494,411 |
| | | | 329,997,168 | 399,647,403 |

### 23. Information by business segment

The following business segments were identified for the periods ending 30 September 2007 and 2006:

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

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

Inter-segment transactions at 30 September 2007 and 2006 were eliminated in the consolidation process.

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

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

Overall information by business segment at 30 September 2007 and 2006 can be summarised as follows:

| | Mobile Network | | Fixed Network and Internet | | Multimedia | | Information Systems * | | Other | | Sub-total | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | September-07 | September-06 | September-07 | September-06 | September-07 | September-06 | September-07 | September-06 | September-07 | September-06 | September-07 | September-06 | September-07 | September-06 | September-07 | September-06 |
| Revenues: | | | | | | | | | | | | | | | | |
| Sales and services rendered | 454,972,533 | 453,676,748 | 178,481,077 | 146,164,589 | 23,605,658 | 27,415,227 | 53,411,273 | 61,511,750 | 5,110,627 | 5,161,077 | 715,581,168 | 693,929,391 | (71,303,138) | (69,899,113) | 644,278,030 | 624,030,278 |
| Other operating revenues | 27,078,896 | 25,988,881 | 2,629,113 | 3,325,858 | 164,453 | 220,154 | 315,109 | 27,055,728 | 23,689,446 | 300,425 | 53,877,017 | 56,891,046 | (49,644,742) | (27,267,985) | 4,232,275 | 29,623,061 |
| Total revenues | 482,051,429 | 479,665,629 | 181,110,190 | 149,490,447 | 23,770,111 | 27,635,381 | 53,726,382 | 88,567,478 | 28,800,073 | 5,461,502 | 769,458,185 | 750,820,437 | (120,947,880) | (97,167,098) | 648,510,305 | 653,653,339 |
| Depreciation and amortisation | (85,668,497) | (86,983,604) | (14,870,209) | (11,966,191) | (512,867) | (587,781) | (1,199,501) | (1,202,815) | (191,436) | (236,905) | (102,442,510) | (100,977,296) | 945,300 | 787,027 | (101,497,210) | (100,190,269) |
| Net operating income/(loss) for the segment | 22,516,870 | 47,601,937 | (22,926,059) | (18,400,253) | (3,979,128) | (6,472,451) | 3,011,386 | 28,782,979 | 20,718,785 | (389,573) | 19,341,854 | 51,122,639 | (269,639) | (55,251) | 19,072,215 | 51,067,388 |
| Net interests | (7,199,978) | (5,753,283) | (3,337,391) | (2,183,461) | (174,493) | (191,563) | 472,220 | 530,230 | (1,975,810) | (1,157,704) | (12,215,452) | (8,755,781) | (106,403) | 29,970 | (12,321,855) | (8,725,811) |
| Gains and losses on associated companies | - | - | - | - | - | - | (60,751) | - | - | - | (60,751) | - | (26,822) | (121,234) | (87,573) | (121,234) |
| Other financial results | (10,639,248) | (3,526,408) | (3,191) | (8,262) | (9,536) | (13,941) | 3,016,784 | 38,120 | 112,689,015 | (141,261) | 105,053,824 | (3,651,752) | (110,284,626) | 3,850 | (5,230,802) | (3,647,902) |
| Income taxation | (3,504,793) | (2,159,340) | 6,966,251 | (42,369) | (16,138) | (13,852) | (1,349,330) | (970,615) | (390,795) | (4,514) | 1,705,195 | (3,190,690) | - | (371) | 1,705,195 | (3,191,061) |
| Consolidated net income/(loss) for the semester | 1,172,851 | 36,162,906 | (19,300,390) | (20,634,345) | (4,179,295) | (6,691,807) | 5,090,309 | 28,380,714 | 131,041,195 | (1,693,052) | 113,824,670 | 35,524,417 | (110,687,490) | (143,036) | 3,137,180 | 35,381,380 |
| Attributable to: | | | | | | | | | | | | | | | | |
| Shareholders of Parent Company | **1,172,851** | **36,162,906** | **(19,300,390)** | **(20,634,345)** | **(4,179,295)** | **(6,691,807)** | **4,879,842** | **28,380,714** | **131,041,195** | **(1,693,052)** | **113,614,203** | **35,524,416** | **(110,682,836)** | **(9,053,335)** | **2,931,367** | **26,471,081** |
| Minority interests | - | - | - | - | - | - | 210,467 | - | - | - | 210,467 | - | (4,654) | 8,910,299 | 205,813 | 8,910,299 |
| Assets: | | | | | | | | | | | | | | | | |
| Fixed assets and Goodwill | 549,397,258 | 551,898,844 | 166,285,647 | 99,794,288 | 2,085,535 | 2,095,782 | 43,806,295 | 41,457,370 | 1,950,918 | 2,127,974 | 763,525,653 | 697,374,258 | 452,333,288 | 226,809,375 | 1,215,858,941 | 924,183,633 |
| Inventories | 22,626,863 | 12,977,532 | 2,143,718 | 2,172,194 | 1,653,420 | 1,074,572 | 88,350 | 4,929 | - | - | 26,512,351 | 16,229,227 | - | - | 26,512,351 | 16,229,227 |
| Financial investments | 1,282,025 | 1,282,025 | - | - | 1,097,695 | 979,195 | 18,157,494 | 1,062,485 | 1,254,647,580 | 718,984,508 | 1,275,184,794 | 722,308,213 | (1,255,991,860) | (609,163,635) | 19,192,934 | 113,144,578 |
| Other non current assets | 59,236,426 | 66,408,155 | 7,000,000 | 497,924 | 1,373,336 | 1,717,741 | 1,391,553 | 1,274,273 | 662,241,569 | 604,181,720 | 731,242,884 | 674,079,813 | (663,865,747) | (607,753,633) | 67,377,137 | 66,326,180 |
| Other current assets of the segment | 214,239,683 | 331,332,675 | 104,463,452 | 77,589,600 | 8,478,609 | 9,278,031 | 25,102,255 | 52,926,388 | 78,357,868 | 89,650,891 | 430,641,867 | 560,777,585 | (156,848,292) | (192,154,570) | 273,793,575 | 368,623,015 |
| | 846,782,255 | 963,899,231 | 279,892,817 | 180,054,006 | 14,688,595 | 15,145,321 | 88,545,947 | 96,725,445 | 1,997,197,935 | 1,414,945,093 | 3,227,107,549 | 2,670,769,096 | (1,624,372,611) | (1,182,262,463) | 1,602,734,938 | 1,488,506,633 |
| Liabilities: | | | | | | | | | | | | | | | | |
| Liabilities of the segment | 498,009,302 | 558,987,242 | 277,365,694 | 179,186,728 | 19,320,167 | 24,257,116 | 32,599,631 | 22,281,977 | 522,998,161 | 263,733,771 | 1,350,292,955 | 1,048,446,834 | (648,265,317) | (284,688,216) | 702,027,638 | 763,758,618 |
| | 498,009,302 | 558,987,242 | 277,365,694 | 179,186,728 | 19,320,167 | 24,257,116 | 32,599,631 | 22,281,977 | 522,998,161 | 263,733,771 | 1,350,292,955 | 1,048,446,834 | (648,265,317) | (284,688,216) | 702,027,638 | 763,758,618 |

(*) Since January 2007, the Information System segment includes the company Sonae.com - Sistemas de Informação, S.G.P.S., S.A.. The comparatives were restated.

## 24. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income of the period attributable to the Group (Euro 2,931,367 in 2007 and Euro 26,471,081 in 2006) by the average number of shares outstanding during the periods ended 30 September 2007 and 2006, net of own shares (364,352,542 in 2007and 296,526,868 in 2006).

## 25. Medium Term Incentive Plans

In June 2000, Sonaecom Group created a discretionary Medium Term Incentive Plan for more senior employees, 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 in the Group. In some annual plans, beneficiaries can chose between options or shares. Options are valued using the Black Scholes options pricing Model.

The Sonaecom plans outstanding at 30 September 2007 can be summarized as follows:

| | | Vesting period | | Exercise period | | 30- Sep-2007 | |
|---|---|---|---|---|---|---|---|
| | Share price at award date * | Award date | Vesting date | From | To | Aggregate number of participants | Number of options/ shares |
| Sonaecom options | | | | | | | |
| 2002 Plan | 1.694 | 31-Mar-03 | 10-Mar-06 | 13-Mar-06 | 09-Mar-07 | - | - |
| 2003 Plan | - | - | - | - | - | - | - |
| 2004 Plan | - | - | - | - | - | - | - |
| 2005 Plan | - | - | - | - | - | - | - |
| Sonaecom shares | | | | | | | |
| 2003 Plan | 3.19 | 31-Mar-04 | 09-Mar-07 | - | - | 348 | 1,176,640 |
| 2004 Plan | 3.96 | 31-Mar-05 | 10-Mar-08 | - | - | 358 | 1,056,462 |
| 2005 Plan | 4.093 | 10-Mar-06 | 09-Mar-09 | - | - | 383 | 934,145 |
| 2006 Plan | 4.697 | 09-Mar-07 | 10-Mar-10 | - | - | 418 | 1,083,223 |
| Sonae SGPS shares | | | | | | | |
| 2003 Plan | 0.93 | 31-Mar-04 | 09-Mar-07 | - | - | 12 | 369,317 |
| 2004 Plan | 1,17 | 31-Mar-05 | 10-Mar-08 | - | - | 13 | 347,708 |
| 2005 Plan | 1.34 | 10-Mar-06 | 09-Mar-09 | - | - | 13 | 207,162 |
| 2006 Plan | 1.69 | 09-Mar-07 | 10-Mar-10 | - | - | 7 | 193,626 |

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

During the period ended 30 September 2007, 343,571 options were exercised at an average price of Euro 5.67, and 167,062 options of the 2002 Plan were extinguished.

Sonaecom signed agreements to cover the execution and hedging of its Medium Term Incentive Plans and related obligations and acquired Sonae SGPS shares with the same purpose. The agreement means that Sonaecom's liabilities are limited to a maximum of Euro 7,103,674.

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

For the Sonaecom's share plans attributed in 2006 and in 2007, the Group acquired own shares in order to cover the execution and hedging. The total responsibility calculated with the share price at award date date is Euro 2,694,899 and was recorded in 'Reserves for Medium Term Incentive Plans'.

The costs of the Option and Share Plans are recognised in the accounts over the period between the award and the vesting date of those shares and options. The costs recognised on previous years and in the period ended at 30 September 2007, are as follows:

| | Amount |
|---|---|
| Costs recognised on previous years | 16,537,840 |
| Costs recognised in the period | 3,912,948 |
| Costs of plans from subsidiary Exit (no longer consolidated) | (8,882) |
| Costs of plans vested on previous years | (9,145,896) |
| Costs of plans vested in the period | (4,768,700) |
| Other non current and current assets (Deferred costs not yet recognised) | 576,364 |
| Total cost of the plans | 7,103,674 |
| Recorded in Other current liabilities | (3,995,177) |
| Recorded in Other non current liabilities | (413,598) |
| Reserves | (2,694,899) |

## 26. Others matters

(i) As of 30 September 2007, accounts receivable from customers and payable to suppliers include Euro 37,139,253 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 2001. The Company has considered the most penalising tariffs in the consolidated financial statements. In the lower court, the decision was favourable to Optimus, the higher courts decided that the case should be tried again but the complaint of TMN was dismissed again. At the moment, it is in course the period to TMN try again.

(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. In consequence of this rejection, Maxistar appeals to the 'Tribunal da Relação de Lisboa'.

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. Before the decision of the Arbitration Court, 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 still does not expect Maxistar's appeal to be upheld.

## 27. Commitments associated to "Information Society"

At the time Optimus was awarded its UMTS license, it assumed commitments in the area of the promotion and development of the Information Society, totalling around Euro 274 million.

Some of the commitments have already been fulfilled and duly recognised by MOPTC ("Ministério das Obras Públicas, Transportes e Comunicações") and other entities specifically created to assess and validate the projects carried out for that purpose. The remaining commitments will be fulfilled during the remaining license period (up to 2015), under the terms recently agreed between MOPTC and Optimus, through contributions to the Government project "Iniciativas E" and by its own projects, qualifiable as contributions to the Information Society.

Also, by agreement between MOPTC, Optimus and the other mobile operators, the commitment of the three operators relating to the acquisition of the rights to use the UMTS frequencies corresponding to ONIWAY- Infocomunicações, S.A.'s licence were definitively and fully clarified and extinguished, Optimus being responsible to contribute cash of Euro 8,313,298.28 to an Information Society Fund to be created. However, this commitment is guaranteed by Oniway's shareholders as of that date.

## 28. Subsequent events

At 28 September 2007, Wedo Consulting signed an agreement to acquire Cape Technologies for an amount of Euro 17,250,000 (Note 10), which is effective from October 2007 onwards.

These consolidated financial statements were approved and authorized for publication by the Board of Directors on 25 October 2007.

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.

The Securities and Exchange Commission (CMVM) has authorized Sonaecom not to publish the individual accounts in accordance with the current terms of article 250º, paragraph 3 of Securities Exchange Code (Código dos Valores Mobiliários). The individual accounts 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).

## APPENDIX

As at 30 September 2007, the related parties of Sonaecom Group are as follows:

| Key management personnel | |
|---|---|
| Álvaro Carmona e Costa Portela | Jean François Pontal |
| Álvaro Cuervo Garcia | Luís Filipe Campos Dias Castro Reis |
| Angêlo Gabriel Ribeirinho dos Santos Paupério | Luís Filipe Palmeira Lampreia |
| António Bernardo Aranha da Gama Lobo Xavier | Maria Cláudia Teixeira de Azevedo |
| António de Sampaio e Mello | Michel Marie Bom |
| Belmiro de Azevedo | Miguel Nuno Santos Almeida |
| David Hobley | Nuno Manuel Moniz Trigoso Jordão |
| Duarte Paulo Teixeira de Azevedo | Nuno Miguel Teixeira Azevedo |
| George Christopher Lawrie | Paulo Jorge Henriques Pereira |
| Gervais Pellissier | Pedro Miguel Freitas Ramalho Carlos |

| Sonae Group Companies | |
|---|---|
| 3DO Holding GmbH | Aserraderos de Cuellar,S.A. |
| 3DO Shopping Centre GmbH | Atlantic Ferries-Tráf.Loc,Flu.e Marít,S.A. |
| 3shoppings - Holding,SGPS, S.A. | Avenida M-40 B.V. |
| Aegean Park,S.A. | Avenida M-40,S.A. |
| Agepan Eiweiler Management GmbH | Azulino Imobiliária, S.A. |
| Agepan Flooring Products, S.A.RL | Bertimóvel - Sociedade Imobiliária, S.A. |
| Agepan Tarket Laminate Park GmbH Co. KG | Best Offer-Prest. Inf. p/Internet,S.A. |
| Agloma Investimentos, Sgps, S.A. | Bikini, Portal de Mulheres,S.A. |
| Agloma-Soc.Ind.Madeiras e Aglom.,S.A. | Bloco Q-Sociedade Imobiliária,S.A. |
| Águas Furtadas - Imobiliária, S.A. | Bloco W-Sociedade Imobiliária,S.A. |
| Airone - Shopping Center, Srl | Boavista Shopping Centre BV |
| ALEXA Administration GmbH | Box Lines Navegação,S.A. |
| ALEXA Holding GmbH | Campo Limpo, Lda |
| ALEXA Shopping Centre GmbH | Canasta-Empreendimentos Imobiliários,S.A. |
| Alexa Site GmbH & Co. KG | Carnes do Continente-Ind.Distr.Carnes,S.A. |
| Algarveshopping- Centro Comercial, S.A. | CarPlus – Comércio de Automóveis, S.A. |
| Andar - Sociedade Imobiliária, S.A. | CaS.A. Agrícola de Ambrães, S.A. |
| Aqualuz - Turismo e Lazer, Lda | CaS.A. Agrícola João e A. Pombo, S.A. |
| Aquapraia - Investimentos Turísticos,S.A. | CaS.A. da Ribeira - Hotelaria e Turismo,S.A. |
| Arrábidashopping- Centro Comercial, S.A. | Fozmassimo - Sociedade Imobiliária, S.A. |
| Cascaishopping- Centro Comercial, S.A. | Freccia Rossa- Shopping Centre S.r.l. |
| Cascaishopping Holding I, SGPS, S.A. | Friengineering International Ltda |
| Centro Colombo- Centro Comercial, S.A. | Fundo de Invest. Imobiliário Imosede |
| Centro Residencial da Maia,Urban.,S.A. | Fundo Invest.Imob.Shopp. Parque D.Pedro |
| Centro Vasco da Gama-Centro Comercial,S.A. | Gaiashopping I- Centro Comercial, S.A. |
| Change, SGPS, S.A. | Gaiashopping II- Centro Comercial, S.A. |

| | |
|---|---|
| Chão Verde-Soc.Gestora Imobiliária,S.A. | GHP Gmbh |
| Choice Car - Comércio de Automóveis, S.A. | Gli Orsi - Shopping Centre, Srl |
| Choice Car SGPS, S.A. | Global S-Hipermercado,Lda |
| Cia.de Industrias e Negócios,S.A. | Glunz AG |
| Cinclus Imobiliária,S.A. | Glunz Service GmbH |
| Cinclus-Plan. e Gestão de Projectos,S.A. | Glunz UK Holdings Ltd |
| Citorres-Sociedade Imobiliária,S.A. | Glunz Uka Gmbh |
| Clérigoshopping- Gestão do C.Comerc.,S.A. | Golf Time-Golfe e Invest. Turísticos, S.A. |
| Coimbrashopping- Centro Comercial, S.A. | Guerin – Rent a Car (Dois), Lda. |
| Colombo Towers Holding, BV | Guimarãeshopping- Centro Comercial, S.A. |
| Contacto Concessões, SGPS, S.A. | Hornitex Polska Sp z.o.o |
| Contacto-SGPS,S.A. | Iberian Assets, S.A. |
| Contacto-Sociedade de Construções,S.A. | IGI-Investimento Imobiliário,S.A. |
| Contibomba-Comérc.Distr.Combustiveis,S.A. | Igimo-Sociedade Imobiliária,S.A. |
| Contimobe-Imobil.Castelo Paiva,S.A. | Iginha-Sociedade Imobiliária,S.A. |
| Contry Club da Maia-Imobiliaria,S.A. | Imoareia - Invest. Turísticos, SGPS, S.A. |
| Cronosaúde - Gestão Hospitalar, S.A. | Imobiliária da Cacela, S.A. |
| Cumulativa - Sociedade Imobiliária, S.A. | Imoclub-Serviços Imobilários,S.A. |
| Darbo S.A.S | Imoconti- Soc.Imobiliária,S.A. |
| Developpement & Partenariat Assurances, S.A. | Imodivor - Sociedade Imobiliária, S.A. |
| Difusão-Sociedade Imobiliária,S.A. | Imoestrutura-Soc.Imobiliária,S.A. |
| Distrifin-Comercio y Prest.Servicios,S.A. | Imoferro-Soc.Imobiliária,S.A. |
| DMJB, SGPS, S.A. | Imohotel-Emp.Turist.Imobiliários,S.A. |
| Dortmund Tower GmbH | Imomuro-Sociedade Imobiliária,S.A. |
| Dos Mares - Shopping Centre B.V. | Imopenínsula - Sociedade Imobiliária, S.A. |
| Dos Mares-Shopping Centre, S.A. | Imoplamac Gestão de Imóveis,S.A. |
| Ecociclo - Energia e Ambiente, S.A. | Imoponte-Soc.Imobiliaria,S.A. |
| Ecociclo II - Energias, S.A. | Imoresort - Sociedade Imobiliária, S.A. |
| Efanor Investimentos, SGPS, S.A. | Imoresultado-Soc.Imobiliaria,S.A. |
| Efanor Serviços de Apoio à Gestão, S.A. | Imosedas-Imobiliária e Seviços,S.A. |
| Efanor-Design e Serviços,S.A. | Imosistema-Sociedade Imobiliária,S.A. |
| Efanor-Indústria de Fios,S.A. | Imosonae II |
| El RoS.A.I Shopping, S.A. | Implantação - Imobiliária, S.A. |
| Empreend.Imob.Quinta da Azenha,S.A. | Infofield-Informática,S.A. |
| Equador & Mendes,Lda | Inparsa - Gestão Galeria Comercial, S.A. |
| Espimaia -Sociedade Imobiliária,S.A. | Inparvi SGPS, S.A. |
| Estação Oriente-Gest.de Galerias Com.,S.A. | Insulatroia - Sociedade Imobiliária, S.A. |
| Estação Viana- Centro Comercial, S.A. | Integrum-Serviços Partilhados,S.A. |

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| Estêvão Neves-Hipermercados Madeira,S.A. | Interclean, S.A. |
| Etablissement A. Mathe, S.A. | Interlog-SGPS,S.A. |
| Euro Decorative Boards,Ltd | Inventory-Acessórios de Casa,S.A. |
| Euromegantic,Lteé | Investalentejo, SGPS, S.A. |
| Euroresinas-Indústrias Quimicas,S.A. | Invsaude - Gestão Hospitalar, S.A. |
| Finlog - Aluguer e Comércio de Automóveis, S.A. | Ipaper-Industria Papeis Impregnados,S.A. |
| Fozimo-Sociedade Imobiliária,S.A. | ISF - Imobiliário, Serviços e Participaç |
| Isoroy SAS | OSB Deustchland Gmbh |
| La Farga - Shopping Center, SL | KLC Holdings XII SA |
| Larissa Develop. Of Shopping Centers, S.A. | Paracentro - Gest.de Galerias Com., S.A. |
| Lazam Corretora, Ltda. | Pareuro, BV |
| Le Terrazze - Shopping Centre S.r.l. | Pargeste SGPS, S.A. |
| Lembo Services Ltd (Euro) | Park Avenue Develop. of Shop. Centers S.A. |
| Libra Serviços, Lda. | Parque Atlântico Shopping - C.C., S.A. |
| Lidergraf - Artes Gráficas, Lda. | Parque D. Pedro 1 B.V. |
| Lima Retail Park, S.A. | Parque D. Pedro 2 B.V. |
| Loureshopping- Centro Comercial, S.A. | Parque de Famalicão - Empr. Imob., S.A. |
| Luso Assistência - Gestão de Acidentes, S.A. | Parque Principado SL |
| Luz del Tajo - Centro Comercial S.A. | Partnergiro - Empreend. Turísticos, Lda |
| Luz del Tajo B.V. | Pátio Boavista Shopping Ltda. |
| Madeirashopping- Centro Comercial, S.A. | Pátio Penha Shopping Ltda. |
| Maiashopping- Centro Comercial, S.A. | Pátio São Bernardo Shopping Ltda |
| Maiequipa-Gestão Florestal,S.A. | Pátio Sertório Shopping Ltda |
| Marcas MC, ZRT | Peixes do Continente-Ind.Dist.Peixes,S.A. |
| Marimo -Exploração Hoteleira Imobiliária | PHARMACONTINENTE - Saúde e Higiene, S.A. |
| Marina de Tróia S.A. | PJP - Equipamento de Refrigeração, Lda |
| Marinamagic-Expl.Cent.Lúdicos Marít,Lda | Plaza Eboli B.V. |
| Marmagno-Expl.Hoteleira Imob.,S.A. | Plaza Eboli - Centro Comercial S.A. |
| Martimope - Sociedade Imobiliária, S.A. | Plaza Mayor Holding, SGPS, S.A. |
| Marvero-Expl.Hoteleira Imob.,S.A. | Plaza Mayor Parque de Ócio B.V. |
| MC Property Management S.A. | Plaza Mayor Parque de Ocio,S.A. |
| MDS Corretor de Seguros, S.A. | Plaza Mayor Shopping B.V. |
| Mediterranean Cosmos Shop. Centre Investments, S.A. | Plaza Mayor Shopping, S.A. |
| Megantic BV | Ploiesti Shopping Center (Euro) |
| MJLF-Empreendimentos Imobiliários, S.A. | Poliface Brasil, Ltda |
| Modalfa-Comércio e Serviços,S.A. | Poliface North America |
| Modelo - Dist.de Mat. de Construção,S.A. | Porturbe-Edificios e Urbanizações,S.A. |
| Modelo Continente - Oper.Retalho SGPS,S.A. | Praedium II-Imobiliária,S.A. |

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| Modelo Continente Hipermercados,S.A. | Praedium III-Serviços Imobiliários,S.A. |
| Modelo Continente, SGPS,S.A. | Praedium SGPS, S.A. |
| Modelo Hiper Imobiliária,S.A. | Predicomercial-Promoção Imobiliária,S.A. |
| Modelo.com-Vendas p/Correspond.,S.A. | Prédios Privados Imobiliária,S.A. |
| Monselice Centre Srl | Predisedas-Predial das Sedas,S.A. |
| Movelpartes-Comp.para Ind.Mobiliária,S.A. | Pridelease Investments, Ltd |
| Mundo Vip - Operadores Turisticos, S.A. | Profimetrics - Software Solutions, S.A. |
| NAB, Sociedade Imobiliária,S.A. | Proj. Sierra Germany 1 - Shop.C. GmbH |
| NA-Comércio de Artigos de Desporto, S.A. | Proj. Sierra Germany 4 (four)-Sh.C.GmbH |
| NA-Equipamentos para o Lar, S.A. | Proj. Sierra Italy 2 - Dev.of Sh.C. Srl |
| Net Mall SGPS, S.A. | Proj.Sierra 1 - Shopping Centre GmbH |
| Norscut - Concessionária de Scut Interior Norte, S.A. | Proj.Sierra Germany 2 (two)-Sh.C.GmbH |
| Norte Shop. Retail and Leisure Centre BV | Proj.Sierra Germany 3 (three)-Sh.C.GmbH |
| Norteshopping-Centro Comercial, S.A. | Proj.Sierra Hold. Portugal V, SGPS,S.A. |
| Nova Equador Internacional,Ag.Viag.T,Ld | Proj.Sierra Italy 1 -Shop.Centre Srl |
| Novobord (PTY) Ltd. | Proj.Sierra Italy 2 -Dev. Of Sh.C.Srl |
| Oeste Retail Park - Gestão G.Comerc., S.A. | Proj.Sierra Italy 3 - Shop. Centre Srl |
| Operscut - Operação e Manutenção de Auto-estradas, S.A. | Proj.Sierra Portugal I- C.Comerc., S.A. |
| Project 4, Srl | Proj.Sierra Portugal II-C.Comerc.,S.A. |
| Proj.Sierra Portugal IV-C.Comerc.,S.A. | Proj.Sierra Portugal III-C.Comerc.,S.A. |
| Proj.Sierra Portugal V-C.Comercial,S.A. | Sic Indoor - Gestão de Suportes Publicitários, S.A. |
| Proj.Sierra Portugal VI-C.Comercial,S.A. | Sierra Asset Management-Gest. Activos,S.A. |
| Proj.Sierra Portugal VII - C. Comerc.,S.A. | Sierra Brazil 1 B.V. |
| Proj.Sierra Portugal VIII - C.Comerc.,S.A. | Sierra Charagionis Develop.Sh. Centre S.A. |
| Project SC 1 BV | Sierra Charagionis Propert.Management S.A. |
| Project SC 2 BV | Sierra Corporate Services- Ap.Gestão, S.A. |
| Project Sierra 1 B.V. | Sierra Corporate Services Holland, BV |
| Project Sierra 2 B.V. | Sierra Develop.Iberia 1, Prom.Imob.,S.A. |
| Project Sierra 3 BV | Sierra Development Greece, S.A. |
| Project Sierra 4 BV | Sierra Developments Germany GmbH |
| Project Sierra 5 BV | Sierra Developments Germany Holding B.V. |
| Project Sierra 6 BV | Sierra Developments Holding B.V. |
| Project Sierra Brazil 1 B.V. | Sierra Developments Italy S.r.l. |
| Project Sierra Charagionis 1 S.A. | Sierra Developments Spain-Prom.C.Com.SL |
| Project Sierra One Srl (Euro) | Sierra Developments, SGPS, S.A. |
| Project Sierra Spain 1 B.V. | Sierra Developments Services Srl (Euro) |
| Project Sierra Spain 2 B.V. | Sierra Developments-Serv. Prom.Imob., S.A. |
| Project Sierra Spain 2-Centro Comer. S.A. | Sierra Enplanta Ltda |

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| Project Sierra Spain 3 B.V. | Sierra European R.R.E. Assets Hold. B.V. |
| Project Sierra Spain 3-Centro Comer. S.A. | Sierra GP Limited |
| Project Sierra Spain 5 BV | Sierra Investimentos Brasil Ltda |
| Project Sierra Two Srl (Euro) | Sierra Investments (Holland) 1 B.V. |
| Project Sierra Three Srl (Euro) | Sierra Investments (Holland) 2 B.V. |
| Promessa Sociedade Imobiliária, S.A. | Sierra Investments Holding B.V. |
| Promosedas-Prom.Imobiliária,S.A. | Sierra Investments SGPS, S.A. |
| Prosa-Produtos e serviços agrícolas,S.A. | Sierra Italy Holding B.V. |
| Publimeios-Soc.Gestora Part. Finan.,S.A. | Sierra Man.New Tech.Bus.-Serv.Comu.CC,S.A. |
| Racionaliz. y Manufact.Florestales,S.A. | Sierra Management Germany GmbH |
| Resoflex-Mob.e Equipamentos Gestão,S.A. | Sierra Management II-Gestão de C.C. S.A. |
| Rio Sul - Centro Comercial, S.A. | Sierra Management Italy S.r.l. |
| Project Sierra Srl | Sierra Management Portugal-Gest. CC,S.A. |
| S. C. Setler Mina Srl | Sierra Management Spain-Gestión C.Com.S.A. |
| S.C. Microcom Doi Srl (Euro) | Sierra Management, SGPS, S.A. |
| Rochester Real Estate,Limited | Sierra Property Management, Srl (Euro) |
| S.A.úde Atlântica - Gestão Hospitalar, S.A. | SII - Soberana Invest. Imobiliários, S.A. |
| SC Aegean B.V. | SIRS - Sociedade Independente de Radiodifusão Sonora, S.A. |
| SC Insurance Risks Services, SGPS, S.A. | Sistavac-Sist.Aquecimento,V.Ar C.,S.A. |
| SC Mediterraneum Cosmos B.V. | SKK-Central de Distr.,S.A. |
| SC-Consultadoria,S.A. | SKKFOR - Ser. For. e Desen. de Recursos |
| SC-Eng. e promoção imobiliária,SGPS,S.A. | SM Empreendimentos Imobiliários, Ltda |
| SCS Beheer,BV | SMP-Serv. de Manutenção Planeamento |
| Selfrio,SGPS,S.A. | Soc.Inic.Aproveit.Florest.-Energias,S.A. |
| Selfrio-Engenharia do Frio,S.A. | Sociedade de Construções do Chile, S.A. |
| Selifa-Empreendimentos Imobiliários,S.A. | Sociedade Imobiliária Troia - B3, S.A. |
| Sempre à Mão - Sociedade Imobiliária,S.A. | Société de Tranchage Isoroy S.A.S. |
| Sempre a Postos - Produtos Alimentares e | Sonae Turismo Gestão e Serviços,S.A. |
| Serra Shopping - Centro Comercial, S.A. | Sonae Turismo-SGPS,S.A. |
| SeS.A.gest-Proj.Gestão Imobiliária,S.A. | Sonae UK,Ltd. |
| Sete e Meio - Invest. Consultadoria, S.A. | Sonaegest-Soc.Gest.Fundos Investimentos |
| Sete e Meio Herdades-Inv. Agr. e Tur.,S.A. | Sondis Imobiliária,S.A. |
| Shopping Centre Colombo Holding, BV | Sontaria-Empreend.Imobiliários,S.A. |
| Shopping Centre Parque Principado B.V. | Sontel Bv |
| Shopping Penha B.V. | Sontur BV |
| Siaf-Soc.Iniciat.Aprov.Florestais,S.A. | Sonvecap BV |
| Sol Retail Park - Gestão G.Comerc., S.A. | Sopair, S.A. |

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| Solaris Supermercados, S.A. | Sótaqua - Soc. de Empreendimentos Turist |
| Solinca III-Desporto e S.A.úde,S.A. | Spanboard Products,Ltd |
| Solinca-Investimentos Turísticos,S.A. | Modelo Cont. Seguros-Soc. De Mediação, Lda |
| Solinfitness - Club Malaga, S.L. | Spinarq,S.A. |
| Soltroia-Imob.de Urb.Turismo de Tróia,S.A. | Spinveste - Promoção Imobiliária, S.A. |
| Somit Imobiliária,S.A. | Spinveste-Gestão Imobiliária SGII,S.A. |
| Somit-Soc.Mad.Ind.Transformadas,S.A. | Sport Zone-Comércio Art.Desporto,S.A. |
| Sonae Capital Brasil, Lda | Société des Essences Fines Isoroy |
| Sonae Capital,SGPS,S.A. | Sociéte Industrielle et Financére Isoroy |
| Sonae Financial Participations BV | Socijofra-Sociedade Imobiliária,S.A. |
| Sonae Ind., Prod. e Com.Deriv.Madeira,S.A. | Sociloures-Soc.Imobiliária,S.A. |
| Sonae Indústria Brasil, Ltda | Soconstrução BV |
| Sonae Industria de Revestimentos,S.A. | SodeS.A., S.A. |
| Sonae Indústria-SGPS,S.A. | Soflorin,BV |
| Sonae International, Ltd | Soira-Soc.Imobiliária de Ramalde,S.A. |
| Sonae Investments,BV | SRP-Parque Comercial de Setúbal, S.A. |
| Sonae Novobord (PTY) Ltd | Star-Viagens e Turismo,S.A. |
| Sonae RE, S.A. | Tableros Tradema,S.L. |
| Sonae Retalho Espana-Servicios Gen.,S.A. | Tafiber,Tableros de Fibras Ibéricas,SL |
| Sonae SGPS, S.A. | Tafibras Participações, S.A. |
| Sonae Serviços de Gestão, S.A. | TafiS.A. Brasil, S.A. |
| Sonae Sierra Brasil Ltda | TafiS.A. Canadá Societé en Commandite |
| Sonae Sierra Brazil B.V. | TafiS.A. France, S.A. |
| Sonae Sierra, SGPS, S.A. | TafiS.A. UK,Ltd |
| Sonae Tafibra (UK),Ltd | TafiS.A.-Tableros de Fibras, S.A. |
| Sonae Tafibra Benelux, BV | Troiaverde-Expl.Hoteleira Imob.,S.A. |
| Taiber,Tableros Aglomerados Ibéricos,SL | Tulipamar-Expl.Hoteleira Imob.,S.A. |
| Tarkett Agepan Laminate Flooring SCS | Unipress - Centro Gráfico, Lda |
| Tavapan,S.A. | Unishopping Administradora Ltda. |
| Tecmasa Reciclados de Andalucia, SL | Unishopping Consultoria Imob. Ltda. |
| Teconologias del Medio Ambiente,S.A. | Urbisedas-Imobiliária das Sedas,S.A. |
| Textil do Marco,S.A. | Valecenter Srl |
| Tlantic Sistemas de Informação Ltdª | Vastgoed One - Sociedade Imobiliária, S.A. |
| Todos os Dias-Com.Ret.Expl.C.Comer.,S.A. | Vastgoed Sun - Sociedade Imobiliária, S.A. |
| Tool Gmbh | Venda Aluga-Sociedade Imobiliária,S.A. |
| Torre Colombo Ocidente-Imobiliária,S.A. | Via Catarina- Centro Comercial, S.A. |
| Torre Colombo Oriente-Imobiliária,S.A. | World Trade Center Porto, S.A. |
| Torre São Gabriel-Imobiliária,S.A. | Worten-Equipamento para o Lar,S.A. |
| TP - Sociedade Térmica, S.A. | Zubiarte Inversiones Inmob,S.A. |
| Troiaresort-Investimentos Turísticos, S.A. | |

| FT Group Companies | |
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| France Telecom, S.A. | Wirefree Services Belgium, S.A. |

## SAFE HARBOUR



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www.sonae.com

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