



SONAECOM

**2007 MANAGEMENT
REPORT AND
ACCOUNTS**

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MANAGEMENT REPORT

1. Our year

1.1. Group at a glance

1.1.1. About Sonaecom

Sonaecom is an entrepreneurial growth company whose ambition is to be the best Portuguese communication services provider and the company of choice for exceptional people to work and unlock their full potential.

Sonaecom relentlessly pursues the creation of innovative products, services and solutions that fulfil the needs of its markets and generate superior economic value.

1.1.2. Our values

Customer centric

- Meet the needs of our customers, finding out what they think and wish for, to revolutionise consumer habits.
- Add value to the customer by developing quality and tailor-made products, services and solutions.
- The customer is the responsibility of everybody in our organisation.

Innovation

- Develop and be recognised for new ways of communicating: simpler, more effective and profitable, while also contributing to an increase in social well-being.
- Exploit our renowned technological expertise, appeal to our creativity and entrepreneurship and aim to surpass all our achievements to date.
- Break away from conventions, surprising the market.

Social responsibility

- Commit to our community, following good environmental practices and being socially responsible.
- Care for the present and future.

People oriented

- Maximise the skills of our professionals and develop their ideas and initiatives.
- Encourage human development and ensure a balance between personal and professional life.
- Loyalty, professionalism and honesty are key values for our teams.
- Be transparent and respect the market and social ethics.

Value driven

- Search for maximum profitability to fund our growth and fulfil our mission, assuring a superior return for our shareholders.
- Strive for solid financials and economic stability.

Ambition

- Be the best in Portugal.
- Be able to face and exceed our challenges
- Believe in our skills and competences.
- Be relentless in pursuit of our goals, acting with integrity.

1.1.3. Structure and corporate profile

Sonaecom is a holding company that controls and actively manages a portfolio of companies, divided into three main business units: telco (mobile and wireline), SSI and media. Sonaecom has two main reference shareholders, Sonae SGPS and France Telecom, both providing significant strategic support to the business. Sonaecom is currently one of the largest

communication traffic generators in Portugal, based on a proprietary national telecommunications infrastructure.

Sonaecom is an active agent of transformation across the Portuguese Telecoms sector, and today it is the integrated player best positioned as a true alternative to the incumbent. When it comes to telecommunications services, Sonaecom contributes significantly to the promotion of the Information Society in Portugal.

Sonaecom's simplified structure



(1) Software and Systems Information

Mobile communication services

Sonaecom's mobile activities are carried out under the brand Optimus, launched in the market in 1998 after gaining the third mobile GSM licence in Portugal.

Until 2007, Optimus Telecomunicações, S.A. was the subsidiary that carried out our mobile communications activities. During 2007, this entity was merged into Novis Telecom, S.A. (our previous wireline subsidiary) and the new company adopted the name of Sonaecom – Serviços de Comunicações, S.A. This reorganisation had no impact over our brands and we continue to approach our customers under the same brands.

Optimus offers a broad range of mobile communications services to residential and corporate customers in Portugal, including traditional voice, data, a large range of mobile solutions and roaming services, as well as wholesale services to third parties. With its innovative, convergent fixed-mobile substitution product Optimus Home, its leading mobile broadband product Kanguru and its low-cost offer brand Rede4, Optimus has consolidated its market position in Portugal. It currently has 2.9 million subscribers and a market share of around 20%, at the end of 2007.

Wireline communication services

Sonaecom's wireline activities are carried out under the brands Clix (residential market) and Novis (corporate and SME markets).

Sonaecom Fixed¹ was launched after the liberalisation of the wireline market in Portugal in 2000 and was, until 2007, the subsidiary that carried out our wireline communications activities. As mentioned above, during 2007, Sonaecom Fixed was merged with Optimus Telecomunicações, S.A. and adopted the name of Sonaecom – Serviços de Comunicações, S.A.

Sonaecom Fixed has consistently strengthened its position as the leading altnet operator in Portugal, providing voice and internet services to its residential, SME and corporate customer bases, as well as providing voice and data capacity and connectivity services to telecommunications operators around the globe. During 2007, we further strengthened our

¹ Novis Telecom S.A

wireline services with the acquisitions of Tele2 Portugal and the residential and SOHO customer base of one of our competitors (ONI).

Media

Sonaecom's presence in the Media sector is carried out through its subsidiary Público, a reference daily newspaper in Portugal launched in 1992. The newspaper ranks third in terms of paid circulation, with a 12.3% market share at September 2007, and also third in share of advertising (13.9% YTD November 2007). During 2007, Público implemented a new totally redesigned and full colour format, positioned to attract readers who have left the press market and younger readers that have not yet entered the market, while maintaining the same editorial standards. Through a joint-venture with a leading sports newspaper ("A Bola"), Público has also launched the first free weekly newspaper in Portugal ("Sexta").

Software and system information services

These activities are carried out by our SSI division. Created at the end of 2002, it brings together companies such as WeDo, Bizdirect, Mainroad and Saphety.

WeDo is a provider of systems integration products and consultancy services, specialising in the telecom sector. It has competencies in revenue assurance, fraud management, network security and business continuity, with a strong foothold in international markets. During 2007, with the acquisition of Cape Technologies Limited (a company based in Ireland), WeDo became the world leader in the Revenue Assurance software integration market.

Mainroad is a leading player in information technology, with competencies in IT outsourcing, IT management, help desk and with a particular focus on data centre and business continuity.

Bizdirect, with BPI and AITEC as minority shareholders, is a reference player in providing eSourcing and eProcurement business solutions, based on an electronic platform, and multi-offer hardware solutions, based on partnerships with blue chip IT players.

Saphety, a company carved out from Sonaecom Fixed in 2006, is a provider of trusted services, such as electronic invoice and secure messaging.

1.1.4. Competitive strengths

Since the incorporation of Sonaecom and the launch of our various businesses, we have surprised the market with new products and services, better segmentation, significant operational gains, continuous improvements and exploitation of synergies between our businesses. Our strategy has been clearly translated into market results as demonstrated by the fact that Sonaecom has been the only telecommunications operator in Portugal to consistently increase its share of market revenues over the last nine years.

Taking into account the characteristics of the market and of our competitors, our success factors could not be based on scale, market power or relative size. On the contrary, we believe that our current competitive advantages and distinctive factors, developed over the years, are based on the following key elements:

- Knowledge and understanding of our markets and of customer's needs
- Superior marketing and distribution capabilities and integrated approach to the market
- Full ownership of a state-of-the-art telecommunications infrastructure, with national coverage, continuously reducing the dependence on the incumbent
- Leaner, resilient and agile organisation, quickly able to adapt to and pre-empt market dynamics
- Capacity of our young and motivated team, with a proven track-record of innovation and dynamism, to work together and pursue our common objectives
- Built-in capacity to look at the problems in a different way, constantly innovating, differentiating and surprising our customers
- Clear, stable shareholder base, constantly challenging our business in pursuit of superior value

Our positioning as an integrated telecommunications provider (Mobile, Wireline, Broadband and TV services) has allowed us to obtain important commercial synergies between the various group businesses, resulting in cross-selling opportunities and generating added value for our customers. Clear examples of these are our push into the ULL Broadband market, our development of fixed-mobile convergent products and our innovative offer of mobile Broadband to the mass market.

The search for operational efficiency, process improvement and cost-effective synergies led to an integrated management and an organisation structure that includes a highly developed Shared Services Division. When implementing this strategy, our objectives have been to maximise our ability to develop new business opportunities, encourage product development and promote cross-marketing opportunities between our mobile and fixed businesses.

Sonaecom's organisational structure and headcount as at 31 December 2007

TOTAL SONAECOM GROUP 1,961		
CORPORATE CENTRE 27 Senior Management, Planning&Control, IR, Corporate Finance, Internal Audit		
SHARED SERVICES 748 Legal, PR, Regulation, Customer Service, HR, Financial&Accounting, Environment, Facilities, Technical, IT		
TELCO 439	MEDIA 280	SSI 467

Furthermore, Sonaecom aims to implement a fully integrated multi-service network, for both the mobile and wireline businesses, to enhance network capacity and flexibility while minimizing operational costs. During 2007, further significant steps were taken towards the convergence of networks (see "Our Network" section).

1.1.5. Main events 2007

Key Corporate Developments	2007	Key Market Developments
	JAN	
	FEB	The "new" Público is launched
Tender offer over Portugal Telecom lapses	MAR	
Appointment of Ângelo Paupério as new CEO of Sonaecom	APR	
	MAY	Market data confirms Novis increased leadership among alternative operators (and the only operator to grow)
Acquisition of Tele2 Portugal and ONI's residential & SOHO costumers	JUN	
	JUL	
	AUG	
Acquisition of Cape Technologies, Ltd	SEP	Optimus initiates distribution of computers and internet access as part of the e-Schools Programme
	OCT	Novis and Clix launch a new Mobile Internet service
Completion of the merger between Optimus and Novis	NOV	
	DEC	Announcement of new organizational structure
	2008	
Re-launch of Optimus brand	JAN	

1.2. Key figures

The Consolidated Financial Information contained in this report is based on Financial Statements that have 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;

Enabler was sold on 30 June 2006. To facilitate comparisons of YTD results against the previous year, the 2006 comparative figures have been restated to exclude Enabler's contribution and associated capital gain to Sonaecom and to the Software and Systems Information Division (SSI) Results. In addition, 2006 full year Results include costs associated with the public tender offer for Portugal Telecom. To isolate these non-recurrent costs from the operational performance of the year the 2006 figures have been restated for comparative purposes. All comparisons, when stated, are made on this "like-for-like" or restated basis (2006^R).

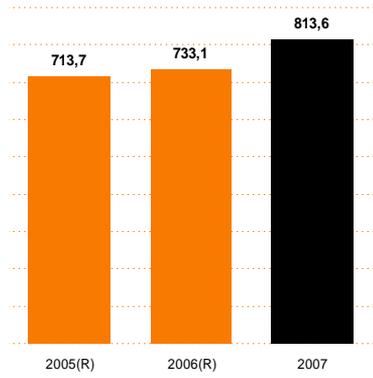
Million euros	2006	2006 ^R	2007	y.o.y
CONSOLIDATED INCOME STATEMENT				
Turnover	836.0	822.4	892.7	8.6%
Mobile	610.4	610.4	619.4	1.5%
Wireline	200.2	200.2	255.4	27.6%
Público	36.4	36.4	33.2	-8.9%
SSI	78.8	65.1	79.5	22.2%
EBITDA⁽¹⁾	184.3	156.9	162.0	3.3%
Mobile	169.1	169.1	153.7	-9.1%
Wireline	-6.2	-6.2	9.8	-
Público	-8.8	-8.8	-3.3	62.7%
SSI	31.8	4.5	4.6	2.4%
EBITDA Margin (%)	22.0%	19.1%	18.1%	-0.9pp
EBIT	17.8	21.4	22.0	2.9%
Net Financial Results	-17.4	-17.4	-21.5	-23.2%
EBT	0.4	4.0	0.5	-86.8%
Net Results Group Share ⁽²⁾	-13.9	-9.7	36.8	-
CAPEX AND LEVERED FREE CASH FLOW				
Operating CAPEX ⁽³⁾	134.1	134.0	162.8	21.5%
Operating CAPEX as % of Turnover	16.0%	16.3%	18.2%	1.9pp
EBITDA-Operating CAPEX	50.3	22.9	-	-
Total CAPEX	253.5	253.4	235.8	-6.9%
Operating Cash Flow ⁽⁴⁾	51.3	30.3	55.5	83.6%
Levered FCF ⁽⁵⁾	-81.7	-102.6	59.6	-
CONSOLIDATED BALANCE SHEET				
Total Net Assets	1,720.2	1,720.2	1,758.6	2.2%
Tangible and Intangible Assets	661.4	661.4	722.6	9.2%
Liquidity	125.9	125.9	83.9	-33.4%
Shareholders' Funds	909.5	909.5	935.4	2.9%
Minority Interests	0.5	0.5	0.9	83.7%
Gross Debt	464.0	464.0	393.7	-15.2%
Net Debt/ EBITDA last 12 months	1.8 x	1.3 x	1.9 x	46.5%
Debt/(Debt + Shareholders' Funds)	33.8%	33.8%	29.6%	-4.2pp
KEY OPERATING DATA - MOBILE				
Customers (EOP) (000)	2,601.9	2,601.9	2,893.5	11.2%
Net Additions (000)	248.7	248.7	291.6	17.3%
Data as % Service Revenues	14.4%	14.4%	17.7%	3.3pp
MOU ⁽⁶⁾ (min.)	115.9	115.9	118.1	1.9%
ARPU (euros)	19.7	19.7	18.2	-7.6%
% Pre-paid Customers	77.8%	77.8%	73.1%	-4.6pp
KEY OPERATING DATA - WIRELINE				
Total Services (EOP)	380,729	380,729	815,623	114.2%
Direct Services	281,541	281,541	510,673	81.4%
Direct access as % Customer Revenues	65.6%	65.6%	70.1%	4.6pp
Total Accesses ⁽⁷⁾	310,338	310,338	551,222	77.6%
Unbundled Central Offices with ADSL2+	137	137	161	17.5%
SONAECOM OPERATING DATA				
Employees	1,871	1,871	1,961	4.8%
Turnover/Employee (000 euros)	447	440	455	3.6%
EBITDA/Employee (000 euros)	99	84	83	-1.5%

(1) 2006 includes 25.3 million euros capital gain from the sale of Enabler; (2) Net Results after Minority Interests; (3) Operating CAPEX excludes Financial Investments and Provisions for sites dismantling; (4) Operating Cash Flow = EBITDA - Operating CAPEX - Change in WC - Non Cash Item & Other; (5) FCF Levered after Financial Expenses but before Capital Flows and Raising Finance related up-front Costs; (6) Minutes of Use per Customer (including "Optimus Home"); (7) Reporting criteria according to Anacom standard; ISDN services equivalent to 2 or 30 accesses depending on whether they are basic rate (BR1) or primary rate (PR1); Accesses do not include indirect voice or narrowband services and data and wholesale services; (8) Restated Values, excluding Enabler's contribution in 2006 and associated capital gain and Tender Offer Costs.

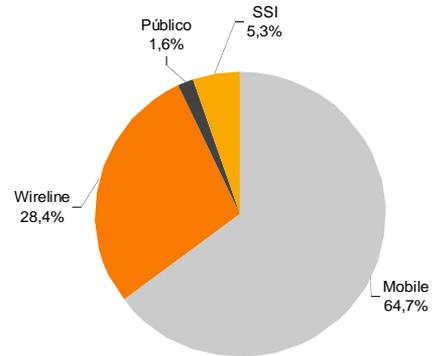
Group highlights

Service revenues

Service revenues (million euros)

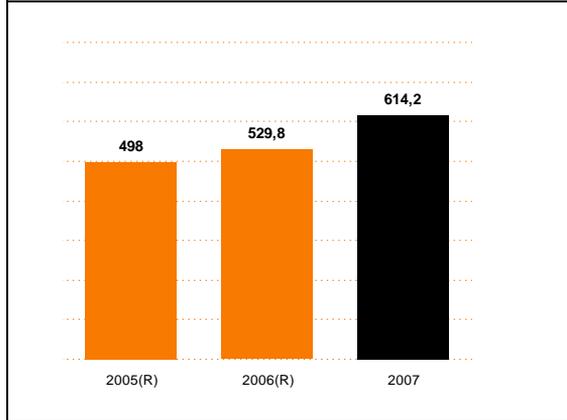


Service revenues in 2007 by business (before eliminations)



Customer revenues

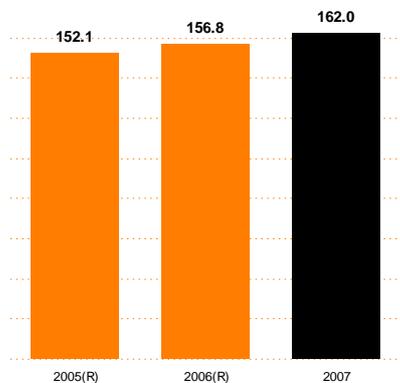
Customer revenues (million euros)



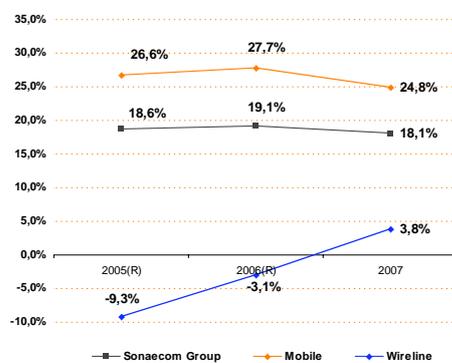
Group highlights (cont.)

EBITDA

EBITDA (million euros)

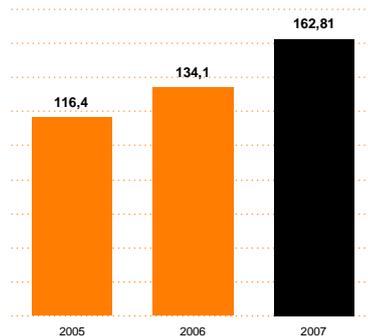


EBITDA margin (% of turnover)

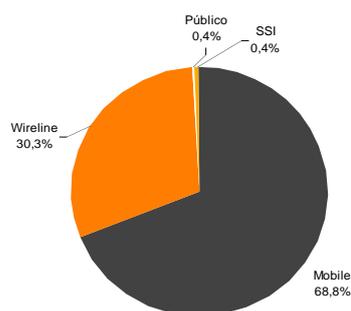


CAPEX

Operating CAPEX (million euros)

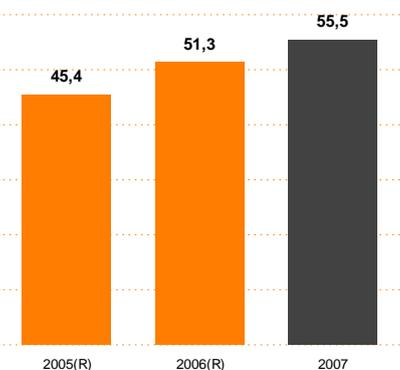


Operating CAPEX in 2007 by business unit

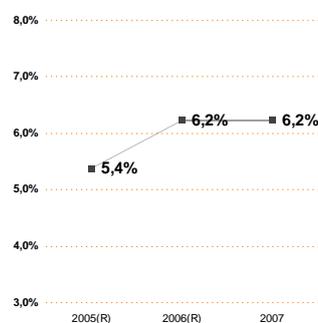


Operating Cash Flow

Operating Cash Flow (*) (million euros)



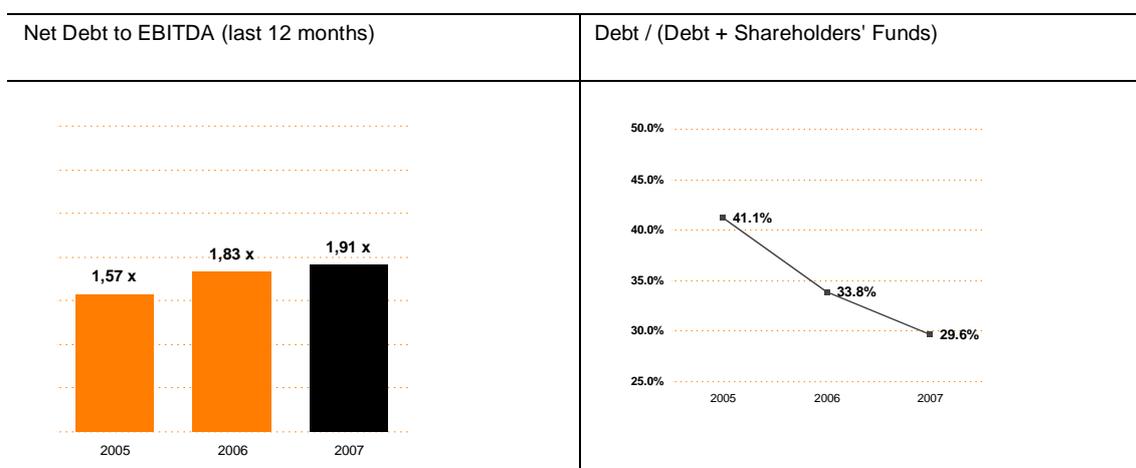
Operating Cash Flow (% Turnover)



(*) Operating Cash Flow = EBITDA - Operating CAPEX - Change in WC - Non Cash item & Other

Group highlights (cont.)

Net Debt to EBITDA and Debt to Equity



1.3. CEO's message

I am pleased to be able to announce a strong set of operational and financial results for the full year 2007. Driven by our our telco businesses and by SSI, the year's highlights include:

- Significant growth in active customers at our Mobile Business (10.6%) and total services at our Wireline Business (+16.5% on a like-for-like basis) against YE06
- Continued growth of customer revenues at an even higher year-on-year rate than in 2006: up 15.9% or 10.8% excluding recent acquisitions
- EBITDA improved by 3.3%, despite the negative impacts of lower roaming-in tariffs, lower MTRs and the cost of growth
- Record EBITDA at our Wireline Business, mainly reflecting the benefits of the continued organic growth in its direct access business
- Strong EBITDA at SSI, improving by 2.4% against 2006 despite the cost of integrating the acquired companies (32.8% growth on a like-for-like basis)
- Net results group share reached 36.8 million euros, driven primarily by deferred tax asset benefits

I am also encouraged by the fact that most of the short-term objectives we set ourselves during 1Q07 for our **Telco Business** after the end of the tender offer have been met. As a result, I believe we have reinforced our position as the leading integrated alternative operator in Portugal:

- **Organic growth:** Customer revenues increased by 7.9% in our Mobile Business, as a result of the significantly enlarged customer base driven by the success of our fixed-mobile convergence product ("Optimus Home") and of our leading mobile Broadband offer ("Kanguru"); while customer revenues increased by 22.9%, on a like-for-like basis, in our Wireline Business, driven by the increased size of the ULL customer base
- **Non-organic growth:** We have successfully executed the acquisitions of ONI's Residential and SOHO customers and of Tele2 Portugal, allowing for a significant increase in the scale of our Wireline business and the leveraging of our proprietary network
- **Network coverage extension:** We achieved a material increase in the capacity and coverage of our network during 2007, enabling the provision of improved services to an enlarged potential market: our UMTS/HSDPA coverage reached 78% of the population and our ULL network now covers more than 55% of all households
- **Enhanced integration model:** During 4Q07, we completed the merger of Optimus and Novis, which will further improve operating efficiency. Our front office was reorganised along segmentational and functional lines across both mobile and wireline businesses, in order to better address a market that is becoming increasingly convergent and to facilitate the development of new convergent products and services

- **Improved debt structure:** The completion, before the 2H07 turmoil in the credit markets, of the refinancing of our debt facilities through a new committed and underwritten Commercial Paper Programme at Sonaecom SGPS, has allowed us to improve cash management, gain greater financial flexibility and significantly improve our debt maturity profile.

At **SSI**, during 2007, we achieved significant organic growth (18.4% increase in turnover on a like-for-like basis) as well as making significant progress on non-organic growth. In particular, WeDo increased its international customer portfolio, and, following the acquisition of Cape Technologies, consolidated its position as the leading international provider of revenue assurance solutions. In accordance with the objectives set for the year, both Mainroad and Bizdirect achieved a significant increase in profitability in 2007, driven by increased revenues and improved operational efficiency.

Consistent with SSI's stated strategy, and in line with the continuous assessment of our portfolio, we have successfully executed the sale of two minority stakes in non-core businesses, which generated a total capital gain of 3.3 million euros.

At **Público**, having completed a restructuring that eliminated approximately 4 million euros of fixed costs from the business, the focus during 2007 was on growing the top line with the launch of a redesigned new-look all colour newspaper in late February; the launch of "Sexta", the first free weekly newspaper in Portugal under a 50:50 joint-venture with "A Bola", a leading daily sports newspaper; and the strengthening of Público's commercial advertising team. During 2007, these efforts have been hampered by the falling circulation of paid daily newspapers; the success of free formats, which has impacted advertising revenues; and the maturity and competitive nature of the market for 'brand extension' sales. Despite this challenging environment, it achieved a material reduction of its EBITDA losses in the year and we strongly believe that the strategic path chosen is the correct one for Público.

As regards regulation, 2007 saw a number of significant developments on the regulatory front that have and/or will have a significant impact on our telco business:

- The continuation of the phased reduction of MTRs and the decrease in roaming-in revenues had a significant negative effect on the EBITDA results in our Mobile Business, with an aggregate impact of 14.2 million euros in 2007.
- During 4Q07, Anacom released a proposed draft decision covering MTRs for 2008 that envisages further cuts in MTRs and the introduction, for the first time since the launch of Optimus in 1998, of asymmetry in favour of Optimus. Such a decision has been taken with the purpose of fostering competition in the Portuguese mobile sector, which will ultimately benefit consumers.

In March 2007, our tender offer for Portugal Telecom (PT) was blocked in an unsatisfactory manner. However, I firmly believe that we gained from this process even though we did not achieve our ultimate objective. As a direct result of our bid, we have made a very significant contribution to achieving a more balanced structure in the Portuguese telecoms market that may lead to a more transparent competitive environment. This has been achieved primarily by the demerger of PTM (a direct consequence of our bid) into an independently run company, and, in part, by a greater acceptance of market realities among many who participate in or are influential over the Portuguese telecoms market.

In a particularly challenging year, and in my first year as CEO of Sonaecom, I am proud of our achievements during 2007 and I believe that the decisions taken and resources committed during the year, together with our investment plans for 2008, will establish a solid platform to deliver future growth and enhanced profitability from our businesses. The success and progress made is a tribute to all our officers and employees and to the time and effort they have committed to our organisation.

On the back of the encouraging results achieved in 2007, we now plan to further accelerate our investments during 2008, envisaging an ambitious investment programme in our telecoms business to enhance our competitive market positioning and provide for sustained future growth.

I believe that Sonaecom is today much better positioned to continue to successfully develop our business as the leading challenger to PT in the Portuguese telecommunications market and to lead the market in innovation and differentiation through quality and service.

1.3.1. Outlook

During 2008, we plan to execute an ambitious investment plan in our telecoms business to improve the strategic positioning of the business, in order to enhance our competitive market position and provide for sustained future growth. The investments will be aimed at: (i) accelerating the extension of coverage and capacity of our mobile and wireline networks in order to improve quality of service, consolidate our leading position in mobile broadband and as a ULL broadband provider and, at the same time, to increase our addressable market; (ii) promoting our brands, as demonstrated by the Optimus brand repositioning already launched in 2008; (iii) enlarging our distribution channels by increasing the number of own brand stores; (iv) improving customer service; and (v) implementing the initial phase of our recently announced plan for fibre deployment targeting new office and residential developments and priority areas in Lisbon and Porto. Our new organisational structure should enhance our ability to address the market in a more integrated manner while getting closer to our customers.

At SSI, the focus will be on growing the existing businesses by consolidating WeDo's international footprint and integrating the businesses acquired during 2007, and improving profitability. SSI will also continue to actively manage its portfolio and analyse new growth opportunities.

At Público, the main focus will be on stimulating top line growth, refining existing products, striving for operating efficiency and exploring online opportunities. In terms of circulation, efforts will continue to build readership on the back of the new-look format, supported by further product differentiation and improvements in the weekly and weekend newspaper supplements. The recently strengthened commercial team will focus on attracting more advertising by getting closer to both advertising agencies and advertisers themselves. The success of Público will therefore be built on continuous efforts to increase paid circulation and traditional advertising revenues, while further strengthening online presence.

As for regulation: we will continue to push for improved competitive conditions in wireline markets, aiming during 2008 to finally improve the processes and the SLAs (Service Level Agreements) under the main reference offers, including the unbundling process and access to ducts. We will also push for the incumbent to be required to meet all obligations under the reference offers on a timely basis, as a result of substantially reducing the scope for different interpretations of existing rulings. In addition, we will be pushing for a regulatory framework for the deployment of fibre networks that will avoid the high costs of building new ducts and the irrational duplication of fibre access networks, while stimulating competition.

We are confident that our proven track-record, experience and understanding of the markets, combined with the energy, ambition and creativity of our people, will once again ensure the success of our strategy.

1.4. Corporate developments in 2007

These were the main corporate developments during 2007:

Public tender offer for Portugal Telecom

Since the submission of the preliminary offer documents on 6 February 2006, the public tender offer for Portugal Telecom, SGPS, S.A. has been through a long chain of events which lasted until the first quarter of 2007. The most important events that occurred during this period are highlighted below:

- (i) On 12 January 2007, the Portuguese Securities' Exchange Market Commission (CMVM) granted the final registration of Sonaecom's Offer for PT

- (ii) On 16 January 2007, Sonaecom published the offer prospectus for PT, with an offer consideration of 9.5 euros per share, for an offer period running from 16 January 2007 to 9 March 2007
- (iii) On 15 February 2007, Sonaecom announced its decision to change the offer consideration, increasing it to 10.5 euros per share and irrevocably waiving any possibility of further increases
- (iv) On 2 March 2007, PT held a shareholders' EGM to vote on the proposed changes to the by-laws, specifically the removal of the 10% limitations on the voting rights of a single shareholder and the approval of the acquisition by Sonaecom of more than 10% of PT's share capital. Attendance at the EGM was 67.4%. 45.58% voted against, 43.90% voted for and 9.52% abstained. As the bid for PT was dependent on these changes to the articles of association, Sonaecom's public tender offer automatically terminated and the offer period ceased.

This conclusion to our bid was disappointing both in terms of shareholder democracy and from a Portuguese capital markets perspective. It denied shareholders of both PT and Sonaecom significant value creation that the transaction would have generated.

Despite having failed to achieve our main objective, we are cautiously confident that our bid for PT will contribute to a more positive competitive environment in the overall Portuguese telecommunications market. We believe Sonaecom was strengthened by this transaction and has come out of it with enhanced market credibility.

Following the blocking of our public tender offer for PT in March 2007, we sold 11.3 million shares representing just over 1% of its share capital, which we had acquired in 2006, generating a capital gain of 2.5 million euros. Following this sale, Sonaecom ceased to have any shareholding in PT.

Appointment of new CEO

On 24 April 2007, in accordance with the Senior Management changes announced at Sonae Group, Belmiro de Azevedo resigned as Chairman of the Board of Directors and the Board of Directors of Sonaecom unanimously decided to: (i) appoint Paulo Azevedo as Non-Executive Chairman of the Board and (ii) co-opt Ângelo Paupério to the Board of Directors for the remainder of the current Board mandate. In the same meeting, it was furthermore unanimously decided to appoint Ângelo Paupério as CEO of the company.

Acquisitions of Tele2 Portugal and ONI's Residential and SOHO customer base

- In June 2007, we completed the acquisitions of both ONI's residential and SOHO customer base and of Tele2's operations in Portugal (subject to the subsequently granted formal approval by the Portuguese Competition Authority). These two acquisitions represented important steps towards achieving our growth ambitions. Since then, we have focused on retaining and servicing these customers, and on leveraging the opportunity to up-sell appropriate services to them.
- On 24 August 2007, the Portuguese Competition Authority released its final approval for the acquisition of ONI's residential and SOHO customer base.
- On 4 September 2007, the Portuguese Competition Authority released its final approval for the acquisition Tele2 Portugal;

Acquisition of Tecnológica, Cape Technologies Ltd and of Praesidium Ltd

- During the second quarter of 2007, WeDo completed the acquisition of Tecnológica, a Brazilian company focused on revenue assurance for the Latam region. This company will function as a software factory for the Latam region. WeDo will benefit from a superior and complementary research & development capability with knowledge and presence in a very important and fast growing market.
- On 28 September 2007, WeDo announced the acquisition of the 100% of the share capital in Cape Technologies Limited, a company incorporated in the Republic of Ireland. It had 120 employees and operated internationally in information systems for the telecommunications industry. The consideration for this acquisition was 17 million euros plus net cash outstanding at closing and an additional amount of up to 3 million euros,

subject to the accomplishment of certain pre-agreed targets. With this acquisition, WeDo became the world leader in the revenue assurance software integration market.

- On 6 November 2007, WeDo acquired the entire share capital of Praesidium Holdings Limited ("Praesidium"), a company with registered offices in England and which currently has 10 employees. Praesidium operates internationally in the risk management consultancy market, focusing on the telecommunications sector, and has been providing services to more than 100 operators, in about 70 countries, over the last 10 years. With this acquisition, WeDo increased its portfolio of services with the creation of a new horizontal business unit dedicated to Business Consultancy. It focuses on the areas of revenue assurance, fraud management, network security and business continuity. This acquisition further consolidated WeDo Consultancy's position as world leader in the revenue assurance area.

Merger of Optimus Telecomunicações, S.A. and Novis Telecom, S.A.

- On 2 November 2007, Sonaecom formally completed the merger of its mobile and wireline divisions. This operation was approved by both ANACOM and the Portuguese Ministry that oversees the Telecommunications sector. It represents an internal reorganisation 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
 - (iv) further improve operating efficiency and reduce costs

New telco organisational structure and changes to Executive Committee members' roles

- During December 2007 Sonaecom completed a reorganisation of the Executive Committee roles and responsibilities and redesigned the way our telco organisation was structured, moving from an organisational design based on technologies to one determined by customer/offer segments. The main objective behind this reorganisation was to align our organisation with the way we perceive the market today and how we expect it to evolve in the near future.

1.5. Proposal for the application of results

As at 31 December 2007 Sonaecom's consolidated accounts presented a positive net result of 36,777,870 euros and the Individual Accounts a negative net result of 15,334,817.09 euros. The Board of Directors proposes that the net results in the Individual Accounts be transferred to accumulated results.

1.6. Acknowledgements

Sonaecom would like to thank its Statutory External Auditor for the valuable advice and help given during 2007.

We would also like to express our gratitude to our suppliers, financial institutions and the Group's other business associates for their continuing involvement and for the confidence in our organisation they have once again demonstrated.

Sonaecom's Executive Committee would like to thank the Non-Executive Directors for their work and valuable advice.

Finally, Sonaecom expresses its gratitude to all its employees who have again worked enthusiastically during 2007 to ensure Sonaecom's continuing success, and whose efforts are clearly behind the results achieved during the year.

1.7. Subsequent events

The following events, which took place after 31 December 2007 but before the approval of the full year accounts by the Board, should be noted:

- On 21 February 2008, Sonaecom announced its three-year plan for the deployment of fibre, aimed at building the most advanced telecommunications network in Portugal. As part of this plan, Sonaecom proposed to give access to its fibre network to all interested national operators, aligning with regulatory recommendations and the best practices in Europe.

Sonaecom further announced that over a three-year period it will invest 240 million euros in developing this Next Generation Network, which will allow coverage of over one million homes and approximately 25% of the Portuguese population.

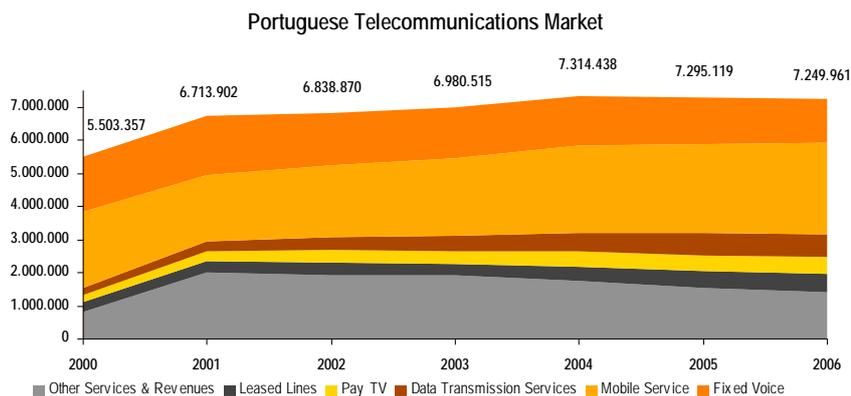
- Following the public consultation on the process of introducing DTT in Portugal, which was launched in August 2007 by ANACOM and the Government, the final conditions of the tender process were released on 25 February 2008:
 - a) There will be two separate invitations to tender: one for the allocation of frequencies for the transmission of free-to-air (FTA) and another for the allocation of frequencies for the transmission of Pay-TV
 - b) It will not be possible to present conditioned proposals, but candidates to FTA may present an complementary scenario, assuming they would win both tenders
 - c) PTM may not tender for Pay-TV, but is allowed to tender for FTA. PT Comunicações may participate in both invitations to tender

2. Our business

2.1. The Portuguese telecoms market

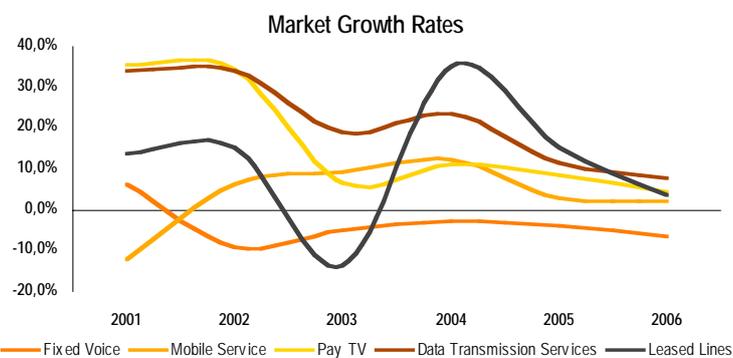
According to ANACOM, the value of the Portuguese telecom market was 7.25 billion euros in 2006 (the latest available data), representing a decline of 0.6% over the previous year. The telecommunications sector's contribution to national GDP and employment has been stable during the past years at around 5.2% and 0.3%, respectively.

Portuguese Telecommunications Market



Source: ANACOM

Market's growth rates

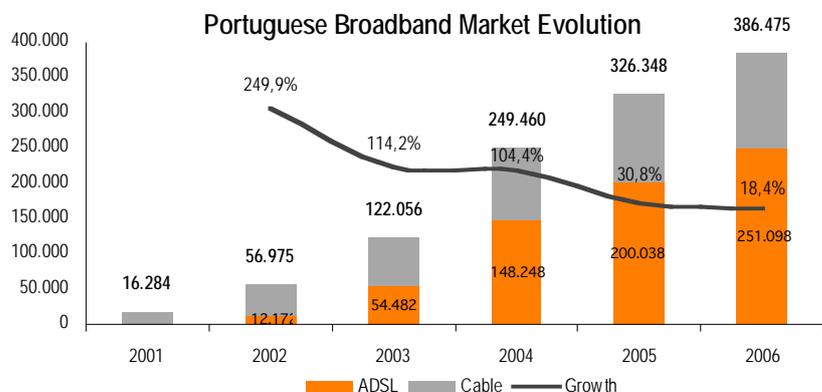


Source: ANACOM

Although the total telecoms market has not been growing significantly, the trend is not consistent across all types of services. Of the total 7.2 billion euros generated in 2006, 37.8% was accounted for by mobile services (a 0.9pp increase from 2005), 18.4% by fixed voice (a decrease of 1.2pp from 2005), leased lines accounted for 7.6% (0.2pp increase from 2005), Pay-TV accounts for 6.8% (an increase of 0.3pp from 2005), Data Transmission Services – which includes narrow/broadband and other services/legacy technologies – accounted for 9.7% of the market (an increase of 0.7pp from 2005) and Other Services and Revenues (including wholesale) still account for a considerable proportion of the overall market (19.6%).

Data Transmission Services has posted one of the most interesting and sustained growth rates within the Portuguese telecommunications market in the past few years. This trend is largely supported by the high growth registered in the broadband market since ADSL technologies were deployed.

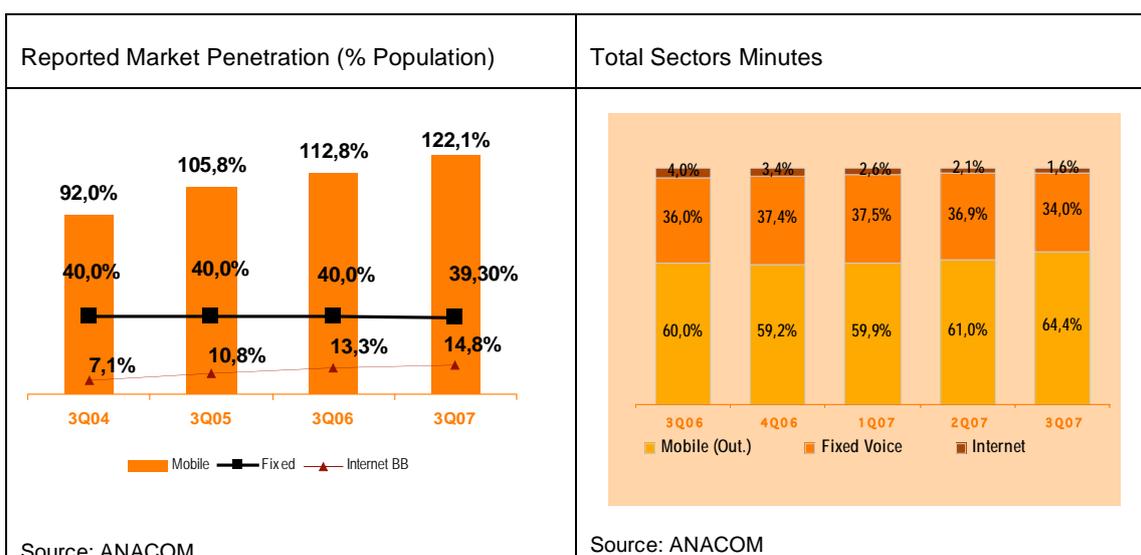
Broadband Market – Revenues Evolution (Cable+ADSL)



Source: ANACOM

Based on ANACOM's latest market data as at 3Q07, mobile market penetration in Portugal stood at 122.1% (from 115.4% at the end of 2006), above the EU average of 108.5% (June 2007 figure). This was driven by dual sim-card use, Machine-to-Machine use and mobile broadband. In 3Q07 Wireline internet broadband penetration reached 14.8% of the market compared to 13.5% at the end of 2006 and below the EU average of 21.8% in June 2007. Due to the launch of mobile broadband offers where Optimus was the pioneer with the launch of Kanguru, mobile Broadband active users reached 4.5% of the population. Wireline penetration decreased slightly to 39.3% (-0.7pp from 2006). In addition, Cable penetration (cable subscribers/population) increased slightly to 13.9% (+0.7pp from 2006).

During the first nine months of 2007, the telecommunications sector generated 5.45 billion minutes per quarter, representing an increase of 1.9% compared to the previous year. This was driven by the growth in Mobile minutes (outgoing) of 9.5%, which more than compensated for the decrease of 1.8% of wireline voice traffic and 58% decrease in internet narrowband traffic.

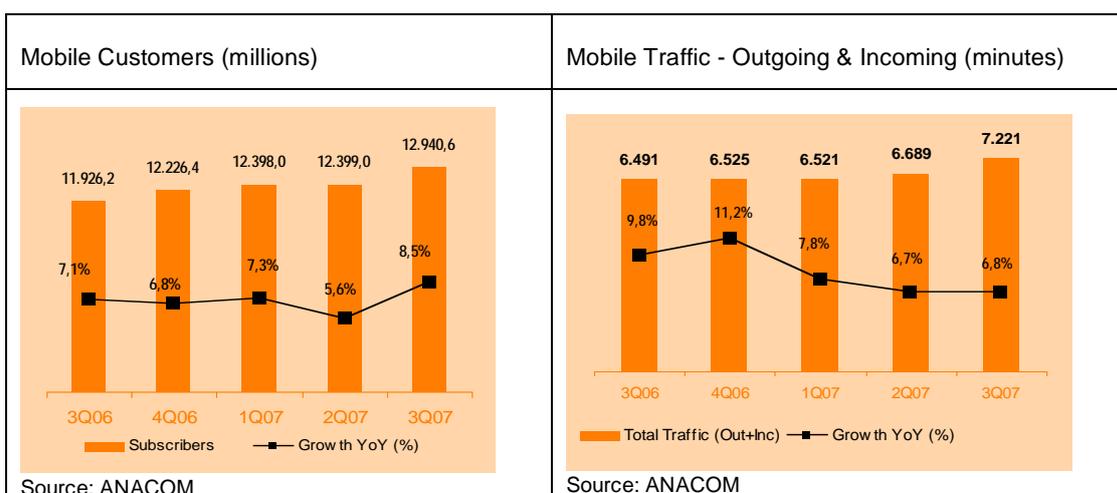


Mobile market

In the 12 month period to September 2007, total mobile subscribers increased by 8.5%. This was driven not only by growth in pre-paid customers (+5.8%), but mainly by a high growth in

post-paid subscribers (19.6%). At 3Q07, post-paid subscribers represented 21.8% of total subscribers in the market, compared to 19.8% in the previous year. During that same 12 month period the total volume of mobile traffic, expressed in minutes, increased by 6.8%, with SMS usage continuing to grow above voice traffic and registering an impressive 53% rise when compared with the same period in 2006. In fact, the combination of (i) a decline in the average number of calls and minutes per month per subscriber and (ii) an increase in the average duration of a call; may indicate that subscribers are replacing shorter calls by SMS usage. The number of monthly SMS per subscriber grew from an average 93.6 in 3Q06 to 132 in 3Q07.

Roaming-in (+11.3%) and Roaming-out (+19.8%) voice traffic increased at a higher pace than either subscriber growth or domestic outgoing traffic, primarily as a result of recent tariff reductions.



Wireline market

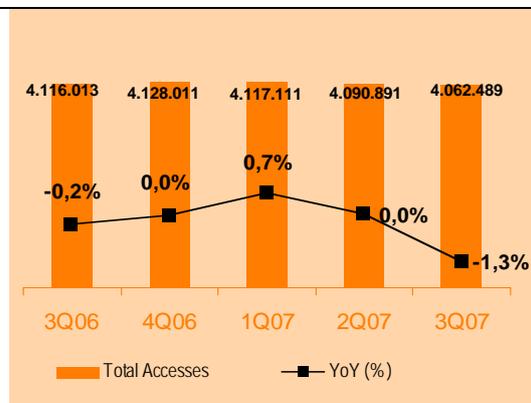
In 2007, the total number of wireline accesses decreased by 1.3% to 4.062 million accesses due to the decrease of voice-only lines, notwithstanding the growth in ADSL and the number of wireline accesses based on GSM technology. In the 12-month period to end September 2007, wireline traffic decreased by 7.8%, primarily as a result of: (i) continued migration of narrowband customers to internet Broadband solutions (ADSL, Cable and also Mobile), translated to a drop of 58.1% in narrowband traffic compared to the same period in 2006; and (ii) the 1.8% decrease of voice traffic, mainly as a result of fixed-to-mobile substitution once total voice traffic in the sector continues to increase.

During 2007, alternative wireline operators continued to gain market share against the incumbent. In 3Q07 it accounted for 30.9% of the total Portuguese voice traffic expressed in minutes (from 29.6% one year before) and achieved, approximately 30.2% of total direct accesses (from 16.2% in 3Q06). This represents a market share gain of 14 percentage points. Although the incumbent still has a dominant position in these markets, the improved regulatory and economic conditions for ULL offers and the continued growth of fixed accesses based on GSM technology, have led to the beginning of change in the wireline market in Portugal.

With respect to internet customers, in 12 months to 30 September 2007, fixed Broadband users grew by 9.2%, to more than 1.6 million mainly driven by the ADSL customer growth of 16.3%. As at 3Q07, the fixed Broadband market comprised ADSL accesses, which accounted for 58.0% of the total (from 62.4% one year before), Cable accesses for 34.9% (from 37.3% in 3Q06) and other accesses for 0.6%. Also at the end of 3Q07, PT continued to have a dominant position in the Broadband market with a market share of 69.1%. Nevertheless, with the spin-off of its cable business – PTM – during 3Q07, PT's broadband market share should be restated in order to reflect this operation. Accordingly, after the spin-off of PTM, PT has a broadband market share of 44.4% (45.6% at YE2006, on a like-for-like basis) and PTM has a

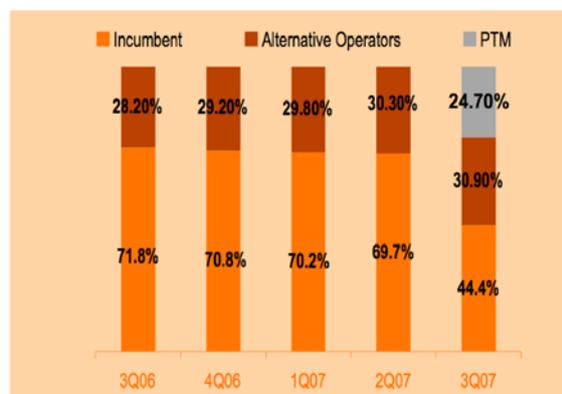
broadband market share of 24.7% (25.2% YE2006). Finally, alternative operators in aggregate (including other cable) have a market share of 30.9% (29.2% YE2006).

Number of Accesses (Equivalent)



Source: ANACOM

Incumbent's Market Share



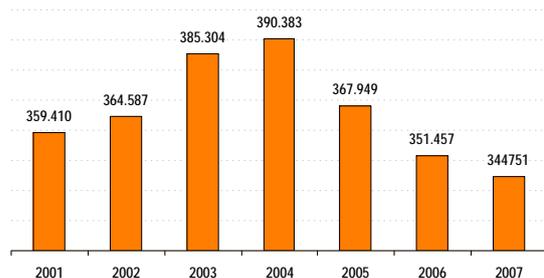
Source: ANACOM

Media

According to the latest data available, daily generalist paid press continued to suffer from the competitive pressure of free newspapers. Average daily paid circulation in 2007 (January to September) dropped by 2.1% when compared to the same period in 2006, which had also decreased by 4.5% compared to 2005.

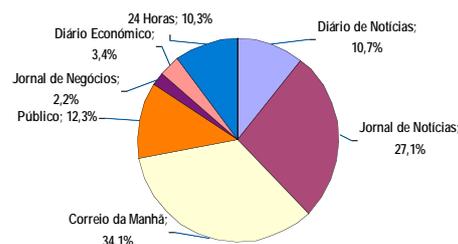
During the nine month period ended September 2007, "Correio da Manhã" reinforced its market leadership by 1.8%, followed by "Jornal de Notícias" and Público, which slightly decreased its market share by 0.6pp to 12.3%.

Average Paid Circulation (YTD September)



Source: APCT

Average Paid Circulation - Market Share. YTD Sep'07

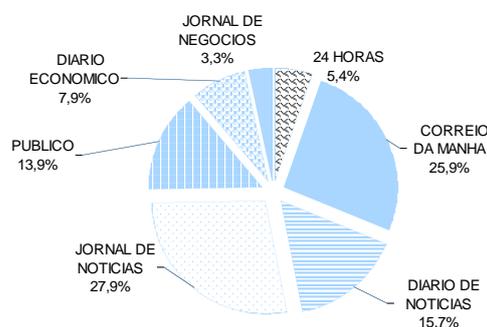


Source: APCT

As for the advertising market, advertising on total daily press increased by 10.4%¹ for the 11 month period to end November 2007, clearly driven by free newspapers, compensating for the decrease of daily generalist paid advertising market which fell by 1.5%. During that same period, investments in advertising in the free newspapers have increased by circa 154%.

¹ Source: Markttest/Media Monitor

 Market Share of Advertising. YTD Nov'07



Source: Marktest/MediaMonitor

2.1.1. Regulatory environment

Mobile regulation in 2007: key developments at national level

1. Mobile termination rates

In October 2007, ANACOM published a draft decision about mobile network termination rates that foresees the continuation of the decrease in prices and – for the first time since the launch of our mobile business – the introduction of asymmetry between TMN and Vodafone and Optimus in mobile to mobile traffic. The draft decision foresees the following termination rates:

	TMN & Vodafone	Optimus	Asymmetry
Current	0.11	0.11	0%
01-Jan-08	0.08	0.096	20%
01-Apr-08	0.075	0.09	20%
01-Jul-08	0.07	0.084	20%
01-Oct-08	0.065	0.078	20%

Amounts correspond to euros per minute

The final decision is expected in 1Q08.

2. Allocation of new frequencies for mobile services

In March 2007, ANACOM undertook a market sounding of possible interest in the 450 MHz, 900 MHz and 1800 MHz frequencies for the provision of terrestrial mobile service in accordance with the principle of technological neutrality. This was within the scope of the public consultation on the 2007 National Frequency Allocation Plan (NFAP).

Subsequently, in October, ANACOM held a public consultation on the entry of a new mobile operator through the allocation via open tender, of frequencies in the 450 MHz band, in accordance with the principle of technological neutrality. In the final decision, adopted in February 2008, ANACOM confirmed its intention to promote a public contest for the awarding of frequencies in the 450 MHz band for the provision of mobile services to a new operator. Accordingly, the regulator announced that it intends to exclude from this public contest the operators that offer mobile services supported in GSM, UMTS as well as CDMA450.

3. Broadband wireless access

The regulator initiated the consultation process in relation to the licensing of Broadband Wireless Access frequencies. Within the scope of these consultations, the regulator presented its proposals on (i) the frequencies to be used (3.4 GHz – 3.8 GHz), (ii) the number of blocks to be allocated per operator (four blocks of 2x28 MHz), (iii) the allocation process (via an auction) and (iv) the adjudication criteria. It is worth highlighting the intention of not authorising the participation, in the first phase of the auction, of operators with significant

market power in the broadband market, of current mobile operators or of operators with spectrum within the 3.4 GHz – 3.8 GHz range. The auction is expected to take place in 1Q08.

4. MVNOs

On 15 February 2007, ICP – ANACOM published information on the terms and conditions of the activity of mobile virtual network operators, namely the establishment of a direct relationship with the final customer, the possibility of the use of own numbering (“92” range) and open negotiations with operators for access to their network.

5. Spectrum fees

As a result of the August 2007 decision, ICP – ANACOM reimbursed 1,967,345.70 euros to Optimus for spectrum fees paid in excess in the period from 1998 until 2001. This reimbursement resulted from a request presented by Optimus, whose justification was based on an external audit. On the other hand, Optimus had to pay ICP – ANACOM a value of approximately 1,541,274.02 euros for additional spectrum fees in the period 2002-2004. The calculation of this value was based on an audit promoted by ICP – ANACOM.

6. Information Society

Within the scope of the UMTS licence, Optimus undertook commitments to promote the development of the Information Society to a total amount of approximately 274 million euros. Some of those commitments have already been fulfilled and duly acknowledged by the Ministry of Public Works, Transports and Communications (“MOPTC”) and by the entities specifically created to assess and validate the projects carried out for that purpose. The remaining commitments shall be carried out during the course of the remaining licence period (until 2015), in accordance with the terms recently agreed between Optimus and the MOPTC, through contributions towards the Portuguese Government’s “E-Initiatives” project, and through other own projects, which qualify as contributions towards the information society. Furthermore, resulting from the agreement between the MOPTC, Optimus and the other two mobile operators, the commitments of the three operators for acquisition of the UMTS spectrum corresponding to the licence of ONIWAY Infocomunicações, S.A. was clarified and definitively and fully extinguished, with Optimus having to make a financial contribution of 8,313,298.28 euros for the creation of a Fund for the Information Society. The extinction of the obligations was also formalized by the Governmental Resolution nº 18188/2007, of 16 August.

7. Transmission of frequency and numbering resource usage rights

In anticipation of the merger between Novis and Optimus, ICP – ANACOM accepted the request for transmission of all the spectrum and numbering resources rights from Optimus – Telecomunicações, S.A. to Novis Telecom, S.A. without the imposition of any additional obligation.

Mobile regulation in 2007: Key developments at international level

1. Regulation relating to international roaming

On 30 June 2007, the European Regulation relating to roaming services came into force. This regulation imposed a control on maximum prices, at wholesale and retail levels:

	Retail		Wholesale
	Outgoing	Incoming	
2007	49	24	30
2008	46	22	28
2009	43	19	26

Values w/ VAT, in eurocents

The regulation also imposed measures with a view to increasing the transparency of the international roaming service tariffs.

2. New regulatory framework

On 13 November 2007, the European Commission released its proposals for the review of the current regulatory framework of the communication services sector in the European Union.

The proposals include:

- Specific measures to reinforce the harmonisation of the regulatory framework at a European level, namely through the creation of a European Authority for Communication Services
- Introduction of functional separation as a possible regulatory measure
- Additional flexibility of spectrum management, with technological and service neutrality as the rule. The Commission also intends that conditions be created to bring into effect a secondary spectrum market.

The proposals of the Commission shall now be discussed by the European Parliament and by the Council. It is expected that this new framework will not be approved before the end of 2008 and its transposition into Portuguese law will only take place in 2010.

On the same day the Commission released the new recommendation on markets susceptible to “ex-ante” regulation. The number of markets was reduced from 18 to seven, with the wholesale market for access and call origination on mobile networks identified as one of the markets that was no longer considered susceptible to ex-ante regulation.

Wireline regulation in 2007

The regulatory activity in the Portuguese wireline market in 2007, in relation to its several offers, was characterized by the following key events:

- Launch of a new reference offer of “Naked DSL”, which will allow the offer of DSL services without the obligation on the part of the customer to purchase voice services. This offer was defined throughout the course of 2007 and its introduction in the market was made compulsory from 1 February 2008 onwards.
- The regulator’s response to the Reference Unbundling Offer was limited, notwithstanding the recurring appeals of Sonaecom. The regulator restricted itself to the thorough examination of the rules regarding co-location, both in terms of the optimization of space in the central offices (so as to guarantee its release whenever they are not being used and are needed to satisfy the needs of third parties), as well as the conditions of access to power supply.
- The offer of “ISDN” (Integrated Services Digital Network) accesses was introduced in March 2007 in the Subscriber Line Resale Offer (SLRO) of PT Comunicações. The defined price represents a retail-minus 15% to 30% in relation to the retail price of the monthly fee of the telephone line.
- At the same time, the regulator authorised the launch of an offer by PT Comunicações that includes traffic in its monthly fee. For that purpose, PT Comunicações was obliged to reduce its interconnection prices, for the duration of the offer, by 10%.
- Despite an 11-month delay, the regulator also reviewed the terms of the Reference Interconnection Offer, which introduces significant reductions in the prices of pre-selection activation, number portability and SLRO services. Interconnection prices were also reduced, once again, by about 3%.
- Within the scope of the Reference Leased Lines Offer, the regulator eliminated the restrictions applicable to the exchanges in which the offer of partial circuits is made available by PT Comunicações, allowing for greater cost optimisation. This will be concluded in 2008.

During 2007, ICP-ANACOM responded favourably to an intervention request carried out by Sonaecom in 2006, with reference to the interconnection within PT Comunicações’

exchanges. As a result, the direct interconnection of Sonaecom with PT Group companies was approved, which will have a significant impact on the operational costs of those interconnections.

2.2. Business overview

2.1.2. Consolidated perspective

Sonaecom's full year 2007 results show solid growth and improved profitability and reflect the organisation's ability to identify and focus on specific growth opportunities across its markets. During the year Sonaecom materially increased its customer base and reinforced customer revenue growth while generating a higher EBITDA result.

2.1.3. Consolidated income statement

Million euros

CONSOLIDATED INCOME STATEMENT	2006	2006 ^R	2007	y.o.y
Turnover	836,0	822,4	892,7	8,6%
Mobile	610,4	610,4	619,4	1,5%
Wireline	200,2	200,2	255,4	27,6%
Público	36,4	36,4	33,2	-8,9%
SSI	78,8	65,1	79,5	22,2%
Other & Eliminations	-89,7	-89,7	-94,8	-5,7%
Other Revenues	32,0	5,4	6,4	19,2%
Operating Costs	673,1	660,4	724,9	9,8%
COGS	102,1	102,1	108,6	6,4%
Network Costs ⁽¹⁾	256,0	256,0	298,3	16,5%
Personnel Costs	102,5	94,7	95,0	0,3%
Marketing & Sales	94,1	94,0	96,5	2,6%
Outsourcing Services ⁽²⁾	60,9	58,9	65,6	11,3%
General & Administrative Expenses	46,3	43,6	47,2	8,5%
Other Operating Costs	11,1	11,1	13,8	24,4%
Provisions and Impairment Losses	10,6	10,5	12,2	16,5%
EBITDA	184,3	156,9	162,0	3,3%
EBITDA Margin (%)	22,0%	19,1%	18,1%	-0,9pp
Mobile	169,1	169,1	153,7	-9,1%
Wireline	-6,2	-6,2	9,8	-
Público	-8,8	-8,8	-3,3	62,7%
SSI	31,8	4,5	4,6	2,4%
Other & Eliminations	-1,5	-1,6	-2,8	-70,0%
Tender Offer Costs	30,9	0,0	0,0	-
Depreciation & Amortization	135,7	135,5	140,0	3,3%
EBIT	17,8	21,4	22,0	2,9%
Net Financial Results	-17,4	-17,4	-21,5	-23,2%
Financial Income	6,0	5,9	18,0	-
Financial Expenses	23,4	23,4	39,5	69,0%
EBT	0,4	4,0	0,5	-86,6%
Tax results	-5,3	-5,0	36,6	-
Net Results	-4,9	-1,0	37,2	-
Group Share	-13,9	-9,7	36,8	-
Attributable to Minority Interests	9,0	8,6	0,4	-95,5%

(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 Tender Offer Costs.

Turnover

Consolidated turnover totalled 892.7 million euros in 2007 (the highest ever achieved by Sonaecom), 8.6% above 2006^R, despite the negative impact of lower roaming-in revenues of 9.4 million euros and of lower Mobile Termination Rates ("MTRs") of 11.3 million euros, registered on operator revenues at our Mobile Business.

Consolidated service revenues increased by 11.0%, to 813.6 million euros, compared to 2006^R. The main drivers behind this performance were the following:

- 27.8% higher service revenues at our Wireline Business
- 3.0% increase in service revenues at our Mobile Business, with the growth of customer revenues more than offsetting the combined negative impact of lower MTRs and roaming-in tariffs
- 18.6% higher service revenues at SSI, mainly driven by the good performance of WeDo
- notwithstanding the 8.4% decrease of advertising revenues at Público

Importantly, consolidated customer revenues grew by 15.9% when compared to 2006^R, driven by strong customer revenue growth at both our Wireline (48.2%) and Mobile (7.9%) Businesses. The 2007 results of the Wireline Business and consequently those of Sonaecom Consolidated include, since September, revenues generated by Tele2 Portugal and by the customers acquired from ONI. In 2007, the contribution of these two additional businesses to service revenues was of 24.8 million euros.

The 2007 results at SSI (and the consolidated results of Sonaecom) also include the contributions of Cape Technologies, Praesidium and Tecnológica, all acquired by WeDo during 2007. The contribution of these three companies to the 2007 turnover was 2.4 million euros.

Excluding the contributions mentioned above, service revenues and customer revenues would have grown by 7.3% and 10.8% respectively, compared to 2006^R, on a like-for-like basis.

Operating costs

Total operating costs reached 724.9 million euros in 2007, an increase of 9.8% over 2006^R. Total operating costs excluding COGS were 10.4% higher than in 2006^R, representing 75.7% of service revenues, approximately the same level registered in the previous year. As with turnover, it should be noted that operating costs include, since the respective acquisition dates, the costs associated with the companies acquired during 2007 and the respective integration costs.

Besides the contributions of the acquired companies, it is worth noting that the higher operating costs in the year were primarily growth related:

- a) 16.5% higher network costs when compared to 2006^R, driven by a 14.9% increase in interconnection and content costs, due to a significantly higher level of traffic volumes and to the enlarged customer base, which led to significantly higher ULL monthly fee related costs
- b) marketing and sales costs increased by 2.6% driven mainly by Mobile Business investments in customer acquisition, in promoting its brand and new products and services
- c) general and administrative costs and outsourcing costs that increased by 8.5% and 11.3% respectively, mainly explained by the increased post-paid customer base at our Mobile Business and larger customer base at our Wireline Business (with the consequent billing and support requirements and related expenses).

Staff costs increased marginally (0.3%) reflecting the costs of the acquired companies' headcount, which was partially offset by the reduction of the year's average headcount. It should also be noted that the 2006^R consolidated staff costs included 4.3 million euros of severance costs incurred by Público, as part of the restructuring plan implemented in that subsidiary.

Provisions and impairment losses increased by 1.7 million euros in 2007, due to a combination of higher provisions for bad debt and stock depreciation at our Telco Businesses that was partially offset by lower provisions for other risks and charges.

EBITDA

Consolidated EBITDA improved by 3.3% to 162.0 million euros in 2007 generating a margin of 18.1%, compared to a margin of 19.1% in 2006^R. This performance was driven by strong operational results at both our Telco and SSI divisions. The breakdown of EBITDA performance by business was as follows:

- a) EBITDA at our Mobile Business was 153.7 million euros, down by 15.3 million euros when compared to 2006^R, almost fully explained by the negative impact of 9.4 million euros and 4.8 million euros from roaming-in and MTRs, respectively
- b) The Wireline Business generated a record EBITDA of 9.8 million euros (16.0 million euros improvement compared to 2006^R) reflecting mainly the benefits of the continued organic growth in its direct access business

- c) EBITDA at SSI increased by 2.4% to 4.6 million euros when compared to 2006^R, driven by higher service revenues and by improved cost management and efficiency, despite the costs of integration and the negative contributions in 4Q07 of the companies acquired by WeDo
- d) Público's EBITDA was negative 3.3 million euros, which nevertheless represented an improvement of 5.5 million euros, or 62.7% when compared to 2006, reflecting the reduction achieved in its fixed costs and the impact of the severance costs in 2006, partly offset by the negative performance during 2007 in most of its revenue streams.

Net profit

Net results group share were 36.8 million euros in 2007.

Depreciation and amortisation charges increased marginally to 140.0 million euros (a 3.3% increase compared to 2006). This was driven by the increased asset base resulting from our investments in expanding both our mobile and wireline networks, despite the revision of the depreciation period in respect of sites and other GSM related assets carried out in 2Q07.

Net financial charges increased by 4.1 million euros to 21.5 million euros in 2007. These higher costs resulted from the write-off of the outstanding deferred up-front fees (7.2 million euros) on Optimus's syndicated bank facility which was cancelled in September 2007. Excluding this accounting effect, net financial charges would have decreased by 17.8% reflecting: (i) higher financial expenses, up by 8.9 million euros, due to the higher average cost of debt (4.78% in 2007 compared to 3.69 % in the previous year) determined by the increase in market rates; and (ii) higher financial income, up by 12.1 million euros, mainly as a reflection of the higher average level of liquidity, higher average market rates in the year and the capital gains generated with the sale of our shareholding in "Despegar" (3.0 million euros) and with the sale of PT shares (2.3 million euros).

The tax line in 2007 showed a benefit of 36.6 million euros compared to a charge of 5.0 million euros in 2006, due to movements in deferred tax assets at our Telecoms Business unit. The tax benefit registered in 4Q07 resulted from the possibility of using deferred tax assets against future results forecasted in the new business plan for our combined Telco business unit.

2.1.4. Consolidated balance sheet

Million euros	2006	2007	y.o.y
CONSOLIDATED BALANCE SHEET			
Total Net Assets	1.720,2	1.758,6	2,2%
Non Current Assets	1.343,6	1.353,9	0,8%
Tangible and Intangible Assets	661,4	722,6	9,2%
Goodwill	506,9	528,2	4,2%
Investments	113,1	2,0	-98,3%
Deferred Tax Assets	61,8	101,1	63,7%
Others	0,3	0,0	-100,0%
Current Assets	376,6	404,7	7,5%
Trade Debtors	152,0	192,0	26,4%
Liquidity	125,9	83,9	-33,4%
Others	98,7	128,8	30,5%
Shareholders' Funds	909,5	935,4	2,9%
Group Share	909,0	934,6	2,8%
Minority Interests	0,5	0,9	83,7%
Total Liabilities	810,7	823,2	1,5%
Non Current Liabilities	486,1	422,6	-13,1%
Bank Loans	460,6	373,2	-19,0%
Provisions for Other Liabilities and Charges	20,1	30,9	53,8%
Others	5,4	18,5	-
Current Liabilities	324,6	400,6	23,4%
Bank Loans	0,1	0,6	-
Trade Creditors	162,7	185,3	13,9%
Others	161,9	214,6	32,6%
Operating CAPEX ⁽¹⁾	134,1	162,8	21,4%
Operating CAPEX as % of Turnover	16,0%	18,2%	2,2pp
Total CAPEX	253,5	235,8	-7,0%
EBITDA - Operating CAPEX	50,3	-0,8	-
Operating Cash Flow ⁽²⁾	51,3	55,5	8,3%
FCF ⁽³⁾	-81,7	59,6	-
Gross Debt	464,0	393,7	-15,2%
Net Debt	338,1	309,8	-8,4%
Net Debt/ EBITDA last 12 months	1,8 x	1,9 x	0,1x
EBITDA/Interest Expenses ⁽⁴⁾	10,6 x	5,9 x	-4,7x
Debt/(Debt + Shareholders' Funds)	33,8%	29,6%	-4,2pp

(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 2007, Sonaecom completed the negotiation of a 250 million euros committed underwritten Commercial Paper Programme (CPP) with guaranteed subscription and a final maturity of five years. This facility is being used for general corporate purposes, for financing Sonaecom Group's investments and, along with available liquidity, was used to refinance the previous 325 million euros syndicated bank facility at Optimus. As a result, consolidated gross debt is now fully contracted by Sonaecom SGPS and internal funding movements are used to allocate cash between our subsidiaries. At year-end 2007, the weighted average maturity of Sonaecom Group credit lines stood at approximately 4.5 years.

Consolidated gross debt at the end of 2007 totalled 393.7 million euros, 70.3 million euros below the level at the end of 2006. This decrease is the result of the following movements: (i) the repayment of Optimus's syndicated bank facility of 317 million euros (amount net of upfront fees); (ii) the utilisation of 225 million euros of the new CPP facility at YE07; and (iii) an increase of 20.1 million euros related to financial leasing contracts.

As a result of the refinancing process and notwithstanding FCF generated in the year (which includes the sale of our 1% shareholding in PT during 1Q07), consolidated liquidity decreased by 42.0 million euros to 83.9 million euros.

Consequently, consolidated net debt at the end of 2007 stood at 309.8 million euros, a decrease of 28.3 million euros compared to the end of 2006.

Sonaecom's capital structure remains conservative, as demonstrated by its key financial ratios at the end of 2007. Net debt to annualised EBITDA deteriorated marginally, when

compared to 2006, to 1.9x. Interest cover decreased to 5.9x, from 10.6x at the end of 2006, mainly as a result of interest paid on a loan from Sontel BV in the beginning of 2007, associated with the tender offer for PT, which was fully repaid by the end of 1Q07. The ratio of consolidated debt to total funds improved from 33.8% in 2006 to 29.6% in 2007, reflecting the movements in gross debt mentioned above and the 25.9 million euro increase in shareholders' funds. The latter resulted mainly from the net profit generated in the period, despite the negative effect of the acquisition of own shares in 1Q07 (1.89 million shares), for the purpose of hedging our Medium Term Incentive Plan, totalling 8.9 million euros.

At the end of 2007, the sum of cash and non-utilised committed credit lines at the Sonaecom Group stands at approximately 189 million euros and no amortisations of bank loans are scheduled until 2010.

CAPEX

Consolidated CAPEX was 235.8 million euros while operating CAPEX reached 162.8 million euros, 21.4% above 2006, and representing 18.2% of turnover.

Consolidated CAPEX in 2007 includes 10.5 million euros related with contributions to the "Information Society" programme (UMTS license obligations) and acquisition investments totalling 58.6 million euros, comprising:

- a) 23.4 million related arising from acquisition of Cape Technologies and related costs
- b) 18.6 million euros, associated with the acquisition of ONI's residential and SOHO's customers and associated costs
- c) 13.9 million euros associated with the acquisition of Tele2 Portugal and related costs
- d) 1.6 million euros associated with the purchase of Praesidium
- e) 1.1 million euros associated with the acquisition of Tecnológica.

The increase in Operating CAPEX was driven by higher investments at both our Wireline and Mobile Businesses. However, it should be noted that: (i) Wireline CAPEX includes the recognition of 18.3 million euros in relation to long term backbone lease contracts as financial leases thus affecting CAPEX and debt; and (ii) Mobile Business' CAPEX includes 18.6 million euros related to an agreed network equipment swap in relation to part of our radio network. This did not have any impact on free cash flow as this amount was paid in kind with other equipment that was subject to the swap. Excluding these effects, total operating CAPEX would have been 125.9 million euros, 6.1% below 2006 and representing 14.1% of consolidated turnover.

Operating CAPEX spend during 2007 was mainly applied as follows: 36% invested in the deployment of the UMTS/HSDPA network, 15% was related to the GSM network, 15% related to Information Technology/information systems investments; and approximately 11% was invested in the network to support the direct broadband business and (until 3Q07) capitalised triple play development costs.

Other balance sheet items

Gross tangible and intangible assets were 1,666 million euros at the end of 2007, compared to 1,475 million euros in 2006. Cumulative depreciation and amortisation totalled 943.7 million euros, compared to 813 million euros in the previous year. Financial investments were significantly reduced to 2.0 million euros (against 113.1 million euros in 2006). This reflects the March 2007 sale of the 1% shareholding in PT which was valued at YE06, on a mark-to-market basis, at 111.1 million euros. Goodwill increased by 4.2% to 528.2 million euros mainly as a result of the acquisitions made during 2007.

At the end of 2007, Sonaecom shareholders' funds totalled 935.4 million euros compared to 909.5 million euros at the end of 2006, reflecting: (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 led to a reduction in shareholders' funds; and (ii) the net results of 37.2 million euros generated during the year.

FCF

Million euros	2006	2007	y.o.y
LEVERED FREE CASH FLOW			
EBITDA-Operating CAPEX	50,3	-0,8	-
Change in WC	-10,4	12,8	-
Non Cash Items & Other	11,4	43,5	-
Operating Cash Flow	51,3	55,5	8,3%
Financial Investments	-107,2	48,0	-
Own shares	0,0	-8,9	-
Public Tender Offer	-12,5	-20,6	-65,2%
Financial results	-12,1	-14,0	-15,4%
Income taxes	-1,2	-0,5	61,5%
FCF	-81,7	59,6	-

Consolidated FCF in 2007 was positive 59.6 million euros, compared to a negative 81.7 million euros in 2006. This mostly reflects the impacts of the disposal of PT shares in 1Q07 (108 million euros) – registered in Financial Investments – and the payments related to the acquisitions of (i) ONI's residential and SOHO customers and Tele2 Portugal totalling, in aggregate and including VAT, 38.8 million euros; (ii) Cape Technologies, in the amount of 17.3 million euros; and (iii) Praesidium (0.6 million euros).

Operating cash flow was positive 55.5 million euros in 2007, up from positive 51.3 million euros in 2006, mainly driven by: (i) a deterioration of 51.1 million euros in EBITDA-Operating CAPEX and (ii) an improvement in working capital of 23.2 million euros, reflecting the higher credit from trade creditors at both the Mobile and Wireline Businesses. Excluding the above mentioned extraordinary items of 18.6 million euros, related to the network equipment swap and 18.3 million euros in relation to the backbone financial leases (both of which are reflected within Non-cash items and other), EBITDA-Operating CAPEX would have reached 36.1 million euros.

2.3. Mobile business

During 2007, Optimus achieved strong customer and customer revenue growth as a result of the planned investments in supporting the brand. This was particularly seen in the residential segment, in distribution and in the development of our fixed-mobile convergent product "Optimus Home" and our wireless broadband service "Kanguru". Optimus was able to sustain its leading position in wireless broadband in the residential market and achieved significant growth in overall data usage.

2.3.1. Key market developments 2007

1) RESIDENTIAL SEGMENT

The development and launch of innovative products and services is a central part of the culture and image of Optimus. 2007 was again a year of considerable innovation in the residential segment.

Among the initiatives carried out during 2007, it is worth noting the various customised rate plans that were implemented in our offers addressing the specific needs of market segments, such as customers with a high volume of international traffic or high SMS usage.

Optimus has pursued superior customer retention and increased loyalty since day one of its operations. With these objectives in mind, several initiatives were launched during 2007, including the "Valentine's Day", "Summer" and "Christmas" promotions, all with clear benefits perceived by our customers. Besides these campaigns, it is worth noting the improvement of our unique "Optimus A" service (aimed at high usage customers and differentiated by its outstanding service level), with a streamlined process for handset renovation.

Optimus brand

Optimus is a leading brand in Portugal. During 2007, several brand reinforcement initiatives were carried out, including the development of new advertising campaigns and an enhanced sponsorship policy.

Consistent with the tradition of presenting reference advertising campaigns in the market, Optimus developed several new campaigns in 2007 with above average results and a significant impact on consumers. Worth noting for its innovation and market impact was the “Optimus – Spider-Man” campaign featuring Alain Robert, known for having climbed more than 70 skyscrapers across the world; as well as the “Optimus – Rio” (Optimus River) campaign, which involved a major international production.

The sponsorship investment was significantly reinforced during 2007, namely with the return to the sponsoring of leading music festivals, such as the “Oeiras Alive” and “Super-Bock Super-Rock”.

On 8 January 2008, Optimus announced the launch of a totally new brand and corporate image, in what constituted the largest rebranding operation ever undertaken in Portugal.

Optimus's new line of communication positions the brand as a dynamic organism, comprising human relationships and emotions, both internal and external, with the "Magma" as the central element. Warm, attractive, volatile, malleable, assuming multiple forms, "Magma" demonstrates the new Optimus mood, which is also expressed through its new signature "What do you need?". This demonstrates the essence of Optimus as a company focused on taking care of the customer's specific and individual needs.

“Rede 4” – discount offer

During 2007, important developments occurred in our discount offer, which operates under the name “Rede4”, now a well recognised brand in Portugal. Rede4's market share in its segment is currently higher than the average market share of Optimus, as a consequence of the clear value perceived by its target customers.

The base offer was kept practically unchanged, as we believe a discount operation should be perceived as valuable and simple by its target customers without major variations on product lines or pricings. The major development in the year was the signing of a partnership with Nokia for the exclusive sale, under the Rede4 offer, of the Nokia handset range.

“Optimus Home” – fixed-mobile convergent product

With only three years of activity, our fixed-mobile substitution product, the “home phone with no monthly fee” (our key offer message), consolidated its position in 2007 as the second operator – or the first among the alternatives – in the wireline voice market in Portugal.

The “Optimus Home” offer showed a very significant growth in 2007. Three critical elements contributed towards its continued success and are worthy of our focus and drive:

- A very simple product and clear value proposition that avoids the high costs associated with fixed line communications (e.g. monthly fees).
- A high level of customer satisfaction based not only on the material cost savings obtained but also on several operational aspects of the service. Optimus Home, according to Marktest, is the wireline network operator with the highest customer satisfaction index.
- Consistent delivery of the value offer through distinct distribution channels and partners, with streamlined and consolidated processes that significantly simplify the access to the final consumer.

“Kanguru” – wireless internet access

In September 2005, Optimus launched “Kanguru”, a mass-market wireless ready-to-use Broadband internet access product. It is aimed at creating a new category in the internet access market in direct competition with the traditional ISPs (ADSL and cable). Since then, “Kanguru” has become a dominant wireless broadband internet access service and has consistently led sales in the multi-operator retail category.

The leadership of “Kanguru” results from a first mover advantage in the new category of wireless internet access in Portugal, as well as from the constant innovation and pioneering in terms of product. It was the first to offer rate plans for HSDPA speeds; it was the first to launch an offer for exclusive wireless internet usage at home and it was the first to launch equipment able to be used both on portable and fixed computers. In addition to innovation, the focus on a readily available and easy-to-use service and competitive rate plans for the different types of usage patterns have been determinant for the success of this business line.

New equipment was introduced during 2007 that continued to guarantee the significant competitive advantage of the “Kanguru” product range: for example, PCMCIA cards and 7.2 Mbps Express Card, 7.2/HSUPA modem and 7.2/HSUPA modem-type pen. A Wi-Fi router with direct connection to the USB Kanguru Modem was also launched as a complementary product, thus permitting the connection to be shared by more than one user.

In addition, “Kanguru” was an integral part of the Optimus offer within the scope of the “E-Initiatives” schools programme, developed within the framework of Optimus’s commitments towards the development of the Information Society in Portugal. As part of this programme, the beneficiaries (students from the 10th grade, teachers of basic and secondary education and trainees of the “Novas Oportunidades” government programme) have access to a laptop PC, to Kanguru equipment for internet access, and to internet access rate plans at very favourable conditions (initial price, for the package, range from 0 to 150 euros and rate plans are available from 5 euros per month).

In 2007, internet access has consequently become an important avenue of growth for our Wireless Business, leveraging on the reinforced investments made on the 3G/HSDPA network.

Multimedia services

In the multimedia area, the main focus was on the key areas of music and TV services.

a) Music

In 2007, Optimus continued to develop its **Music Store** – an innovative service that allows complete songs to be downloaded with MP3 quality, at any time and anywhere, to a mobile phone or to a PC. The **Music Store** includes a vast catalogue that currently contains more than one million songs, updated daily with the latest releases. The service has the advantage of being able to be accessed via mobile phone and of allowing for the acquired songs to be listened on a mobile phone, PC or other any digital gadget.

The commitment to the music area involved a number of multimedia campaigns throughout the year, associating music services, mobile phones and the latest releases from key artists. Also during 2007, a number of multimedia services were developed for the “Optimus Alive!” and “Super Bock Super Rock” music festivals, sponsored by Optimus.

It is also important to mention the partnership developed with “Blitz”, a national reference magazine in the music field. A collection of the most important 500 albums in the history of rock was compiled with Blitz and made available under our offers.

b) Mobile TV

In relation to mobile TV, Optimus continued its commitment to extending its channel offer, which currently comprises 27 channels: Disney, CNN, Eurosport and MTV Snax are some examples of the various channels launched during 2007.

In addition to this commitment, Optimus continued to work towards offering the Mobile TV application on a greater number of terminals. The application used places Optimus’s TV offer among the best European practices. It allows customers to view television on a mobile phone with the most advanced functionalities of traditional TV: quick *zapping* of channels, consulting TV programmes and even, on some channels, ‘forwarding’ and ‘replaying’ programmes on a given channel, as well as going back to the start of a given programme.

The launch of the Mobile TV HD (High Definition) is also worthy of mention, which placed Optimus at the worldwide forefront of TV image and sound quality on the mobile phone.

Other initiatives

Internet access via the mobile phone was another area of significant growth in 2007. At the end of the first half of the year, Optimus launched an application ("MiniOpera") that allows for a positive access experience on almost all handsets and, in parallel, changed its access pricing offer (currently with a maximum cost of 1 euro per day). This led to a substantially increased take up of these services by our mobile customers.

Also in relation to data, Optimus started developing initiatives in the m-advertising (mobile advertising) area jointly with advertising and media agencies, having created the conditions for the launch of several m-advertising actions at the beginning of 2008.

M-payments was another area worthy of special attention, with developments focused on "Telemultibanco", an application that offers a user experience that is very similar to that associated with traditional ATMs. In addition, the analysis of different solutions started in partnership with SIBS (the entity that owns the Portuguese inter-bank ATM system). This will lay the grounds for the future launch of different services, such as payments for goods and services through *m-parking* and *m-ticketing*.

Sales channels – residential market

During 2007, a significant effort was made in consolidating and reinforcing Optimus's distribution channels in terms of growth, quality of service and efficiency. In total, the Optimus retail network now has more than 3,000 points of sale.

The weight of our proprietary channels (own stores and internet) was reinforced once again. At the end of 2007, Optimus had 38 own stores and 103 Optimus exclusive stores owned by dealers. The network of Optimus stores now covers all district capitals in Continental Portugal and Madeira islands.

Even more importantly, our capacity to provide services to our customers was significantly reinforced. Examples of these improvements include the opening of an "immediate" repair centre in our new mega-store at the Colombo Shopping Centre and the opportunity to exchange points from our fidelity programme directly at our website: www.optimus.pt.

In the non-specialist retail area, additional presence and visibility (specifically through free service locations at key retail shops) was achieved during 2007. Within this area, it is also worth highlighting the launch of a new Premium service provider under the recognised brand of FNAC ("FNAC Mobile").

2) "OPTIMUS NEGÓCIOS" (SME segment)

In 2007, Optimus Negócios ("ON"), the business unit dedicated to SMEs and SOHOs, renewed its value proposal in relation to its offer of products and services across all communication segments: mobile, fixed and internet.

Within the mobile segment, the launch of the "Redes" rate plan enabled companies to have free calls among its employees and to call fixed numbers at prices traditionally only available on wireline network operators. For those customers that wanted to focus on calls to the Optimus network, the "Pioneer" rate (the well-known pricing offer of the launch of Optimus) was reintroduced in the market.

Mobile phones are today true productivity tools, thanks to services such as Direct Access E-mail and internet access. In partnership with "InfoPortugal", Optimus Negócios began offering the navigation software nDrive on all PDA-phones with GPS. nDrive is the most comprehensive navigation and information system in Portugal, with complete maps of Continental Portugal, the Azores and Madeira islands.

The “Escritório Optimus Negócios” (Optimus Business Office) is the focus of ON in the Wireline segment. This product includes the offer of voice, fax, internet and POS (point-of-sale) terminals, presenting itself as a credible alternative to the traditional wireline network operators, with certain key advantages in terms of price and flexibility.

Within the internet segment, the launch of Wi-Fi roaming is worth highlighting. This solution allows for the use of Optimus’s mobile broadband internet service (“Kanguru”) in more than 15,000 hotspots worldwide, at a price substantially lower than traditional roaming. Optimus Negócios also launched the first Wi-Fi Router with 3.5G technology.

In 2007, Optimus Negócios sought to reinforce its brand recognition in the market with initiatives such as “Podium”, which is aimed at national entrepreneurs. At the programme’s launch event, which included internationally renowned speakers and more than 500 participants, the latest practices and ideas in the field of management were presented. At the end of the year, Optimus Negócios associated itself with BPI and the Universidade Nova de Lisboa in the organization of “START – Prémio Nacional de Empreendedorismo” (a national entrepreneurship prize).

3) CORPORATE SEGMENT

Customer acquisition at our corporate business unit, which targets the largest national corporations and institutions (around 3,000 entities), was particularly successful during 2007.

Sales of data services and fixed-mobile convergence solutions grew significantly during the course of 2007, with our mobile broadband solution “Kanguru” an important driver. These services were mainly acquired by entities that, although not wanting to replace their current wireline operator completely, recognised the excellence and singularity of the solutions that Optimus provides in those areas.

Improving our customer service standards remained a priority throughout the year. We improved the “Digital Extract” service by substituting the physical dispatch of CD-ROMs with a more reliable and faster digital transfer process. Not only has this made adopting the service easier, but it has also created additional benefits such as more transparent invoicing and greater environmental efficiency.

During 2007, the Corporate business unit launched several new customised products and services. Within the mobile Broadband area, a significant increase in the upload speed of Kanguru was achieved and several roaming agreements were signed with international Wi-Fi operators, achieving greater access to our mobile internet access services in foreign countries. In cases where Wi-Fi access is not available, we made GPRS/UMTS roaming packages available to our customers. Our corporate customers also started to use mobile Broadband as a complement or substitute for wireline data transmission, notably in small representative offices or temporary facilities.

We also developed a reverse charging solution for WAP access, aimed at mobile content providers looking to increase access to their portals by bearing the respective communication costs themselves.

Another area where we introduced significant developments during 2007 was Video, where Optimus now offers a complete range of video-vigilance and videoconference solutions. The videoconferencing solutions we developed for “INEM” (the National Medical Emergency Institute) is particularly notable. Comprising a portable videoconference system, it enables emergency medical teams to access remote support during interventions.

With the launch of multiple balances in the “Plano Misto”, cost allocation solutions also reported significant progress during 2007. This is an area where Optimus has already differentiated itself significantly from its competitors. Previously, an employer could define the amount it intended to recharge onto the employee’s mobile phone at its expense. Now, however, the employer can differentiate any recharge according to service type, defining a different amount for professional and personal communications.

Roaming

In 2007, Optimus continued to extend the international coverage of its roaming services. Following agreements with more than 350 foreign mobile operators, these services are now available in 200 international destinations. In the same period, the automatic roaming service (pre-paid) became available in 90 of these destinations.

Particular focus was placed on Data services roaming. International coverage was significantly extended during 2007 through new agreements involving GPRS, which is now available to our customers in about 130 countries; and 3G/HSPDA, which is available in more than 50 destinations.

It is also important to highlight the launch of a roaming service with “OnAir” that allows voice, SMS and data communications on-board aeroplanes. Optimus’s customers were able to access this service on the very day that it went live.

2.3.2. Operational Data

MOBILE OPERATIONAL KPI's	2006	2007	y.o.y
Customers (EOP) ('000)	2.601,9	2.893,5	11,2%
Net Additions ('000)	248,7	291,6	17,3%
% Pre-paid Customers	77,8%	73,1%	-4,7pp
Active Customers ⁽¹⁾	-	-	-
Data as % Service Revenues	14,4%	17,7%	3,3pp
Total #SMS/month/user	50,5	45,1	-10,6%
MOU ⁽²⁾ (min.)	115,9	118,1	1,9%
ARPU (euros)	19,7	18,2	-7,6%
ARPM ⁽³⁾ (euros)	0,17	0,15	-9,3%
CCPU ⁽⁴⁾ (euros)	15,1	14,8	-1,8%
SAC&SRC ⁽⁵⁾ (million euros)	100,7	130,4	29,5%
Employees ⁽⁶⁾	1.055	977	-7,4%
Shared Services Division	776	748	-3,6%

(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.

Customer base

Optimus’s customer base increased by 11.2% to 2.893 million customers at the end of 2007, compared to 2.601 million at the end of 2006, with net additions reaching 291,600 in 2007, up by 17.3% compared to 2006, clearly demonstrating the success of its growth strategy. The level of net additions in 4Q07 (132,400 customers) was the highest achieved since 2001. Active customers at the end of 2007 totalled 2.276 million, compared to 2.058 million at the end of 2006, an increase of approximately 10.6%.

Contract customers continued to increase their weight in the total customer base. At the end of 2007, pre-paid customers represented 73.1% of total customers, which compares with 77.8% at YE06.

During 2007, Optimus customers generated an ARPU of 18.2 euros, down from 19.7 euros in 2006. Of the 2007 ARPU, 13.8 euros were related to customer monthly bill and 4.4 euros to operator revenues, compared to 14.2 euros and 5.5 euros respectively in 2006. The lower ARPU is mainly explained by the decrease of 20% in operator revenues ARPU, due to the phased reductions in MTRs and, especially, due to reductions in roaming-in tariffs. The fall in the level of customer monthly bill was driven by the decrease in average revenue per minute (“ARPM”), explained by the higher price pressures on voice tariffs mainly in the SME segment, but also due to the increased weight of “Optimus Home” (our fixed-mobile convergence product) within the customer base. This was partially offset by increased usage per customer, as demonstrated by the 1.9% increase in average Minutes of Use (“MoU”).

Data usage

During 2007, Optimus maintained its wireless broadband leadership and was able to push up data usage, namely through the promotion of its “Kanguru” product, which is based on HSDPA technology and now offers speeds of up to 7.2 Mbps. Equally important was the launch of a specific offer in relation to Optimus’s contribution to the development of the information society (“e-Initiatives” programme). This will contribute to sustaining mobile broadband market growth at a high pace.

Data revenues represented 17.7% of service revenues in 2007 (19.4% in 4Q07), a material improvement of 3.3pp over 2006, as the result of Optimus’s promotional efforts to increase use of data services and the success of its wireless broadband solutions. Non-SMS related data services continued to increase their weight in data revenues, accounting for approximately 51% of total data revenues in 2007, compared to only 38% in 2006.

Traffic

In 2007, total voice traffic² was 13.5% higher than in 2006 as a result of the enlarged customer base as well as the increase in MoU per customer to 118.1 minutes (from 115.9 minutes in 2006). This reflects the continued success of Optimus’s investment effort to enhance voice usage.

2.3.3. Financial data

Million euros			
MOBILE INCOME STATEMENT	2006	2007	y.o.y
Turnover	610,4	619,4	1,5%
Service Revenues	562,2	579,1	3,0%
Customer Revenues	405,7	437,9	7,9%
Operator Revenues	156,5	141,2	-9,8%
Equipment Sales	48,1	40,3	-16,3%
Other Revenues	34,4	37,0	7,6%
Operating Costs	466,2	494,8	6,1%
COGS	71,5	79,7	11,6%
Interconnection & Contents	133,2	137,4	3,2%
Leased Lines & Other Network Operating Costs	52,3	56,4	7,8%
Personnel Costs	51,9	51,5	-0,7%
Marketing & Sales	68,0	73,5	8,0%
Outsourcing Services ⁽¹⁾	50,3	53,0	5,3%
General & Administrative Expenses	29,1	31,3	7,5%
Other Operating Costs	10,0	12,1	20,7%
Provisions and Impairment Losses	9,5	7,8	-17,7%
Service Margin ⁽²⁾	429,1	441,7	2,9%
Service Margin (%)	76,3%	76,3%	0pp
EBITDA	169,1	153,7	-9,1%
EBITDA Margin (%)	27,7%	24,8%	-2,9pp
Tender Offer related costs ⁽³⁾	0,0	10,0	-
Depreciation & Amortization	117,4	115,5	-1,5%
EBIT	51,7	28,1	-45,6%
Operating CAPEX ⁽⁴⁾	102,5	113,2	10,4%
Operating CAPEX as % of Turnover	16,8%	18,3%	1,5pp
EBITDA - Operating CAPEX	66,5	40,5	-39,1%
Total CAPEX	114,8	127,1	10,7%

(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

Turnover

In 2007, service revenues increased by 3.0% to 579.1 million euros compared to 562.2 million euros in 2006, driven by the 7.9% growth in customer revenues that more than compensated for the fall of 9.4 euros and 11.3 million euros due, respectively, to lower roaming-in and MTRs, respectively. Excluding the impact of the MTRs and roaming-in reductions, service revenues would have increased by 6.6% as compared to 2006. In 4Q07, service revenues were 5.1% above 4Q06, the highest quarter-on-quarter increase in the last three years.

² Total voice traffic = total incoming traffic plus total outgoing traffic plus total Roaming out

EBITDA

EBITDA in 2007 reached 153.7 million euros and generated a margin of 24.8%, representing a decrease of 2.9pp, when compared to 2006. This decline was primarily the result of lower roaming-in and MTRs that led to a combined reduction of 14.2 million euros in EBITDA. Excluding these negative factors associated with regulated prices and the one-off impact from discounts from equipment suppliers registered in 2006 (3.5 million euros), EBITDA would have increased by 1.3% compared to the previous year and generated an EBITDA margin of 26.3%.

Total OPEX increased by 6.1% to 494.8 million euros and represented 79.9% of turnover, a deterioration of 3.5pp when compared to 2006. However, service margin improved by 2.9% to 441.7 million euros, representing a margin of 76.3%, in line with 2006. The higher costs were driven by:

- a) higher marketing and sales costs and handset subsidies of 23.5%, a reflection of the strong growth in both active customers and customer revenues
- b) an 7.8% increase in leased line and other networks costs, as a consequence of the extension of Optimus's 3G/HSDPA network and the success of our Kanguru service
- c) higher outsourcing services of 5.3% and higher general and administrative costs of 7.5%, mainly resulting from increased customer IT and customer support services, including portability costs. As the share services division is located within our Mobile Business, it should be noted that part of these additional costs are recovered through "Other revenues", which increased by 7.6%
- d) an increase in other operating costs of 20.7%, driven by higher license costs resulting from the higher number of subscribers and
- e) notwithstanding the 0.7% decrease in personnel costs (as a result of the lower average staff number during 2007).

2.4. Wireline business

During 2007, Sonaecom's Wireline Business strengthened its position as the leading alternative ULL direct access provider in Portugal, with a substantially enlarged customer base after the integration of ONI's residential and SOHO customers, and of Tele2's customers, further leveraging its operating structure and proprietary infrastructure network. The focus has been on transforming the acquired indirect customers to direct access, on the expansion of our double play offering, the reinforcement of IPTV and home video in the ADSL basic offer and, above all, on improving customer service.

2.4.1. Key market developments 2007

1) RESIDENTIAL SEGMENT ("Clix")

The ambitious growth plan we set ourselves for 2007 was surpassed, driven by organic growth of the direct access customer base and by the acquisition of Tele2's commercial activity in Portugal, as well as ONI's residential and SOHO customer base.

We launched the first quadruple play (4P – voice, broadband internet, TV and video) offer in the national market at the start of 2007 (commercial tests had started one year before). For the first time, customers had integrated access to internet, voice, TV (the first IPTV offer in Portugal) and home video.

Also for the first time in Portugal, customers were able to use a complete offer of "Home Networking" – solutions for the distribution of telecommunication services within a household, including some pioneering technologies, such as the power line and Wi-Fi television.

In addition, during 4Q07, Clix added a mobile option to its offer, becoming the only operator in Portugal to offer the five services with only one brand, one contact point and one invoice.

Reinforcing its focus on content as one of the new television service's key differentiation factors, Clix has consolidated its content offering, which now includes several radio channels,

games (exclusive in Portugal), about 100 digital television channels and more than 700 titles for rental, including films, documentaries and concerts.

At the end of 2007, the IPTV user interface was completely renewed, making it more intuitive and simple to use, and with the innovate offer in the Portuguese market of useful, constantly updated content: news, weather and traffic reports, and horoscope.

In terms of distribution channel, Clix reinforced and developed its commercial team (traditional sales and telemarketing) and formed a national network of agents. With its own stands at key shopping centres in the country, Clix also maintained a strong public presence, allowing potential customer to freely test its services.

It is also important to highlight that during 2007, Clix's customer experience was significantly improved with material reductions in new customers' activation period, lower levels of breakdown incidents, reduced response time to resolve breakdowns and improved response at our call centres.

2) SME AND CORPORATE SEGMENTS ("Novis")

Our Wireline Business continues to be the leading alternative operator in the SME market, both in the segment of companies with five to nine employees, as well as in companies with more than ten employees.

During May 2007, Novis launched a challenge to Portuguese companies with the innovative introduction of the "Quociente Tecnológico" ("Q.t.") concept, a test to measure the "technological intelligence" of companies. With Q.t., Novis intends to reinforce the contribution towards the creation of a more competitive and technologically advanced corporate segment in Portugal, promoting the use of technology. This new concept begins with the identification of the distinctive factors that allow organisations to attain higher degrees of efficiency for comparable levels of investment in technology and measures the performance of companies in managing those factors.

Mass business (SMEs and SOHOs)

As a result of its commitment towards providing direct service to this segment, at the end of 2007, Novis held a broadband market share (including customers acquired from ONI) in the SME segments above its residential market share. In the SME segment, Novis has more than doubled its market share since December 2005. Also in relation to voice services, Novis reinforced its leadership among alternative operators in all the segments in which it operates.

During 2007, Novis continued to focus on its ADSL 24Mbps offer as its main growth driver, adding new functionalities that allow customers to capture additional value from broadband. As part of this effort, the "e-services" range was reinforced with two new services: the "e-camera", a video-vigilance service and "e-roaming", a service that enables internet access via a Wi-Fi connection in more than 70 countries.

The main rate plans were reformulated in April 2007, with the aim of reinforcing the competitiveness of the overall offer, and a new product range was launched in the market, including a VPN package solution aimed at all SMEs with more than one location.

Following the acquisition of the SME and SOHO customer portfolio from ONI, the migration of the new customers to the Novis network was initiated in September, so as to enable the development of this portfolio within the scope of Novis' service offer.

During 4Q07, the first IP telephony solutions based on the IMS/IMT platform were tested, representing the first steps towards the offer of convergence solutions.

Novis continued to invest in the development of its networks of commercial partners, renewing and reinforcing its recruitment, training and incentive initiatives, having reinforced its commitment towards the “Novis Academy” (a continuous training programme for sales people), which is currently the central pillar of the support provided to this distribution channel.

Corporate market

2007 was marked by a sharp increase in all revenue lines in this segment, through customer acquisition and the increased usage of value-added services. One of the main drivers of this increase was the focus on sales to the larger companies, both in the private sector as well as in Public Administration. In addition, we initiated a process to gradual enter into the Managed Services business.

In relation to the mass-calling services business, the year was marked by the growth of multimedia revenues from the three national TV operators with the introduction of new formats and programmes, new call entry and selection functionalities and an enlarged reporting capacity. It should nevertheless be noted that during 4Q07, the volume of calls associated with TV programmes in general has been decreasing.

2.4.2. Operational data

WIRELINE OPERATIONAL KPI's	2006	2007	y.o.y
Total Services (EOP) ⁽¹⁾	380,729	815,623	114.2%
Direct	281,541	510,673	81.4%
ULL	256,625	477,868	86.2%
Other	24,916	32,805	31.7%
Indirect	99,188	304,95	-
Voice	53,897	256,815	-
Internet Broadband	11,994	31,392	161.7%
Internet Narrowband	33,297	16,743	-49.7%
Total Accesses ⁽²⁾	310,338	551,222	77.6%
PSTN/ISDN	167,227	291,603	74.4%
ULL ADSL	131,117	228,226	74.1%
Wholesale ADSL	11,994	31,392	161.7%
Unbundled Central Offices with transmission	144	169	17.4%
Unbundled Central Offices with ADSL2+	137	161	17.5%
Direct access as % Customer Revenues	65.6%	70	4.6pp
Total Voice Traffic ('000 Min.) ⁽³⁾	1,435,971	1,743,105	21.4%
Total Internet Traffic			
Narrowband ('000 Min.)	229,431	91,741	-60.0%
Broadband ('000 Gigabytes)	11,355	23,173	104.1%
Employees	172	192	11.6%

(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.

Customer base

In 2007, we completed the acquisition of both ONI's residential and SOHO customer base and of Tele2 Portugal, which had an impact of an additional 370 thousand services, of which, 111 thousand were direct services.

At the end of 2007, total services reached 815,600, an increase of 114.2% compared to 2006 (17% on a like-for-like basis, i.e., excluding the impact of the acquisitions referred to above). Total direct services represented 62.6% of the Wireline Business customer base in 2007 (86% excluding recent acquisitions), compared to 73.9% in 2006. Average monthly direct net additions in 4Q07 were approximately 12,900 services and average monthly net additions of ULL accesses reached 5,300.

Traffic

The Wireline Business voice traffic increased by 21.4% in 2007 to 1,743 million minutes, mainly as a result of the increase of retail traffic by 59.2%, while wholesale traffic increased by 1.0%. Retail traffic performance was a result of the increase in both direct voice and indirect voice traffic, which grew by 73.3% and 35.6%, respectively. On a like-for-like

comparison, total voice traffic increased by 6.3% supported by the growth of retail traffic of 23.8%.

2.4.3. Financial data

Million euros	2006	2007	y.o.y
WIRELINE INCOME STATEMENT			
Turnover	200,2	255,4	27,6%
Service Revenues	199,0	254,2	27,8%
Customer Revenues	94,4	140,0	48,2%
Direct Access Revenues	61,9	98,1	58,5%
Indirect Access Revenues	30,4	38,6	26,9%
Other	2,1	3,2	54,1%
Operator Revenues	104,5	114,3	9,4%
Equipment Sales	1,2	1,2	-4,5%
Other Revenues	5,2	3,8	-26,2%
Operating Costs	210,9	245,8	16,6%
COGS	1,7	1,4	-17,9%
Interconnection	104,4	126,9	21,6%
Leased Lines & Other Network Operating Costs	32,0	42,0	31,3%
Personnel Costs	9,3	9,4	1,2%
Marketing & Sales	22,4	18,5	-17,1%
Outsourcing Services ⁽¹⁾	30,7	36,8	19,7%
General & Administrative Expenses	9,0	9,1	1,2%
Other Operating Costs	1,3	1,6	19,4%
Provisions and Impairment Losses	0,7	3,7	-
Service Margin ⁽²⁾	94,5	127,3	34,7%
Service Margin (%)	47,5%	50,1%	2,6pp
EBITDA	-6,2	9,8	-
EBITDA Margin (%)	-3,1%	3,8%	6,9pp
Tender Offer related costs ⁽³⁾	0,0	13,3	-
Depreciation & Amortization	16,8	28,5	69,6%
EBIT	-23,0	-32,0	-38,9%
Operating CAPEX ⁽⁴⁾	31,5	49,8	58,2%
Operating CAPEX as % of Turnover	15,7%	19,5%	3,8pp
EBITDA - Operating CAPEX	-37,7	-40,1	-6,2%
Total CAPEX	31,5	82,6	161,7%

(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

Turnover

Turnover in 2007 amounted to 255.4 million euros, an increase of 27.6% over 2006, mainly due to the significant increase in customer revenues, up by 48.2%, driven by growth in direct access revenues (58.5% higher than in 2006). It should be noted that since September 2007, the Wireline Business results include the contribution of Tele2 Portugal and of the customers bought from ONI. In 2007, the total revenues contribution of these operations was of 24.8 million euros. Excluding this contribution, service revenues would have grown by 15.2% when compared to 2006.

Direct access revenues accounted for 70.1% of customer revenues in the year, an increase of 4.6pp compared to the previous year, as a result of the continued focus on the direct access business and despite the inclusion of Tele2 and ONI indirect customers from September. Mass calling services during the year contributed materially with revenues of 21.7 million euros, an increase of 13.3 million euros compared to 2006.

EBITDA

The Wireline Business generated a record positive EBITDA of 9.8 million euros, compared to a negative 6.2 million euros in 2006, generating a margin of 3.8%. EBITDA in 4Q07 was 5.4 million euros, representing the best quarter in terms of EBITDA performance since the launch of the company and generating a margin of 6.9%. This improvement was 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. In aggregate, the Tele2 and ONI customers contributed a marginally positive EBITDA in the year due to integration and related on-going outsourcing costs.

Operating costs increased by 16.6% compared to 2006, reflecting the consolidation of Tele2 Portugal, the inclusion of costs associated with the customers bought from ONI and efforts to develop and expand the direct access broadband business:

- a) interconnection costs were up by 21.6%, due to increased voice traffic in 2007, as well as the higher ULL monthly fees, driven by the enlarged direct customer base
- b) leased lines and other network operating costs were up by 31.3%, mainly as a result of higher demand for circuits and higher maintenance costs related to the increased volume of equipment and number of unbundled central offices
- c) personnel costs increased by 1.2% reflecting the costs of Tele2's headcount from September
- d) outsourcing services and general and administrative expenses grew by 15.6% due to the enlarged customer base and
- e) despite lower marketing and sales costs (which decreased by 17.1%), mainly as a result of the lower number of gross additions when compared to 2006.

2.5. Software and Systems Information

SSI continued to achieve a good set of operational and financial results, driven primarily by the performance of WeDo, which has focused on expanding its range of clients through its leading revenue assurance product ("RAID") and by the increased profitability at Mainroad and Bizdirect.

In the beginning of 4Q07, WeDo acquired Cape Technologies, a company incorporated in the Republic of Ireland and a former competitor, which operated internationally in information systems for the telecommunications industry. With this acquisition, WeDo becomes the world leader in the revenue assurance software integration market, with 349 employees spread across 15 offices worldwide, and with a customer base of 60 clients in 40 countries.

2.5.1. Key market developments 2007

WeDo

The combination of organic and non-organic growth strategies allowed WeDo to grow significantly during 2007 and meet its objectives for the year, enabling it to consolidate its position as the world leader in Revenue Assurance solutions for the telecoms sector.

As regards organic growth, the following achievements during 2007 should be noted: (i) enlargement of its international customer base of its RAID product, for example, leading telecoms operators in Holland, Greece, Dubai, Malaysia and of its roaming and churn solutions; (ii) opening of new local offices in Egypt (to support the Africa & Middle East regions) and Malaysia (to support the Asia region); (iii) completion of new partnerships with Ericsson (via its IMS Application Expert Centre in Portugal) and with Roscom (a world leader in Test Call Generation); and (iv) continuous innovation, with the launch of two new versions of RAID, its leading Revenue Assurance solution, featuring new business and service control modules, new functionalities, increased flexibility and user-friendliness and, importantly, new modules aimed at the non-telecom market.

Non-organic (M&A) growth played an important role during 2007, with WeDo taking an active role in the consolidation movements in the Revenue Assurance Market. With that objective, and consistent with its strategic objectives, the following three acquisitions were completed during 2007:

- Tecnológica Telecomunicações S.A. (based in Brazil): with this acquisition WeDo now has available a software factory in Latam, with 15 new employees and a superior R&D capability, improved local knowledge and customer support that will help it serve its existing and the now enlarged customer base in Brazil and in the Latam region
- Cape Technologies Limited (based in the Republic of Ireland): it is envisaged that Cape's operation will be fully integrated into WeDo including its international operations, its employees, its customers, and its software and intellectual property. It was the largest international acquisition in the IT arena ever made by a Portuguese company and has allowed WeDo to become the world leader in Revenue Assurance

- Praesidium Holdings Limited (based in the UK): this company operates internationally, providing consultancy services to telecoms operators in the area of risk management. It has a proven experience and know-how in the area as demonstrated by the services provided to more than 100 operators in 70 countries over the last ten years. With this acquisition, WeDo has expanded its portfolio of services with the creation of a new business unit dedicated to business consultancy, which has a particular focus on the areas of revenue assurance, fraud management, network security and business continuity.

These acquisitions have consolidated WeDo's position as the world leader in the revenue assurance software integration market. Through these transactions, the enlarged WeDo now has around 380 employees serving customers around the world from 11 different offices.

Mainroad

Mainroad achieved one of its principal growth objectives for the year by significantly increasing its customer base outside of the Sonaec Group. This external growth was driven by a more focused strategy implemented during 2007 of concentrating its investments and activities in the chosen core area of business continuity. Consequently, its offer has now been centralised around the following service lines: security and business continuity, tools and processes for infrastructure management and ITIL methodologies and selective IT outsourcing. Focusing its offer in this way has led Mainroad to reassess its technological partnerships, now mostly involving Microsoft (qualifying as a "Certified Gold Partner"), Oracle and Computer Associates. These partnerships have won greater recognition for the technical capabilities of Mainroad's highly qualified employees along with improved brand awareness.

As part of its efforts to raise brand awareness among its target customers, Mainroad implemented a new communication and marketing plan during the year. The success of this plan translated into a material increase in spontaneous requests for proposals from its target market.

It is also worth highlighting that, as part of a new annual review carried out during 2007, Mainroad kept its ISO 9001 Quality Certification.

Bizdirect

During 2007, Bizdirect focused on consolidating its business model, aiming to achieve a critical mass through an expanded customer base, leveraging on the strength of its shareholders (Sonaecom, Aitec and BPI Groups). Bizdirect's main strategic targets are to become the leader in B2B solutions in Portugal and to reinforce its competitive position as a reseller of IT products and services, specifically by partnering with key producers.

In 2007, Bizdirect reinforced its position as service provider to the National Programme for Electronic Procurement and has participated in the roll-out of test projects for electronic purchasing in several ministries (Health, Agriculture, and Environment). Within the same scope, it has delivered services to the Ministry of Culture, the Ministry of Foreign Affairs and other state entities. Through its partnership with Iwaytrade, Bizdirect also provides electronic platform services to the Ministry of Labour and to the Ministry of Education.

Bizdirect has actively participated and provided input to defining the future strategy of the State's electronic purchasing system. In this way, it has contributed to the growth and development of e-commerce within public entities, and helped to simplify their administrative processes.

Saphety

Saphety, established in December 2006 following a spin-off from Sonaecom Fixed, focuses on electronic invoicing as its main strategic business area, and is aiming to become a leading Portuguese player in the area of secure B2B electronic transactions. In line with this strategy, the business has already won the trust of some of Portugal's larger retailers – including Modelo Continente, Jerónimo Martins and Auchan – to operate electronic invoicing for a total of around 3,500 suppliers. During 2007, Saphety consolidated its existing service platforms to

ensure it is capable of meeting the demands of its current customers. In parallel, it developed projects in new sectors such as real estate, car rental and a state entity, expanding its know-how and leveraging its future growth potential. In addition, Saphety continued to seek partnerships with key software houses. The business also participated in several IT events during 2007 as a way of promoting its brand and services.

2.5.2. Operational data

SSI OPERATIONAL KPI's	2006	2006 ^R	2007	y.o.y
IT Serv Revenues/Employee('000 euros) ⁽¹⁾	106,0	114,8	110,9	-3,4%
Equipment Sales as % Turnover ⁽²⁾	32,3%	39,1%	40,8%	1,8pp
Equipment Sales/Employee ⁽²⁾ ('000 euros)	2.323,9	2.323,9	2.673,6	15,0%
EBITDA/Average Employees ('000 euros)	13,2	13,4	11,9	-11,5%
Employees	336	336	467	39,0%

(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 decreased marginally as a result of the integration of the companies acquired in 2007 and their comparatively lower productivity, a natural outcome during integration phases. SSI's IT service revenues per employee reached 110,900 euros in 2007, while equipment sales per employee have increased by 15% to 2.67 million euros in 2007. Total headcount at year-end 2007 increased by 131 to 467 compared to 2006, due to: (i) the consolidation of the companies acquired by WeDo during 2007 (Tecnológica, Cape Technologies and Praesidium); (ii) the launch of Saphety; and (iii) the need for additional internal consultants to support the increased level of activity.

WeDo has achieved a significant enlargement of its international customer base, with new users in a number of different countries (11 new key accounts obtained during 2007), supported by the opening of new local offices in Egypt (to cover the Africa & Middle East regions) and Malaysia (to cover the Asia region). In parallel, WeDo continued to innovate and improve its product portfolio with the launch of new versions of its key revenue assurance solution RAID. These more user-friendly versions feature new modules targeted at the non-telecom market, new functionalities and greater flexibility.

2.5.3. Financial data

Million euros	2006	2006 ^R	2007	y.o.y
SSI CONSOLIDATED INCOME STATEMENT				
Turnover	78,76	65,09	79,51	22,2%
Service Revenues	53,33	39,66	47,05	18,6%
Equipment Sales	25,44	25,44	32,47	27,6%
Other Revenues	27,15	0,50	0,36	-27,8%
Operating Costs	73,87	61,01	75,07	23,0%
COGS	24,49	24,49	31,74	29,6%
Personnel Costs	25,04	17,29	22,24	28,6%
Marketing & Sales	0,94	0,85	1,21	43,4%
Outsourcing Services ⁽¹⁾	14,14	12,09	12,00	-0,8%
General & Administrative Expenses	9,06	6,14	7,54	22,7%
Other Operating Costs	0,21	0,16	0,34	113,0%
Provisions and Impairment Losses	0,26	0,10	0,22	113,5%
EBITDA	31,78	4,48	4,58	2,4%
EBITDA Margin (%)	40,3%	6,9%	5,8%	-1,1pp
Depreciation & Amortization	1,45	1,26	1,73	37,2%
EBIT	30,33	3,22	2,85	-11,3%
Operating CAPEX ⁽²⁾	0,61	0,54	0,71	31,4%
Operating CAPEX as % of Turnover	0,8%	0,8%	0,9%	0.1pp
EBITDA - Operating CAPEX	31,17	3,94	3,87	-1,6%
Total CAPEX	1,36	1,29	27,18	-

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Operating CAPEX excludes Financial Investments, Provisions for sites

SSI turnover increased by 22.2% in 2007 to 79.5 million euros following higher IT equipment sales, which increased by 27.6% to 32.5 million euros, and higher service revenues, up by 18.6%, mainly driven by the 24.4% increase in service revenues at WeDo (14.8% on a like-for-like basis, i.e., excluding the impact of the companies acquired in the year). During 2007, equipment sales represented 40.8% of turnover, similar to the 2006 level, driven by a positive contribution from the sale of computers at Bizdirect, mainly related to the “e-Initiatives” programme launched by the Portuguese Government.

SSI generated an EBITDA of 4.58 million euros in 2007, a 2.4% increase over 2006. All SSI operating companies contributed positively, with the exception of Saphety, a new venture included within SSI from 1Q07. This performance was achieved despite the drop in 4Q07 of WeDo’s EBITDA, caused by the negative contributions and integration costs of the companies acquired in 3Q07. Excluding these effects, WeDo’s EBITDA would have increased by a material 20% in 2007 and generated an EBITDA margin of 14.7%. It should also be noted that as a result of its continuous focus on efficiency, Mainroad was able to achieve a positive EBITDA margin of 11.1%, 4.8pp above 2006.

2.6. Público

2.6.1. Key market developments 2007

With its re-dimensioned cost structure, Público focused during 2007 on executing its new strategy aimed at top line growth based on its redesigned, all-colour newspaper, launched in mid-February. However, the market dynamics have been severe for daily paid generalist press, with circulation decreasing by 2.0%⁴ and advertising revenues, from January to November, decreasing by 1.5%⁵ compared to the same period in the previous year (this number refers to advertising space calculated at reference table figures; competitive pressures in 2007 have led to higher price discounts). During the same period, the free newspapers’ advertising revenues increased by more than 1.5x.

Taking into consideration these market dynamics and as a way of leveraging its news production capacity, Público launched “Sexta” at the end of October 2007 through a 50:50 joint-venture with “A Bola”, a leading daily sports newspaper. The first free weekly newspaper in Portugal, “Sexta” achieved a record production of 350,000 units. Público’s 2007 financial results include, since November, 50% of the cost and revenues of “Sexta” (proportional consolidation).

2.6.2. Operational data

Operational data

PÚBLICO OPERATIONAL KPI's	2006	2007	y.o.y
Average Paid Circulation ⁽¹⁾	44.197	41.765	-5,5%
Market Share of Advertising (%) ⁽²⁾	15,4%	13,8%	-1,6pp
Employees	276	257	-6,9%

(1) Estimated value updated in the following quarter; (2) 4Q07 = November YTD.

Público’s 2007 market share of paid circulation (YTD until September, the latest available information) was of 12.3%, an increase of 0.4pp when compared to 4Q06, the last quarter to include the “old” newspaper, indicating that the restructured product was well received by consumers. However, in 4Q07, average paid circulation decreased by 2.0% when compared to 4Q06 and by 6.0% 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 (estimated to have increased circulation by around 50%). Público’s advertising market share has also been under pressure, reaching an average of 13.8% during 2007, down 1.6pp as compared to 2006. Nevertheless, it is worth noting that Público’s share of advertising increased by 1.1pp between 3Q07 and 4Q07.

⁴ Source: APCT, 9M07 vs 9M06 (latest available data)

⁵ Source: Markttest/Media Monitor

With the integration of its online and offline areas accelerating, Público's online website continued to be the leader in unique visitors and visits in Portugal, recording a monthly average of 19.5 million page views, 3.6 million visitors and 2.6 million unique visitors during 2007⁶. Online advertising, although still small in volume and not enough to compensate the decline of newspaper advertising revenues, almost doubled when compared to 2006, with Público.pt (its online business unit) generating a positive EBITDA for the full year 2007.

"Sexta", the recently launched free weekly newspaper, is still in the initial stages of development but early circulation indicators are positive and the newspaper has been able to meet its 2007 target for advertising revenues.

2.6.3. Financial data

Million euros			
PÚBLICO CONSOLIDATED INCOME STATEMENT			
	2006	2007	y.o.y
Turnover	36,39	33,16	-8,9%
Advertising Sales ⁽¹⁾	15,58	14,27	-8,4%
Newspaper Sales	12,16	11,82	-2,8%
Associated Product Sales	8,65	7,07	-18,3%
Other Revenues	0,39	0,25	-37,1%
Operating Costs	45,49	36,26	-20,3%
COGS	10,39	8,64	-16,8%
Personnel Costs	17,37	11,41	-34,3%
Marketing & Sales	2,99	3,24	8,4%
Outsourcing Services ⁽²⁾	11,27	10,13	-10,1%
General & Administrative Expenses	3,45	2,83	-18,0%
Other Operating Costs	0,03	0,02	-46,7%
Provisions and Impairment Losses	0,08	0,41	-
EBITDA	-8,77	-3,27	62,7%
EBITDA Margin (%)	-24,1%	-9,9%	14,2pp
Depreciation & Amortization	0,76	0,70	-8,1%
EBIT	-9,53	-3,97	58,4%
Operating CAPEX ⁽³⁾	0,36	0,69	93,8%
Operating CAPEX as % of Turnover	1,0%	2,1%	1,1pp
EBITDA - Operating CAPEX	-9,13	-3,96	56,6%
Total CAPEX	0,36	0,69	93,8%

(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.

During 2007, turnover decreased by 8.9% to 33.16 million euros, compared to 36.39 million euros in 2006. All revenue streams decreased compared to LY:

- associated product sales by 18.3%, as the number of collections launched during 2007 (12) was considerably lower than in 2006 (26). Nevertheless, this revenue stream showed signs of recovery in 4Q07 (59.4% higher than 4Q06, following the successful launch of collections such as the "DVD James Bond" and "Portugal, um Retrato Social" – a series of essays about the current Portuguese society)
- advertising revenues down by 8.4%
- newspaper sales down by 2.8% when compared to 2006.

In terms of EBITDA, Público generated a positive result in 4Q07 for the first time since 4Q05. For the full year 2007, Público generated a negative EBITDA of 3.3 million euros, although this represented a 62.7% improvement over 2006 (which included 4.3 million of severance costs). On a like-for-like basis, not considering the severance costs and the impact of "Sexta", Público would still have improved its EBITDA performance by approximately 30%. These results were mainly derived from the restructuring plan implemented during 2006 and beginning of 2007, evidenced by the fact that all costs lines were reduced in 2007, with the exception of marketing and sales (as a result of the costs associated with campaigns to promote circulation). It should also be noted that, despite the lower number of collections, the EBITDA generated by the associated products more than doubled in 2007 when compared to 2006.

⁶ Source: Markttest/Netscope Dec2007

2.7. Sonaecom SGPS individual results

2.7.1. Operational data

Sonaecom SGPS individual results for the years ended 31 December 2007 and 2006 can be summarised as follows:

Sonaecom SGPS Results overview (million euros)	FY06	FY07	Δ	%
Service Revenues	6.2	6.8	0.6	9%
Other Operating Revenues (1)	0.2	0.9	0.6	262%
Operating Costs (2)	(7.7)	(9.0)	(1.3)	16%
EBITDA	(1.3)	(1.3)	(0.0)	3%
Tender Offer results	(22.4)	22.4	44.7	-
EBIT	(23.8)	21.0	44.7	-
Dividend Received	33.0	38.6	5.6	17%
Net Financial Activity	(0.2)	7.5	7.6	-
Other Financial Results	0.0	(82.4)	(82.4)	-
EBT	9.1	(15.3)	(24.5)	-
Net Income	9.1	(15.3)	(24.5)	-

(1) Excluding the revenues associated with tender offer

(2) Excluding depreciation and amortisation, provisions and tender offer costs

In 2007, Sonaecom generated service revenues of 6.8 million euros, essentially comprising services provided to its subsidiaries in relation to:

- Managing the regulatory environment
- Support in seeking new financing
- Group internal audit and risk management
- Fiscal and legal support
- Temporary assignment of employees to subsidiaries.

Sonaecom's corporate centre employed 39 people, of which, 16 were assigned to the Shared Services Division. In 2007 total staff costs amounted to 5.2 million euros compared to the 4.7 million euros registered in 2006. At 31 December 2007, total corporate centre costs represented approximately 0.7% of Group consolidated turnover (in line with 2006). Total operating expenses (excluding depreciation and amortisation charges and provisions and tender offer costs) amounted to 9 million euros, compared to 7.7 million euros for the same period of 2006. The 1.3 million euros increase was due to 2007 higher staff costs associated with higher variable remunerations driven by the 2006 KPI over performance.

EBITDA was a negative 1.3 million euros compared to a negative 1.3 million euros reported in 2006.

The extraordinary opposite impacts related to the tender offer led to a year-on-year asymmetric EBIT evolution: EBIT was a positive 21.0 million euros compared to a negative 23.8 million euros registered in 2006. During 2006, Sonaecom incurred in 22.4 million euros of extraordinary specialized consultancy services contracted to support the tender offer process for PT and during 2007, Sonaecom decided to invoice all tender offer costs to subsidiaries, specifically to those that benefited from those consultancy costs.

Sonaecom's SGPS main source of financial income was the 38.6 million euros dividends received from Optimus (4.5 million euros) and Sonae Telecom SGPS (34 million euros).

Net financial activity (interest income less interest expenses) was a positive 7.5 million euros, 7.7 million euros above 2006, driven by the fact that in 2006 Sonaecom SGPS had to account for 8.5 million euros in relation to a cash confirmation to support the tender offer process for PT.

Net results for the year were negative 15.3 million euros mainly due to the extraordinary capital loss of 82 million euros incurred in respect of the liquidation of Sonae Matrix Multimedia SGPS.

2.7.2. Financial data

The following table summarises the major cash movements that occurred during 2007:

Changes in Sonaecom SGPS Liquidity	million euros
Sonaecom SGPS stand-alone liquidity as at 31 December 2006	91.0
Commercial Paper Programme (CPP)	225.0
Treasury applications from subsidiaries received (repaid)	(69.0)
Net Acquisitions and subordinated Shareholder Loans repaid (granted)	220.8
Acquisition of Matrix Share on Sonaecom Serviços de Comunicações	(29.0)
Acquisition of Tele2	(14.6)
Acquisition of Own Shares	(8.9)
Acquisition of Artis	(0.1)
Proceeds from the sale of 1% of Shareholding at Portugal Telecom to Sonaecom BV	106.2
Reimbursement of Matrix SGPS Subordinated Shareholder loans	70.3
Reimbursement of Sonae Telecom SGPS Subordinated Shareholder loans	76.5
Reimbursement of Matrix Share Capital	20.0
Proceeds from the Sale of Sonae SGPS Shares	0.4
Net Shareholder loans repaid (granted)	(374.7)
Sonaecom Serviços de Comunicações	(190.9)
Sonaecom BV	(120.7)
Sonae Matrix SGPS	(61.3)
Sonaetelecom BV	(0.4)
Sonaecom Sistemas de Informação	(0.4)
Tele2	(1.0)
Sonaecom financial movements	52.7
Interest paid	(11.3)
Dividend Received	38.6
Interest received	13.20
Operational Inflows	43.90
Operational expenses and others	(31.7)
Total movements in the period	54.8
Sonaecom SGPS stand-alone liquidity as at 31 December 2007	145.8

During 2007, Sonaecom's stand-alone liquidity increased 54.8 million euros and gross nominal external debt increased by 225 million euros as a result of the new commercial paper facility, which allowed us to refinance the Optimus term debt facilities and ensure improved cash management, greater financial flexibility and a material improvement in our debt maturity profile.

However, Sonaecom SGPS liquidity was also influenced by acquisition-related investments, changes in subordinated and non-subordinated shareholder loans, and Sonaecom SGPS operating free cash flow, as described below:

A. Commercial Paper Programme (CPP) – 225 million euros increase

During 2007, Sonaecom completed the negotiation of a 250 million euros committed underwritten commercial paper programme ("CPP") with guaranteed subscription and a final maturity of five years. Sonaecom's gross debt is now fully contracted by Sonaecom SGPS and internal funding movements are used to allocate cash between our subsidiaries. As part of this new internal funding process, Sonaecom SGPS is using shareholder loans and/or treasury applications, depending on the expected maturity of amounts lent to subsidiaries.

At year end, Sonaecom SGPS' gross debt comprised two long term facilities: (1) a 150 million euros Bond issue; and (2) the 250 million euros committed underwritten CPP.

B. Treasury applications from subsidiaries – 69 million euros decrease

During the refinancing process, Optimus used all its outstanding treasury applications placed at Sonaecom SGPS to repay debt and improve its financial structure. Therefore, during 2007, Optimus treasury applications in Sonaecom SGPS were extinguished.

C. Net acquisitions and subordinated shareholder loans

Net acquisition and subordinated shareholder loans, represented a positive inflow of 221 million euros, which were driven by movements in our portfolio that can be summarised as follows:

Major inflows:

- Proceeds from the sale, in 2006 and settled in 2007, of the 1% stake in PT for a consideration of 106.2 million euros to Sonaecom BV;
- Sonae Matrix and Sonae Telecom SGPS reimbursed subordinated shareholder loans of 70.3 million euros and 76.5 million euros, respectively;
- Sonae Matrix SGPS, as part of the liquidation process, repaid 20 million euros (share capital);
- Proceeds of 0.4m from the sale of Sonae SGPS Shares.

Major outflows:

- Acquisition of Sonae Matrix shareholding in “Sonaecom Serviços de Comunicações” for a consideration of 29 million euros;
- Acquisition of Tele2 Portugal (14.6 million euros);
- To cover the MTIP responsibilities, Sonaecom SGPS invested 8.9 million euros in the acquisition of own shares during 1Q07;

D. Net shareholder loans – 374.7 million euros increase

During 2007, total shareholder loans applied by Sonaecom SGPS in subsidiaries, increased by 374.7 million euros:

- As a result of the refinancing process, Sonaecom SGPS placed 246.4 million euros at “Sonaecom Serviços de Comunicações, S.A.”, of which: (i) 190.9 million euros were granted as shareholder loans; and (ii) the remaining 55.5 million euros as treasury applications
- Placement of approximately 120.7 million euros at Sonaecom BV, to finance the acquisition of 1% shareholding in PT from Sonaecom SGPS and to face other tender offer costs incurred by Sonaecom BV during 2006
- Sonaecom has also placed additional 61.3 million euros at Sonae Matrix SGPS, to fund the company’s dissolution.

E. Sonaecom financial movements – positive 52.7 million

Sonaecom SGPS’ operational and financial activity generated a net inflow of 52.7 million euros which was essentially driven by the following movements:

- A considerable inflow of circa 29 million euros, driven by the decision to charge all tender offer-related costs to subsidiaries (based on the principle that the benefits resulted from the consultancy and other costs incurred during the tender offer positively impacted those subsidiaries)
- Dividends of 38.6 million euros received from Optimus and Sonae Telecom SGPS of 4.6 million euros and 34 million euros, respectively
- A positive net financial activity of 1.9 million euros, which has resulted from the funds placed at subsidiaries
- Payments of 11.4 million euros associated with the various consultancy services in relation to our tender offer process
- Payments of higher variable remunerations and stock incentive plans related with 2006 KPIs performance.

2.8. Our people

At Sonaecom, our people make the difference.

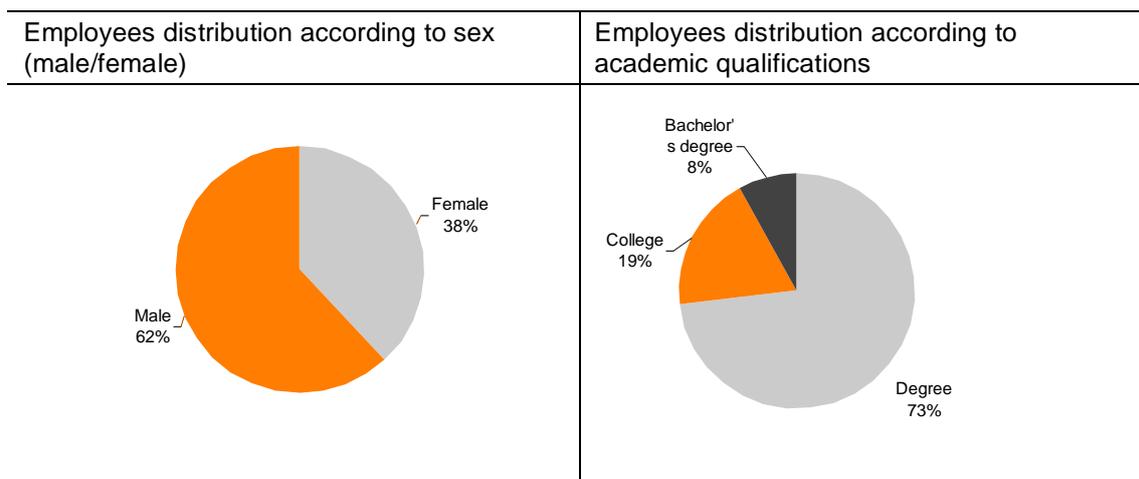
Throughout 2007, our Human Resources team focused on fostering a working culture in which our people feel motivated and empowered to progress their personal and professional development while remaining focused on our shared vision.

With an average age of 34, our people combine youth, dynamism, resilience and spirit with a talent for learning and willingness to innovate. Determined and tenacious, most Sonaecom employees have university degrees and thrive on the challenges posed by the educational programmes we give them at work.

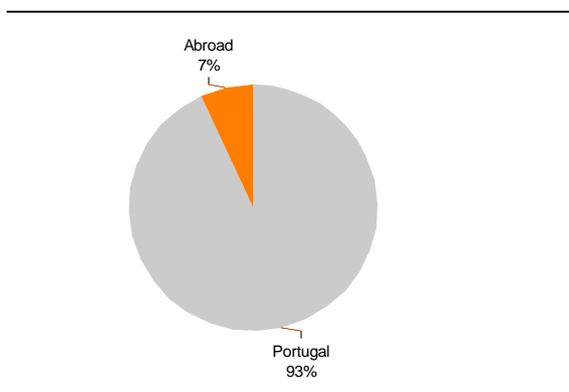
During the year, we streamlined our processes to enhance the way we manage and engage our people, helping them to make an even greater contribution to our collective success by enabling them to improve their personal performance.

Facts about Sonaecom employees

Sonaecom employed 1,961 people at 31 December 2007, which generated total staff costs of approximately 95 million euros. The acquisition of Tele 2 Portugal, Cape Technologies and Praesidium during 2007 resulted in a slight increase in overall employee numbers relative to 2006 alongside an increase in the number of staff located outside of Portugal (141 permanent employees).



Geographical Distribution of Employees



Training

Technology advances, structures change, tools become more sophisticated and knowledge evolves. Companies and organisations are driven by people and processes that will only adapt and develop in a culture of continuous learning.

Better-trained employees, with stronger skills and competences, are essential to making Sonaecom a more robust company, better prepared to face the challenges posed by the market and our customers. Therefore, we continue to place great emphasis on training investment.

To this end, Sonaecom provides a diversified range of training opportunities:

- (1) The **Sonaecom Learning Centre (SCLC)** represents a significant part of our investment in training and seeks to sustain our employees' career development in a focused and proactive manner.

The SCLC is a centralised educational facility, aggregating most training activities, aimed at all employees in the various business areas within our organisation, as well as to all our commercial partners. It acts as the principal tool for spreading our culture and values, as well as for the development of core management and technical competencies at Sonaecom.

During 2007, the SCLC organised 35 training initiatives, totalling approximately 26,000 hours and involving 626 employees.

- (2) **Financing of post-graduate studies, particularly MBA degrees**, either in Portuguese and foreign universities, and executive training in international management schools.

Due to their nature, these programmes have a very significant impact on career development, aiming to reinforce the technical, managerial or leadership skills of our most talented employees, so that they may successfully further develop key competencies. With this objective in mind, Sonaecom maintains an incentive policy for this type of training, having backed 19 employees who attended post-graduate and/or MBA courses in 2007.

- (3) **Sales Academies** aimed at all our Commercial Partners across our various segments, including Business and Residential, have the objective of creating the best sales force within the telecommunications sector by focusing on four main pillars: recruitment, training, motivation and evaluation.

Sonaecom also intends to add value to its training provision by developing e-learning and other technological solutions capable of encouraging the development of critical competences, while making use of the advantages created by information technology.

HR management model and internal performance evaluation

During 2007, Sonaecom introduced a new Human Resources management model across all organisation levels, based on a new competence model. Consequently, the company has updated its performance evaluation process, aligning it with the new competence model.

The need for continuous employee alignment to meet our business challenges has led Sonaecom to implement once again the mid-year performance evaluation process, now regularly performed at the end of the first semester.

HR Online employee portal

Sonaecom has been developing a Web Interface ("HR Online") for its core Human Resources processes and information. Available across the entire organisation, its purpose is to enhance process efficiency and quality while improving the management of teams and people.

In 2007, most key Human Resources processes and information were supported by this tool, which provides managers with better organisation, control and integration. Serving everyone in Sonaecom, HR Online acts as an effective communication channel between employees and the company. It also gives them real time access to a unique and comprehensive body of HR information.

Working environment

The way that our people feel about Sonaecom's social environment provides an important measure of the organisation's strengths while highlighting areas for improvement.

In total, 1,663 employees, representing 89% of the workforce, took part in the Annual Social Environment Survey conducted in April 2007. This survey is designed to evaluate employees' views on a series of critical factors such as how satisfied they are with their work team and the company; customer orientation; leadership; professional development; and compensation and benefits.

The most notable results of the 2007 survey include the high participation rate, reflecting a stronger employee involvement in this process; and a relatively high employee satisfaction index when compared to the majority of other factors analysed. This trend follows the upward trend recorded after previous surveys.

Work safety, hygiene and health (WSHH)

Sonaecom believes that promoting safety and health at work should be part of an integrated, global programme involving its employees. During 2007, a group of 37 employees received training aimed at consolidating the implementation of the Work Safety, Hygiene and Health (WSHH) system. This group received specific training, having been given the task of monitoring and assisting adequate execution of prevention activities within the various Sonaecom facilities.

A WSHH manual was also updated and distributed to all employees. It included guidelines for the implementation of good practices in daily work, enhancing employee communication and improving health and safety at work.

2.9. Our telecoms network

During 2007, Sonaecom continued to focus on the evolution of its network to ensure it is able to fulfil and exceed the requirements of the market and its customers.

New services and usage patterns are demanding ever faster data speeds, downloading and streaming video over both fixed and mobile platforms. In Sonaecom's IP based architecture network, video, voice and data become indistinguishable, while a varied set of devices – PCs, handsets, TVs, consoles, MP3 players, navigators – are capable of performing as terminals for advanced telecommunications and entertainment services, regardless of the underlying means of access (fixed or mobile).

Further reductions in operating costs were achieved during 2007, mainly by exploring infrastructure sharing opportunities with other operators and through the development of environmentally friendly projects aiming to reduce energy consumption and the use of renewable energies, with emphasis on energy micro-generation.

Core and services

During 2007, several Next Generation Network (NGN) projects continued to be deployed towards a more advanced convergent network.

Sonaecom merged both fixed and mobile switching networks and migrated to an all IP switching architecture. Achieving added flexibility and significant savings, Sonaecom is using this common platform to fully exploit the capacity and capillarity of the two access networks, mobile and fixed.

Through this approach, Sonaecom is a pioneer in the use of this network architecture, and is leading the telecommunications market with technological innovations in this area. Sonaecom was the first Portuguese operator to start deploying an IMS framework (IP Multimedia Subsystem), a platform with important key advantages such as: the integration of several voice functionalities originating from different terminal devices, including computers; flexibility, due to the excellent adaptation to activities from different segments and dimensions; mobility, allowing for the convergence of fixed-mobile products; and innovation, opening the door to a number of new and revolutionary services, such as VoIP Centrex business solutions.

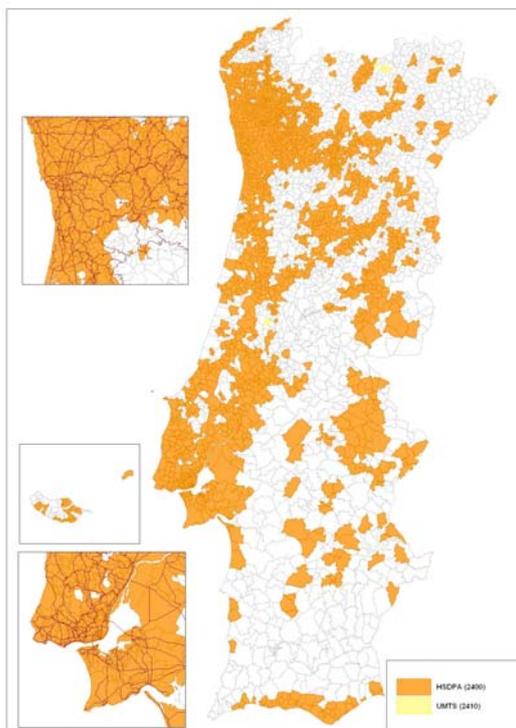
The next step will involve the deployment of a centralised service architecture, enabling the maximization of synergies by fully supporting the two access networks, fixed and mobile, and leveraging the development of new and convergent services.

Sonaecom's IPTV platform, the first to be launched in Portugal, was upgraded with new encoders, improving image quality while already supporting MPEG-4, the latest and most advanced sound and image compression format currently available. With this deployment, as MPEG-4 allows for higher compression ratios, Sonaecom has enlarged its IPTV addressable market and will be able to support High Definition Television (HDTV) over IPTV.

Mobile access network

During 2007, Sonaecom continued to invest in its mobile access network, extending its UMTS coverage, deploying new sites, reinforcing network capacity, carrying out upgrades in the existing UMTS network, while updating various elements of the network to ensure widespread support of HSDPA technical evolutions, essential for the launch and massification of mobile broadband internet access with increasingly fast transmission rates.

HSDPA coverage



At the end of 2007, Sonaecom had approximately 80% population coverage with UMTS and over 75% population coverage with HSDPA technology, allowing the business to offer mobile broadband services with speeds up to 7.2 Mbps.

The network upgrades in 2007 enabled the launch of services with uplink speeds up to 384 Kbps (compared to the previous 64 Kbps), significantly contributing to an improved customer experience.

Additionally, Sonaecom will soon be able to offer services with even faster uplink speeds of up to 1.54 Mbps, based on HSUPA (High Speed Uplink Packet Access), a technology already tested by Sonaecom in 2007 in two specific geographical areas.

During 2007, Sonaecom replaced significant parts of its 3G and 3.5G radio access equipment, ensuring that its network is strongly placed to benefit from upcoming technological roadmaps while optimising space usage and energy consumption.

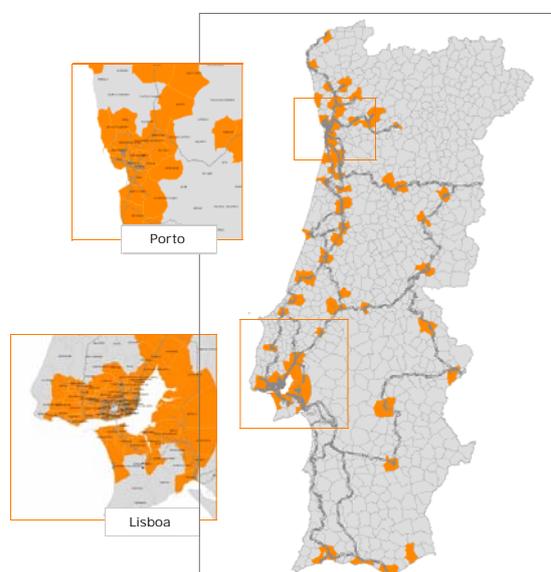
It is also worth highlighting that, during 2007, Sonaecom, jointly with the other mobile operators, implemented a shared project to improve the coverage and quality of the service aboard the high-speed “Alfa-Pendular” trains between Porto and Lisboa. As part of this project, repeaters were installed in all train carriages, resulting in significant improvements to the voice and data services provided to all passengers

Fixed access network

In 2007, Sonaecom extended its direct access network coverage to an additional 25 Central Offices (“CO”), reaching a total of 169 unbundled exchanges. Of these, 161 are ADSL2+-enabled, reaching approximately 1.7 million lines, equivalent to a 55% coverage of the total number of copper lines.

The additional ADSL2+-enabled COs further enlarged the addressable market for business and residential broadband and voice fixed telecommunications services. IPTV services are now available in approximately 70% of the unbundled exchanges, also expanding Sonaecom triple play coverage.

ULL coverage



The growth in coverage and capillarity across Sonaecom's network has been partially driven by its presence in the corporate segment, as a provider of connection circuits supported over xDSL and EFM (Ethernet First Mile) technologies, and by its mobile operations, as a way of ensuring the interconnection infrastructure for the GSM and UMTS access network sites over its own network. With this approach, Sonaecom has been continuously decreasing its dependence on third parties, specifically the incumbent, and achieving significant operational cost savings associated with transmission.

Because services are requiring ever faster speeds and due to the fact that upstream speeds may become a relevant constraint for future customer experiences, Next Generation Access Networks are now starting to be deployed as more symmetrical services become reality. During 2007, Sonaecom launched a number of Fibber-to-the-Home (FTTH) tests and implementations, testing both the access technologies and several emerging Home Networking solutions.

2.10. Our information systems and quality certification

Information systems

We can group Sonaecom's information systems initiatives during 2007 into three broad categories: management of information systems assets; development of solutions for the business and operational innovation and improvements.

Of the various initiatives related to the management of information system assets, we highlight the following events:

- Implementation of the IT Governance Tool, which is capable of supporting management and decision processes relating to IT processes
- Renewal of the applications architecture
- Applications usability: we reviewed the main applications used in the company that provide user interfaces. The key aim was to allow for productivity gains to the application users, particularly call-centre operators
- Integrations: during 2007, Sonaecom undertook an important number of acquisitions with impact on its business support systems. The acquisition of ONI's residential and SOHO customer base led to the integration of these customers into Sonaecom's systems (namely invoicing and customer service). In parallel with these acquisitions, the merger between Optimus and Novis led to the completion of a project to integrate the accounting and financial system of both companies into a single system.

With respect to area of development of solutions for the business, the following 2007 events should be noted:

- Fixed-mobile convergence: In support of the business strategy, the integration between the mobile and wireline network support and provisioning systems was further developed during 2007, allowing for the launch of convergent products in the market
- Restructuring of the www.optimus.pt website: the Optimus site was completely reformulated with a focus on better customer service. The actual launch of the new site took place at the beginning of 2008, as part of the repositioning of the Optimus brand. The main objective of the renewal was to improve the interaction between customers and the company, and to enlarge the scope of available services
- Kanguru under the e-Initiatives programme: we provided the means for students and teachers to register and subscribe to this programme, by developing the necessary support tools, with total integration between the registration site and the logistic systems for the delivery of the equipment to the subscribers
- Launch of the "Ideas Market": in 2007 we launched a system developed internally for the management and assessment of ideas from employees.

Finally, in terms of the Operational Innovation and Improvements component, we should highlight, among the several initiatives undertaken during 2007, the following processes:

- "Webization" of document management: It is now possible, from any workstation with a Web browser, to manage digital or digitalised documents at Sonaecom. This service will also be available to Sonaecom business partners, who will be able to access the documents necessary for their activities
- Implementation of the "Single sign-on": a tool was introduced at Sonaecom that allows users to introduce "login" data only once and have automatic access to all required applications, delivering improved productivity and security
- Management of outsourcers: we selected and implemented a tool to manage the services carried-out by external installers (outsourcing services), which we integrated with Sonaecom's provisioning systems, achieving a solution that permits the effective

control of the installations at our customers' premises while controlling the agenda and bookings of each installer

- Automatic provisioning on the Wireline Network: during 2007 we completed the automation of the provisioning of the voice and ADSL services on our Wireline network. As part of a pioneering implementation among wireline operators, services are now directly activated from the commercial systems to the network's switches and soft-switches without any human intervention.

Quality

In November 2007, Sonaecom obtained the extension of its Quality Management System (QMS) certification. This covers all business processes, specifically the mobile and wireline communication services, in our telco subsidiaries Sonaecom – Serviços de Comunicações, S.A. and Optimus Towering, S.A.

The certification audit was carried out by APCER – Associação Portuguesa de Certificação (the national certification entity), in accordance with the NP EN ISO 9001:2000 – Quality Management Systems. The team that performed this audit process highlighted some of the companies' key strengths:

- The strategic planning process, and the definition of indicators and objectives
- The organisation's technical competence
- Sonaecom's awareness of current Quality standards and their positioning within the planned guidelines
- The commitment and dedication of the employees contacted during the audit
- For the sixth consecutive year, no non-conformities were registered.

The 2007 Quality Management process has been running alongside the Complaints Management project, to ensure that the requisites of the NP EN ISO 9001 standard are also fulfilled when it comes to the handling of complaints and information transmitted to our customers.

3. Our management

Management changes in 2007

In line with the management changes proposed by the Sonae Group on 20 March 2007, Belmiro de Azevedo resigned as the Chairman of Sonaecom at Sonaecom's Board meeting held on 24 April 2007. Paulo Azevedo was elected to take over his position alongside his new role as CEO of Sonae SGPS. At the same time, Angelo Paupério was co-opted to the Sonaecom Board and elected as the new CEO of the company.

Composition of Board of Directors and appointed Committees

Sonaecom's Board of Directors and appointed Committees

	Executive ⁽¹⁾	Non-Executive ⁽²⁾		Audit and Finance Committee	Nomination and Remuneration Committee
		Independent ⁽³⁾	Non-Independent		
CHAIRMAN					
Duarte Paulo Teixeira de Azevedo					
DIRECTORS					
António Sampaio e Mello					
David Charles Denholm Hobley					
Gervais Gilles Pellisser					
Jean-François René Pontal					
Angelo Gabriel dos Santos Paupério (CEO)					
George Christopher Lawrie					
Luís Filipe Campos Dias Reis					
Maria Cláudia Teixeira de Azevedo					
Miguel Nuno Santos Almeida					

(1) Executive Directors = members of the Board of Directors and Executive Committee, with executive management responsibilities; (2) Non-Executive Directors = members of the Board of Directors, without executive management responsibilities; (3) independent Non-Executive Directors = directors not associated with any specific interest groups in the Company or Groups which are, under any circumstance, capable of affecting their objectiveness.

Board of Directors

The Board of Directors' principal role is to supervise the management of Sonaecom's businesses, monitor risks and help develop the Group's goals and strategy. It is also responsible for the remuneration and other compensation policy covering the Group's employees.

The qualifications and professional experience of members of the Board of Directors are detailed in 3.1 below.

COMPOSITION

CHAIRMAN

Paulo Teixeira de Azevedo

EXECUTIVE DIRECTORS

Angelo Gabriel dos Santos Paupério (CEO)

Luís Filipe Reis

Christopher Lawrie (CFO)

Cláudia Teixeira de Azevedo

Miguel Nuno Almeida

NON-EXECUTIVE DIRECTORS

António Sampaio e Mello

David Charles Denholm Hobley

Jean-François René Pontal

Gervais Gilles Pellissier

According to CMVM Regulation no. 10/2005, there are no circumstances that may affect the Independent Non-Executive Directors' analysis or decision making capabilities and these Directors, as well as the other Non-Executive Directors, exercise an important influence over the decision-making process and the development of company strategy and policy. Sonaecom's Board of Directors exhibits a healthy balance between the total number of Non-Executive Directors and the number of Independent Non-Executive Directors.

Executive Committee

Sonaecom's Executive Committee manages and executes Sonaecom's day-to-day operations under formal delegated powers from the Board of Directors.

COMPOSITION

In addition to the five Executive Directors named above, Sonaecom's Executive Committee also comprises the following Advisors to the Board of Directors:

António Lobo Xavier

Date of Birth: 16 October 1959

Academic Qualifications: Degree in Law and Master in Economic Law, both from the University of Coimbra.

Professional Experience: Member of the Board or Committees of a number of public institutions and private companies.

Pedro Ramalho Carlos

Date of Birth: 12 August 1964

Academic Qualifications: Degree in Electronics Engineering and Master in Engineering and Computer Science from the IST in Lisbon.

Professional Experience: Executive Director of Novis, responsible for the areas of network and systems.

The roles and responsibilities of the Executive Management Team, under the recently announced reorganisation, are detailed in the table below:

Executive Management Team and their roles

CEO	Executive Director Telco	Executive Director CFO	Executive Director CL&RO	Executive Director Residential Markets	Executive Director Corporate & Wholesale Markets	Executive Director Media/SSI businesses
Angelo Paupério	Luís Reis	Chris Lawrie	António Lobo Xavier ⁽¹⁾	Miguel Almeida	Pedro Carlos ⁽¹⁾	Cláudia Azevedo
Group CEO	Human Resources IT/IS Network Internal Communication	Corporate Finance Planning & Control Internal Audit Accounting & Finance Facilities Investor Relations	Legal Regulation Public Relations Fiscal Planning Sustainability	Mobile & Fixed Residential Mass Business Central Marketing	Corporate Wholesale/Roaming Customer Service Handset Sourcing & Logistics New Business/Innovation	Media SSI

(1) Advisors to the Board of Directors.

3.1. Qualifications of the Board of Directors

Duarte Paulo Teixeira de Azevedo

Date of Birth:

31 December 1965

Academic Qualifications:

Degree in Chemical Engineering from the École Polytechnique Federal de Lausanne; MBA from the Institute of Business Studies of Porto University.

Professional experience:

CEO of Sonae SGPS, SA, Non-Executive Director of Sonae Indústria, CEO of Sonaecom; CEO of Optimus; Executive Director of Modelo Continente.

Responsibilities at Sonaecom:

Chairman of the Board of Sonaecom; Chairman of the Board Nominations and Remunerations Committee.

Ângelo Gabriel Ribeirinho dos Santos Paupério**Date of Birth:**

14 September 1959

Academic Qualifications:

Degree in Civil Engineering at Porto University. MBA from ISEE- Instituto Superior de Estudos Empresariais of Porto University.

Professional experience:

Executive Vice-President of Sonae S.G.P.S.,SA, Director of Sonae Distribuição, S.G.P.S., SA and Sonae Sierra, S.G.P.S.,SA.

Invited lecturer at Instituto Superior de Estudos Empresariais of Porto University.

Responsibilities at Sonaecom:

CEO of Sonaecom.

Luís Filipe Campos Dias de Castro Reis**Date of Birth:**

29 January 1962

Academic Qualifications:

Degree in Medicine from the Faculty of Medicine of Coimbra University; MBA in Business Management from the Higher Institute of Business Studies of Porto University; Doctorate in Economics from the Complutense University in Madrid; attended SEP – Stanford Executive Program at Stanford University.

Professional experience:

Executive Director of Optimus; CEO of Novis; Non-Executive Director of Sonaecom Sistemas de Informação. Previously, he has been an Executive Director of Modelo Continente; Chairman of Banco Universo; Marketing Director of Sonae Distribuição.

Responsibilities at Sonaecom:

Executive Director of Sonaecom.

George Christopher Lawrie**Date of Birth:**

13 October 1957

Academic Qualifications:

Degree with distinction in Business Studies and Finance from Thames University, in England.

Professional experience:

Member of the Board of Directors of Sonaecom Serviços de Comunicações and WeDo. Previously advisor to the Board of Directors and to the Executive Committee of Sonaecom; worked in investment banking in the areas of M&A, general advisory, equity capital markets and debt financing (covering Southern Europe); Director at Credit Suisse First Boston in its European Telecoms Group, Director at BZW; worked in Schrodgers in the banking and corporate finance divisions.

Responsibilities at Sonaecom:

Executive Director and CFO of Sonaecom.

Maria Cláudia Teixeira de Azevedo**Date of Birth:**

13 January 1970

Academic Qualifications:

Degree in Business Studies from the Universidade Católica do Porto and MBA from INSEAD (Fontainebleu).

Professional experience:

Member of the General Council of Público; Executive Director of Sonaecom Sistemas de Informação (SSI) Previously, she has been an Executive Director of Sonae Matrix Multimedia residential unit; Marketing Director of Optimus.

Responsibilities at Sonaecom:

Executive Director of Sonaecom – Media and SSI.

Miguel Nuno Santos Almeida**Date of Birth:**

15 March 1967

Academic Qualifications:

Degree in Mechanical Engineering from the Faculty of Engineering of Porto University; MBA from the INSEAD, Fontainebleau.

Professional experience:

Executive Director of Optimus, responsible for the areas of Marketing & Sales; Non-Executive Director of WeDo. Previously, he has been Marketing Director of Modelo Continente.

Responsibilities at Sonaecom:

Executive Director of Sonaecom – Residential Markets.

António Sampaio e Mello

Date of Birth:

29 January 1955

Academic Qualifications:

Phd in Economics, London Business School; MBA, Columbia University; Master In Economics, Columbia University; B.Sc in Engineering, Technical University of Lisbon.

Professional experience:

Managing Director of Bank Robert Baird, Head of Corporate Finance of Banco Comercial Português; Head of Economic Research and Statistics of the Central Bank of Portugal; past president of the European Financial Management Association; Board member of the US Financial Management Association; Professor at MIT; President of the Social Sciences and Humanities Commission at the Junta Nacional de Investigação Científica e Tecnológica.

Responsibilities at Sonaecom:

Independent Non-Executive Director of Sonaecom; Member of the Board Audit and Finance Committee.

David Charles Denholm Hobley**Date of Birth:**

9 December 1946

Academic Qualifications:

Fellow of the Institute of Chartered Accountants of England and Wales.

Professional experience:

Managing Director of Deutsche Bank AG, London; Director of certain Orange Group companies.

Responsibilities at Sonaecom:

Non-Executive Director of Sonaecom; Member of the Board Audit and Finance Committee.

Gervais Gilles Pellissier**Date of Birth:**

14 May 1959

Academic Qualifications:

Degree in Business Law (Université Paris XI); graduation of HEC (International Management – joint program with Berkeley University and the University of Cologne).

Professional experience:

Member of France Telecom Group Management Committee; Senior Vice President in charge of Finance and Spain Operations. Previously he supervised the operational and geographic integration of France Telecom's businesses in Spain; Vice Chairman of the Board of Bull.

Responsibilities at Sonaecom:

Non-executive Director of Sonaecom.

Jean-François René Pontal**Date of Birth:**

17 April 1943

Academic Qualifications:

Degree in Engineering from the Centre d'Études Supérieures des Techniques Industrielles, in France.

Professional experience:

Previously, he has been CEO of the Spanish branch of Carrefour – PRYCA; Member of the Board of Directors of Carrefour; Group Executive Vice-President in charge of Mass Market Products & Services of France Telecom; CEO of Orange.

Responsibilities at Sonaecom:

Independent Non-Executive Director of Sonaecom; Chairman of the Board Audit and Finance Committee; Member of the Board Nominations and Remunerations Committee.

3.2. Other offices held by members of the Board of Directors

Duarte Paulo Teixeira de Azevedo**Offices held in companies in which Sonaecom is a shareholder:**

Does not hold any office in any company in which Sonaecom is a shareholder.

Other Offices held:

Efanor Investimentos, SGPS, S.A. (Member of the Board of Directors, Non-Executive)
 Imparfin, SGPS, S.A. (Member of the Board of Directors, Non-Executive)
 Imparvi, SGPS, S.A. (Member of the Board of Directors, Non-Executive)
 Migracom, SGPS, S.A. (Chairman of the Board of Directors, Non-Executive)
 Sonae, SGPS S.A. (Member of the Board of Directors, CEO)
 Sonae Capital, SGPS, S.A. (Member of the Board of Directors, Non-Executive)
 Sonae Distribuição, SGPS, S.A. (Chairman of the Board of Directors, Non-Executive)
 Sonae Indústria, SGPS, S.A. (Member of the Board of Directors, Non-Executive)
 Sonae Sierra, SGPS, S.A. (Chairman of the Board of Directors, Non-Executive)

Ángelo Gabriel Ribeirinho dos Santos Paupério

Offices held in companies in which Sonaecom is a shareholder:

Be Artis, S.A. (Chairman of the Board of Directors, Non-Executive)
 Público – Comunicação Social, S.A. (Chairman of the General and Supervisory Board)
 Sonaecom Telecom, SGPS, S.A. (Chairman of the Board of Directors, Non-Executive)
 Sonaecom – Serviços de Comunicações, S.A. (Chairman of the Board of Directors, Executive)
 Sonaecom - Sistemas de Informação, SGPS, S.A. (Chairman of the Board of Directors, Non-Executive)
 WeDo Consulting, S.A. (Chairman of the Board of Directors, Non-Executive)

Other offices held:

Cooper Gay (Holdings) Limited (Member of the Board of Directors, Non-Executive)
 MDS – Corretor de Seguros, S.A. (Member of the Board of Directors, Non-Executive)
 Resolução SGPS, S.A. (Member of the Board of Directors, Non-Executive)
 Sonaecom SGPS, S.A. (Member of the Board of Directors, Executive)
 Sonaecom Financial Participations B.V. (Managing Director)
 Sonaecom Investments, B.V. (Managing Director)
 Sonaecom Distribuição SGPS, S.A. (Member of the Board of Directors, Non-Executive)
 Sonaecom Sierra SGPS, S.A. (Member of the Board of Directors, Non-Executive)
 Sontel B.V. (Managing Director)

George Christopher Lawrie

Offices held in companies in which Sonaecom is a shareholder:

Be Artis, S.A. (Member of the Board of Directors, Non-Executive)
 Sonaecom B.V. (Managing Director)
 Sonaecom – Serviços de Comunicações S.A. (Member of the Board of Directors, Executive)
 WeDo Consulting – Sistemas de Informação, S.A. (Member of the Board of Directors, Non-Executive)

Other offices held:

Does not hold any office in any other company

Luís Filipe Campos Dias de Castro Reis

Offices held in companies in which Sonaecom is a shareholder:

Be Artis, SA (Member of the Board of Directors – Executive)
 Be Towering – Gestão de Torres de Telecomunicações, SA (Chairman of the Board of Directors)
 Público – Comunicação Social, SA (Member of the General Council)
 Sonaecom B.V. – Managing Director
 Sonaecom – Serviços de Comunicações, SA (Member of the Board of Directors – Executive)
 Sonaecom – Sistemas de Informação, SGPS, SA (Member of the Board of Directors – Executive)
 Sonaecom Telecom, SGPS, SA (Member of the Board of Directors of Directors – Executive)
 Telemilénio – Telecomunicações, Sociedade Unipessoal, Lda (Managing Director)
 WeDo Consulting – Sistemas de Informação, SA (Member of the Board of Directors – Non-Executive)

Other offices held:

Does not hold any office in any other company.

Maria Cláudia Teixeira de Azevedo

Offices held in companies in which Sonaecom is a shareholder:

Digitmarket – Sistemas de Informação, S.A. (Chairman of the Board of Directors)
 Mainroad – Serviços de Tecnologias de Informação, S.A. (Chairman of the Board of Directors)
 Miauger – Organização e Gestão de Leilões Electrónicos, S.A. (Chairman of the Board of Directors)
 Netmall, SGPS, S.A. (Chairman of the Board of Directors)
 Público Comunicação Social, S.A. (Member of the General Council)
 Saphety Level – Trusted Services, S.A. (Chairman of the Board of Directors)
 Sonaecom Serviços de Comunicações, S.A. (Member of the Board of Directors)
 Sonaecom Sistemas de Informação, S.A. (Member of the Board of Directors)
 WeDo Consulting, Sistemas de Informação, S.A. (Member of the Board of Directors)

Other offices held:

Efanor - Serviços de Apoio à Gestão, S.A. (Chairman of the Board of Directors, Non-Executive)
 Efanor Investimentos, SGPS, S.A. (Member of the Board of Directors, Non-Executive)
 Fundação Belmiro de Azevedo (Member of the Board of Directors, Non-Executive)
 Imparfin, SGPS, S.A. (Member of the Board of Directors, Non-Executive)
 Linhacom, SGPS, S.A. (Chairman of the Board of Directors, Non-Executive)
 Praça Foz – Sociedade Imobiliária, S.A. (Member of the Board of Directors, Non-Executive)

Miguel Nuno Santos Almeida

Offices held in companies in which Sonaecom is a shareholder:

Be Artis, SA (Member of the Board of Directors – Executive)
 Be Towering – Gestão de Torres de Telecomunicações, SA (Member of the Board of Directors – Executive)
 Per-Mar, Sociedade de Construções, SA (Chairman of the Board of Directors)
 Sonaecom Telecom, SGPS, SA (Member of the Board of Directors – Executive)

Sonaecom – Serviços de Comunicações, SA (Member of the Board of Directors – Executive)
WeDo Consulting – Sistemas de Informação, SA (Member of the Board of Directors – Non-Executive)

Other offices held:

Does not hold any office in any other company.

António Sampaio e Mello

Offices held in companies in which Sonaecom is a shareholder:

Does not hold any office in any company in which Sonaecom is a shareholder.

Other offices held:

Nakoma Capital Management (Member of the Board of Directors)

Casb (Member of the Board of Directors)

David Charles Denholm Hobley

Offices held in companies in which Sonaecom is a shareholder:

Does not hold any office in any company of which Sonaecom is a shareholder.

Other offices held:

Egyptian Company for Mobile Services SA (Member of the Board of Directors)

Mobinil SA (Member of the Board of Directors)

Nectar Capital LLC (Member of the Board of Directors)

Orange Brand Services Limited (Member of the Board of Directors)

Orange Romania SA (Member of the Board of Directors)

Westgate Nominees Hall Limited (Member of the Board of Directors)

Velti plc (Member of the Board of Directors)

Deutsche Bank AG, London Branch (Managing Director)

Gervais Gilles Pellissier

Offices held in companies in which Sonaecom is a shareholder:

Does not hold any office in any company in which Sonaecom is a shareholder.

Other offices held:

Silicomp Group (Member of the Board of Directors)

France Telecom Spain (Member of the Board of Directors)

Studio 37 (Member of the Board of Directors)

Mobistar (Member of the Board of Directors)

Jean-François René Pontal

Offices held in companies in which Sonaecom is a shareholder:

Does not hold any office in any company in which Sonaecom is a shareholder.

Other Offices held:

Ing Direct, France (Member of the Advisory Board)

Oger Telecom, Dubai (Member of the Board of Directors, Non-Executive)

3.3. Article 447, 448 and qualified holdings

Article 447

In accordance with article 447 of the Portuguese Company Law.

Shares held by the Board of Directors and respective transactions during 2007

	Date	Additions		Reductions		Balance at
		Quantity	Valor Md. €	Quantity	Valor Md. €	31.12.2007
Quantity						
BOARD OF DIRECTORS						
Duarte Paulo Teixeira de Azevedo						
Etanor Investimentos, SGPS, SA (1)						1
Imparfin, SGPS, SA (5)						-
Sale	23.07.2007			150.000	25,75	
Migracom, SGPS, SA (3)						69.996
Capital increase	20.11.2007	20.000	76,45			
Sonae, SGPS, SA (6)						3.293
Sale	22.05.2007			593.616	2,03	
Shares attributed under the Medium Term Incentive Plan	01.06.2007	147.376	0,00			
Sale	01.06.2007			147.376	2,17	
Sonaecom, SGPS, SA						-
Sale	29.05.2007			387.342	4,95	
Ángelo Gabriel Ribeiro dos Santos Paupério						
Sonae, SGPS, SA (6)						4.564
Sonaecom, SGPS, SA						60.070
George Christopher Lawrie						
Sonaecom, SGPS, SA						145.000
Sale	10.05.2007			63.000	4,90	
Sonae, SGPS, SA (6)						12.120
Shares attributed under the Medium Term Incentive Plan	01.06.2007	12.120	0,00			
Miguel Nuno Santos Almeida						
Sonae, SGPS, SA (6)						-
Shares attributed under the Medium Term Incentive Plan	01.06.2007	16.252	0,00			
Sale	01.06.2007			16.252	2,19	
Sonaecom, SGPS, SA						90
Sale	15.05.2007			18.813	5,03	
Maria Cláudia Teixeira de Azevedo						
Etanor Investimentos, SGPS, SA (1)						1
Imparfin, SGPS, SA (5)						-
Sale	10.12.2007			150.000	23,24	
Linhacom, SGPS, SA (4)						99.996
Capital increase	14.12.2007	50.000	3,71			
Sonae, SGPS, SA (6)						-
Shares attributed under the Medium Term Incentive Plan	01.06.2007	9.006	0,00			
Sale	19.12.2007			351.293	1,97	
Sonaecom, SGPS, SA						170
Shares attributed under the Medium Term Incentive Plan	16.03.2007	11.736	0,00			
Exercise of Options attributed under the Medium Term Incentive Plan	21.03.2007	57.426	1,694			
Sale	21.03.2007			57.426	4,75	
Sale	19.12.2007			25.220	3,72	
Luís Filipe Campos Dias de Castro Reis						
Sonae, SGPS, SA (6)						-
Shares attributed under the Medium Term Incentive Plan	01.06.2007	61.680	0,00			
Sale	01.06.2007			61.680	2,18	

Notes:

	Date	Additions		Reductions		Balance at
		Quantity	Valor Md. €	Quantity	Valor Md. €	31.12.2007
						Quantity
(1) Efanor Investimentos, SGPS, SA						
Sonae, SGPS, SA (6)						658.804.424
Acquisition	31.12.2007	14	1,98			
Pareuro, BV (2)						20.000
Sonaecom, SGPS, SA						1.000
(2) Pareuro, BV						
Sonae, SGPS, SA (6)						400.000.000
(3) Migracom, SGPS, SA						
Imparfin, SGPS, SA (5)						150.000
Acquisition	23.07.2007	150.000	25,75			
Sonae, SGPS, SA (6)						1.290.000
Acquisition	22.05.2007	593.616	2,03			
Acquisition	01.06.2007	147.376	2,17			
Acquisition	31.12.2007	549.008	1,98			
Sonaecom, SGPS, SA						387.342
Acquisition	29.05.2007	387.342	4,95			
(4) Linhacom, SGPS, SA						
Imparfin, SGPS, SA (5)						150.000
Acquisition	10.12.2007	150.000	23,24			
Sonaecom, SGPS, SA						25.220
Acquisition	19.12.2007	25.220	3,72			
Sonae, SGPS, SA (6)						351.293
Acquisition	19.12.2007	351.293	1,97			
(5) Imparfin, SGPS, SA						
Sonae, SGPS, SA (5)						4.105.273
(6) Sonae, SGPS, SA						
Sonaecom, SGPS, SA						23.649
Sale	02.01.2007			40.481.436	5,04	
Sale	09.03.2007			1.056.177	4,72	
Sale	14.03.2007			11.736	4,81	
Sale	25.04.2007			5.000.000	4,63	
Sontel BV (7)						500
(7) Sontel BV						
Sonaecom, SGPS, SA						184.052.872
Acquisition	02.01.2007	183.489.681	5,04			
Acquisition	19.09.2007	53.500	3,53			
Acquisition	20.09.2007	40.000	3,48			
Acquisition	21.09.2007	50.000	3,50			
Acquisition	24.09.2007	30.000	3,47			
Acquisition	25.09.2007	50.000	3,39			
Acquisition	26.09.2007	52.000	3,32			
Acquisition	27.09.2007	27.500	3,33			
Acquisition	28.09.2007	55.000	3,40			
Acquisition	01.10.2007	160.000	3,60			
Acquisition	02.10.2007	45.191	4,01			

Article 448

In accordance with article 448 of the Portuguese Company Law.

Article 448 of the Portuguese Company Law

	Number of shares as of 31.12.2007
Efanor Investimentos, SGPS, SA	
Sonae, SGPS, SA	658.804.424
Pareuro, BV	20.000
Sonaecom, SGPS, SA	1.000
Pareuro, BV	
Sonae, SGPS, SA	400.000.000
Sonae, SGPS, SA	
Sonaecom, SGPS, SA	23.649
Sontel BV	500
Sontel BV	
Sonaecom, SGPS, SA	184.052.872
Wirefree Services Belgium, S.A.	
Sonaecom, SGPS, SA	70.276.868

Qualified holdings

In compliance with sub-paragraph e), of nr 1, of the article 8 of the Securities Market Regulation Board (“Regulamento da CMVM”) nº 04/2004, we declare the Qualifying Holdings as of 31 December 2007:

Qualified Holdings as of 31 December 2007

Shareholder	Number of Shares	% of Share Capital	% Voting Rights
Sontel BV	184.052.872	50,25%	50,52%
093X - Telecomunicações Celulares, SA	29.150.000	7,96%	8,00%
Migracom, SGPS, SA	387.342	0,11%	0,11%
Belmiro Mendes de Azevedo ^{1,3}	75.537	0,02%	0,02%
Ángelo Gabriel Ribeirinho dos Santos Paupério ^{1,2,4}	60.070	0,02%	0,02%
Linhacom,SGPS, SA	25.220	0,01%	0,01%
Sonae, SGPS, SA	23.649	0,01%	0,01%
Álvaro Camona e Costa Portela ¹	5.000	0,00%	0,00%
Efanor Investimentos, SGPS, SA	1.000	0,00%	0,00%
Total imputável	213.780.690	58,37%	58,67%
France Telecom, S.A.			
Wirefree Services Belgium, S.A.	70.276.868	19,19%	19,29%
Total imputável	70.276.868	19,19%	19,29%
SAC Capital e CR Intrinsic ⁵	4.662.046	1,27%	1,28%
Norges Bank ⁶	7.300.000	1,99%	2,00%

(1) Member of the Board of Directors of Sonae, SGPS, SA
(2) Member of the Board of Directors of Sonae Investments, BV
(3) Member of the Board of Directors of Efanor Investimentos, SGPS, SA
(4) Member of the Board of Directors of Sonaecom, SGPS, SA
(5) In accordance with information on 13 December 2007
(6) In accordance with information on 23 July 2007

4. Our governance

4.1. Corporate Governance Report

4.1.1. Declaration of compliance

As at 31 December 2007, Sonaecom was compliant with all the CMVM Recommendations on Corporate Governance applicable to 2007, with the exception of the second part of Recommendation IV-8 on the disclosure of the remuneration of the Board on an individual basis. In relation to Recommendation IV-9 on the independence of the Shareholders' Remuneration Committee members, we believe that we are compliant although one of the members of the Shareholders' Remuneration Committee is now represented by Duarte Paulo Teixeira de Azevedo, who is also the Chairman of the Board. Our belief is based on the fact that Duarte Paulo Teixeira de Azevedo is part of the Shareholders' Remuneration Committee in the capacity of CEO of the major shareholder of the Company, Sonae, SGPS, S.A. and not in that of Chairman of our Board, which means that he actually represents the interests of the major shareholder in the Shareholders' Remuneration Committee; this is exactly the purpose of the Shareholders' Remuneration Committee. In addition, he does not take part in any discussion or resolution where there is a conflict of interest with his role as Chairman of the Board. In particular, his own remuneration as a non-executive Chairman, which is not a significant value, is approved by the other independent member of the Shareholders' Remuneration Committee. In relation to Recommendation IV-6, on independent Non-Executive Directors, we believe that we are compliant, although one independent Non-Executive Director position has not yet been filled following the sad death of Loyola de Palacio del Valle Lersundi.

Sonaecom agrees that the remuneration of its Board of Directors should be disclosed in a transparent manner, allowing for a clear understanding of the values involved and their distribution. However, we continue to consider that individual disclosure for the Chairman and the CEO, together with separate averages and bands for the remaining Non-Executive and Executive Directors, is sufficient to assess each of the four main components of remuneration of our Board. Disclosure of the individual figures for every member of the Board of Directors is not yet current general practice in Portugal (less than 7% of listed companies in Portugal complied in their 2006 financial statements) and Sonaecom believes it is of marginal additional benefit to shareholders and the financial community. Our disclosure fully complies with the recommendations published by the Portuguese Institute of Corporate Governance in their "White Book".

CMVM's recommendations on Corporate Governance (currently applicable)

CMVM Recommendations	Compliance
I - Disclosure of information	
1. The Company must ensure that permanent contact is maintained with the market, that the principle of equality among shareholders is upheld and that all investors have the same access to information. For these purposes, the Company should create an Investor Relations Department.	Yes
II - The Exercise of Voting Rights and Representation Rights by Shareholders	
2. The ability to exercise voting rights, whether directly, by post or by proxy, should not be restricted. For this purpose, the following examples are considered to restrict the ability to exercise voting rights: a) The requirement of a period of more than 5 working days between the deposit or blocking of shares and participation at a Shareholders' General Meeting; b) any statutory restriction on postal voting; c) a requirement that postal votes must be received more than 5 days in advance; d) failure to make available voting forms for shareholders wishing to submit their vote by post.	Yes
III - Corporate Rules	
3. The Company must establish an adequate internal control system, capable of detecting risks linked to its activity, to safeguarding its assets and to enhance the transparency of its corporate governance practices .	Yes
4. Measures adopted to restrict takeover bids should respect the interests of the Company and its shareholders. Measures considered contrary to these interests include defensive clauses intended to automatically reduce the value of the Company's assets in the event of a transfer of control, or changes to the composition of the Board which prove detrimental to the free transfer of shares and the free assessment by shareholders of the performance of members of the Board .	Yes
IV - Board of Directors	
5. The Board should be composed of a number of members who provide effective guidance for the management of the Company and to the persons responsible for that management.	Yes
5a. The Board of Directors should include a sufficient number of Non-Executive Directors, whose role is to continuously monitor and evaluate the Company's management by its Executive Board Members. Members of other corporate governance bodies may exercise complementary roles or, at the very most, replace Board Members, if their supervisory powers are equivalent and they are actually exercised.	Yes
6. The Non-Executive Members of the Board of Directors must include a sufficient number of Independent Members. When there is only one Non-Executive Director, he or she should also be independent. Independent Members of other corporate governance bodies may exercise complementary roles or, at the very most, replace Board Members, if their supervisory powers are equivalent and they are actually exercised.	Yes
7. The Board of Directors should create Audit Committees, with the power to assess the corporate structure and its governance.	Yes
8. The remuneration of members of the board of directors should be structured in order to allow the alignment of their interests with those of the company, and should be disclosed annually in individual terms.	No
8a. An explanation of the remuneration policy as applied to the Company's corporate governance bodies should be submitted for consideration at the Shareholders' Annual General Meeting.	Yes
9. Members of the Remuneration Committee, or its equivalent, should be independent in relation to the Members of the Board of Directors.	Yes
10. A proposal to obtain the approval of share allocation plans, and/or share call options or other awards based on share price variations, that apply to Members of the Board of Directors and/or to employees, should be submitted to the Shareholders' General Meeting. The proposal should contain all information necessary to allow a fair assessment of the plan. The proposal should be accompanied by the regulations for the plan, or, if these have not yet been drafted, by detail of the general conditions applying.	Yes
10a. The Company should adopt a policy covering the reporting of alleged irregularities occurring within the Company, containing the following information: The procedure to follow internally to report irregular practices, including the persons nominated to receive such information, the manner in which such reports are processed, including maintaining the confidentiality of the information, if so requested. The general guidelines to be followed should be disclosed in the Corporate Governance Report.	Yes

4.1.2. New CMVM recommendations on Corporate Governance

New CMVM recommendations on Corporate Governance were issued in September 2007 and should be complied with in 2008 Corporate Governance Reports (applicable from 01 January 2008)

NEW CMVM RECOMMENDATIONS	SONAECOM COMPLIANCE AS AT 31.12.2007
1. SHAREHOLDERS' GENERAL MEETINGS	
1.1. Board of the Shareholders' General Meeting	
1.1.1. The Chairman of the Board of the Shareholders' General Meeting shall be given adequate human and logistical resources, taking the financial position of the company into consideration.	YES

1.1.2	The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual corporate governance report.	YES
1.2. Participation at the Meeting		
1.2.1	The requirement to deposit or block shares before the General Meeting, contained in the Articles of Association, shall not exceed 5 working days.	YES
1.2.2	Should the General Meeting be suspended, the Company shall not require share blocking during the full period until the meeting is resumed, but shall apply the same period as for the first session.	YES
1.3. Voting and Exercising Voting Rights		
1.3.1.	Companies should not impose any statutory restriction on postal voting.	YES
1.3.2.	The statutory advance deadline for receiving voting ballots by post shall not exceed three working days.	YES
1.3.3.	The Company's Articles of Association shall respect the one share-one vote principle.	YES
1.4. Quorum and Resolutions		
1.4.1.	Companies shall not set a constitutive or deliberative quorum that exceeds the minimum required by Portuguese Company Law.	NO (We are not currently compliant, but are studying the advantages and disadvantage of reducing our quorum. We do not agree that no minimum quorum is advisable)
1.5. Attendance Lists, Minutes and Information on Resolutions Adopted		
1.5.1.	The minutes of the Shareholders' General Meetings shall be made available to shareholders on the Company's website within a five-day period, irrespective of the fact that such information may not be legally classified as material information. The lists of attendees, agendas items and resolutions adopted shall be kept in a historic file on the Company's website, covering meetings held for at least the last three years.	NO (We are not currently compliant, but are studying the advantages and disadvantage of implementing this)
1.6. Measures Relating to Changes in Control		
1.6.1.	Measures aimed at preventing the success of takeover bids, shall respect the interests of the both the Company and its shareholders.	YES
1.6.2.	In accordance with the principle established in the previous sub-paragraph, any Company that has Articles of Association with clauses that restrict or limit the number of votes that may be held or exercised by a single shareholder, either individually or acting in concert with other shareholders, shall also require that, at least once every five years, the continuation of such clauses must be ratified at a Shareholders' General Meeting, at which the quorum shall not exceed the legal minimum and all votes cast shall count, without applying any restriction.	YES
1.6.3.	Defensive measures should not be adopted that automatically lead to a serious erosion in the value of the Company's assets, when there has been a change in control or a change in the Company's management, as this prevents the free transmission of shares and the ability of shareholders to evaluate those responsible for managing the Company.	YES
2. MANAGEMENT AND AUDIT BOARDS		
2.1. General Points		
2.1.1. Structure and Duties		
2.1.1.1.	The Board of Directors shall, in its corporate governance report, assess the model adopted by the Company, by identifying any restrictions that are holding back performance and proposing actions to be taken that are judged to be appropriate to resolve them.	YES
2.1.1.2.	Companies shall set up internal control systems in order to efficiently detect risks relating to the Company's activity, in order to protect its assets and keep its corporate governance transparent.	YES
2.1.1.3.	The Board of Directors and Statutory Audit Board shall establish internal regulations, which shall be disclosed on the Company's website.	YES
2.1.2 Incompatibility and Independence		

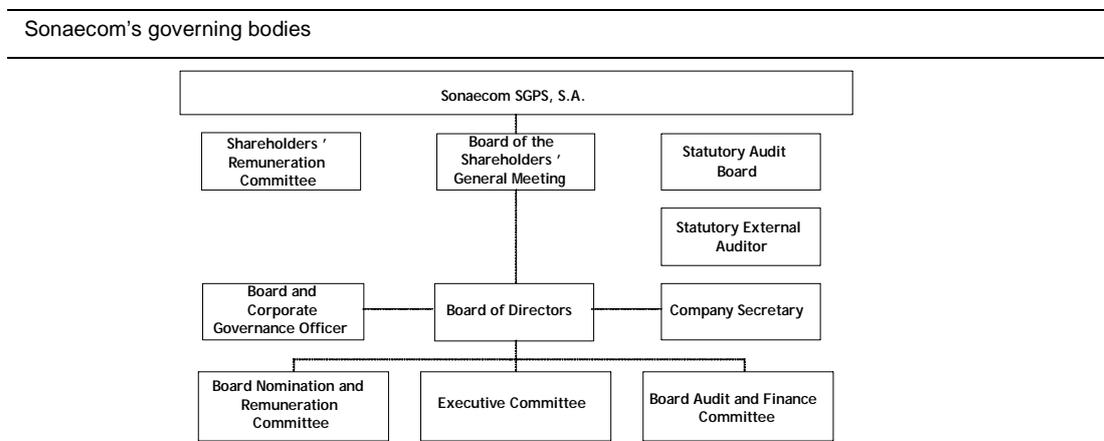
<p>2.1.2.1. The Board of Directors shall include a sufficient number of non-executive members to ensure that there is the capacity to effectively supervise, audit and assess the activity of the executive members.</p>	<p>YES</p>
<p>2.1.2.2. Non-executive members shall include an adequate number of independent members, taking into account the size of the Company and its shareholder structure, but this shall never be less than one quarter of the total number of Board members.</p>	<p>NO (We are not currently compliant, but will be once we have filled the vacancy on our Board)</p>
<p>2.1.3. Eligibility Criteria for Appointment</p>	
<p>2.1.3.1. Depending on the governance model adopted, the Chairman of the Statutory Audit Board, or of the Board Audit Committee or of the Financial Matters Committee shall be independent and possess the necessary skills to perform their duties.</p>	<p>YES</p>
<p>2.1.4. Policy on the Reporting of Irregularities</p>	
<p>2.1.4.1. The Company shall adopt a policy of reporting irregularities that allegedly occurred, which includes the following information: i) the means through which such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should this be requested by the reporter.</p>	<p>YES</p>
<p>2.1.4.2. General guidelines from this policy should be disclosed in the Corporate Governance Report.</p>	<p>YES</p>
<p>2.1.5. Remuneration</p>	
<p>2.1.5.1. The remuneration of the members of the Board of Directors shall be structured to be aligned with the interests of the shareholders. In this sense: i) The remuneration of Directors carrying out executive duties should include a variable component based on performance linked to a performance assessment that shall be carried out periodically by the governance body or committee appointed for this purpose; ii) the variable component shall be consistent with the maximisation of the long-term performance of the Company, and shall be dependent on sustainability of the variables adopted to measure performance; iii) non-executive members of the Board of Directors shall only receive fixed remuneration, unless the legal requirements dictate otherwise.</p>	<p>YES</p>
<p>2.1.5.2. The Shareholders' Remuneration Committee and the Board of Directors shall present to the Shareholders' Annual General Meeting a statement of the remuneration policy applied to Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board), as well as to other senior management ("dirigentes") as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code. The information to shareholders shall include the criteria and main indicators proposed to be used in assessing of performance and determining the variable component, independently of whether this in the form of bonuses paid in shares, share options, annual bonuses or other awards.</p>	<p>YES</p>
<p>2.1.5.3. At least one representative of the Shareholders' Remuneration Committee shall be present at the Shareholders' Annual General Meeting.</p>	<p>YES</p>
<p>2.1.5.4. A proposal shall be submitted to the Shareholders' General Meeting to approve plans to grant shares and/or share options or award compensation based on variations in share prices, to members of the Statutory Governing Bodies.(including the Board of Directors and Statutory Audit Board), as well as to other senior management ("dirigentes") as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code. The proposal shall include all information necessary for an comprehensive assessment of the plan. The proposal shall be presented together with regulation that governs the plan or if this has not yet been prepared, the general conditions that will be applied. In the same way, the main characteristics of any retirement benefit plan that benefits the Statutory Governing Bodies.(including the Board of Directors and Statutory Audit Board), as well as other senior management ("dirigentes") as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code, shall also be approved at a Shareholders' General Meeting.</p>	<p>YES</p>
<p>2.1.5.5. The remuneration of the members of the Statutory Governing Bodies (including the Board of Director and Statutory Audit Board) shall be individually disclosed on an annual basis. Fixed and variable components must be disclosed separately, when applicable, as well as any other</p>	<p>NO (see explanations above in respect of current recommendation IV-8)</p>

remuneration received from other companies within the same Group or from companies controlled by shareholders with qualifying share holdings.	
2.2. Board of Directors	
2.2.1. Within the limits established by Portuguese Company Law for each management and audit governance structure, and unless the Company is restricted by its size, the Board of Directors shall delegate the day-to-day running of the Company and the powers and terms of the delegation should be set out in the Corporate Governance Report.	YES
2.2.2. The Board of Directors shall ensure that the Company acts in accordance with its objectives, and should not delegate its own responsibilities, including: i) definition of the Company's strategy and general policies; ii) definition of the corporate structure of the Group; iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	YES
2.2.3. Should the Chairman of the Board of Directors have an executive role, the Board of Directors shall set up efficient mechanisms to co-ordinate the work of the non-executive members, to ensure that they may take decisions in an independent and informed manner, and shall also explain these mechanisms to the shareholders in the Corporate Governance Report.	YES
2.2.4. The Annual Management Report shall include a description of the activity carried out by the non-executive Board Members and shall, in particular, report any restrictions that they encountered.	YES
2.2.5. The governing body responsible for management (Board of Directors) should promote the rotation of the Board member responsible for financial matters (CFO) at least at the end of every two mandates.	YES (We are currently compliant, but our CFO completes his second mandate at the 2008 AGM. We do not agree with this recommendation, which, as far as we are aware, is not even mentioned in any international corporate governance codes of guidelines on best practices)
2.3. Chief Executive Officer (CEO), Executive Committee and Executive Board of Directors	
2.3.1. When Directors, who carry out executive duties are requested by other Board Members to supply information, they shall provide answers in a timely manner with information that adequately responds to the request made.	YES
2.3.2. The Chairman of the Executive Committee shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the Board of the Directors and, when applicable, to the Chairman of the Statutory Audit Board or the Audit Committee.	YES
2.3.3. The Chairman of the Executive Board of Directors shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee.	YES
2.4. General and Supervisory Board, Financial Matters Committee, Audit Committee and Statutory Audit Board	
2.4.1. In addition to fulfilling its supervisory and verification roles, the General and Supervisory Board shall fulfil a role of advisor, as well as monitor and continually assess the management of the Company by the Executive Board of Directors. Amongst the other matters on which the General and Supervisory Board should opine are the following: i) definition of the strategy and general policies of the Company; ii) the corporate structure of the Group; and iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	YES
2.4.2. The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall be disclosed on the Company's website together with the financial statements.	NO
2.4.3. The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall include a description of the supervisory and verification work completed and shall, in particular, report any restrictions that they	YES

encountered.	
<p>2.4.4. The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted) shall represent the Company, for all purposes, in the relationship with the external auditor. This shall include proposing who will provide this service, their respective remuneration, and ensuring that the Company provides adequate conditions to allow them to deliver their service, as well as acting as the point of contact with the Company and being the first recipient of their reports.</p>	YES
<p>2.4.5. The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted), shall assess the external auditor on an annual basis and propose to the Shareholders' General Meeting that the external auditor should be discharged, should justifiable grounds exist.</p>	YES
2.5. Special Purpose or Specialised Committees	
<p>2.5.1. Unless the Company is restricted by its size, the Board of Directors and the General and Supervisory Committee, depending on the governance model adopted, shall set up the necessary Committees in order to: i) ensure that a robust and independent assessment of the performance of the Executive Directors is carried out, as well as of its own overall performance and including the performance of all existing Committees; ii) consider the governance system adopted and assess its efficiency and propose to the respective bodies, measures to be implemented to achieve improvements.</p>	YES
<p>2.5.2. Members of the Shareholders' Remuneration Committee or alike, shall be independent from the Members of the Board of Directors.</p>	YES (see explanations above in respect of current recommendation IV-9)
<p>2.5.3. All Committees shall draw up minutes of the meetings they hold.</p>	YES
3. Information and Auditing	
3.1. General Disclosure Requirements	
<p>3.1.2. Companies shall ensure that permanent contact is maintained with the market, upholding the principle of equal treatment for all shareholders and avoiding any asymmetry in the access to information by investors. To achieve this, the Company shall set up an Investor Relations Office.</p>	YES
<p>3.1.3. The following information disclosed on the Company's Internet website, shall be available in English:</p> <ul style="list-style-type: none"> a) The Company, its listed company status, the registered office and the remaining information set out in Article 171 of Portuguese Company Law; b) Articles of Association; c) Identification of the members of the Statutory Governing Bodies and of the Representative for Relations with the Market; d) Investor Relations Office — its functions and contact details; e) Financial Statements; f) Half-Yearly Calendar of Company Events; g) Proposals presented to Shareholders' General Meetings; h) Notices convening Shareholders' General Meetings. 	YES

4.1.3. Composition of our governing bodies

Sonaecom's corporate governance structure sets out clearly the roles, duties and responsibilities of its different Governing Bodies.



Shareholders' General Meeting

Composition

The Shareholders' General Meetings may only be attended by Shareholders with the right to vote based on shares they own or equivalent subscription rights, which, in the five days prior to the General Meeting, have provided confirmation of ownership to the Company, as required by Portuguese Company Law.

Each share corresponds to one vote and, accordingly, shareholders have as many votes as the number of shares owned by them.

Limitations to voting rights

No Shareholders have special voting rights. Sonaecom's Board of Directors is unaware of any special shareholder voting rights and has not implemented any measures which could compromise the success of a public tender offer or the free transaction of shares.

Shareholder representation

Shareholders may attend a Shareholders' General Meeting in person or by representation. Individual Shareholders may be represented by any person they may choose, by means of a letter addressed to the Chairman of the Board of the Shareholders' General Meeting, indicating the name and address of the representative nominated, as well as the date of the meeting. Corporate Shareholders may also be represented at Sonaecom's Shareholders' General Meetings by a person designated by means of a letter addressed to the Chairman of the Board of the Shareholders' General Meetings. The authenticity of these letters is subject to scrutiny by the Chairman of Sonaecom's Board of the Shareholders' General Meeting.

Postal voting

Postal voting is allowed regarding all proposals for discussion and decision at a Shareholders' General Meeting, according to the terms and conditions set forth in the Company's Articles of Association. Postal voting bulletins (forms are available on Sonaecom's website) must be received at least three days before the Shareholders' General Meeting at the Company's Registered Office by means of registered mail and must be addressed to the Chairman of the Board of the Shareholder's General Meeting, who is responsible for verifying that written voting papers comply with all the requirements and for ensuring that confidentiality is kept. Electronic voting is not yet contemplated under Sonaecom's Articles of Association.

Shareholders' General Meetings and quorum

Sonaecom's Shareholders' General Meetings are organised by a Board elected by Shareholders for a four-year mandate, comprised of a Chairman and a Secretary. The current mandate is from 2004 until 2007.

The Articles of Association of Sonaecom require that a minimum of 50% of the share capital of the Company is present or represented at Shareholders' General Meetings.

Board of the Shareholders' General Meeting

João Augusto Esmeriz Vieira de Castro	Chairman
António Agostinho Cardoso da Conceição Guedes	Secretary

Shareholders' General Meetings are convened and conducted by the Chairman of its Board. Shareholders' General Meetings are held in two possible circumstances: (i) in ordinary session, at a date set by law (no later than the end of May) for the Shareholders' Annual General Meeting; (ii) in extraordinary session, whenever the Board of Directors or the Statutory Audit Board deem necessary or at the request of Shareholders, representing the legally required minimum percentage of the Company's share capital (currently 5%). During 2007, there was one Shareholders' General Meeting, held in an ordinary session on 2 May 2007, with 71.7% of the share capital represented.

The proposals for discussion and decision at Sonaecom's Shareholders' General Meetings, as well as other supporting information, are made available to shareholders at the Company's Registered Office, and are posted on Sonaecom's website - www.sonae.com - at least 15 calendar days before the respective meeting, or at the time the meeting is convened, for any proposals relating to changes to the Articles of Association.

Remuneration

The Chairman of the Shareholders' General Meeting receives a fixed annual fee of 5,000 euros and the Secretary a fixed annual fee of 1,500 euros.

Board of Directors

Composition

Under Sonaecom's Articles of Association, the Board of Directors may be composed of any number of members between three and eleven, elected at a Shareholder's General Meeting. Board mandates are of four years, with the possibility of re-election. The current Board mandate covers the period from 2004 to 2007, terminating at the 2008 Annual General Meeting. The Board of Directors shall elect its Chairman.

Board of Directors

Duarte Paulo Teixeira de Azevedo.....	Chairman
António Sampaio e Mello.....	Independent Non-Executive
David Charles Denholm Hobley.....	Non-Independent Non-Executive
Gervais Gilles Pellisser.....	Non-Independent Non-Executive
Jean-François René Pontal.....	Independent Non-Executive
Angelo Gabriel Ribeirinho dos Santos Paupério.....	Executive – CEO
George Christopher Lawrie.....	Executive
Luís Filipe Campos Dias Reis.....	Executive
Maria Cláudia Teixeira de Azevedo.....	Executive
Miguel Nuno Santos Almeida.....	Executive

Sonaecom's Board of Directors is composed of 11 members, including Executive members and Non-Executive members. However, we have not completed the process of nominating a future Independent Non-Executive Director to replace Loyola de Palacio del Valle Lersundi, who sadly passed away in December 2006. Two of the Non-Executive Directors are

independent, in the sense that they are not associated with any special interest groups connected to the Company or to its reference shareholders, in accordance with the criteria established by CMVM Regulation no. 7/2001 for Independent Directors. David Hobley does not meet the criteria set out in CMVM Regulation no. 7/2001 that would allow him to be formally classified as an Independent Director, due to the fact that he serves as an Independent Non-Executive Director within the France Telecom Group which owns a 19.2% stake in Sonaecom. However, Sonaecom regards him and considers that he acts as an independent member of the Board of Directors, given that his nomination was based on a proposal presented by Sonaecom SGPS, not France Telecom, and that his independence was previously assessed and accepted by Sonaecom's Board Nomination and Remuneration Committee.

According to CMVM Regulation no. 10/2005, there are no circumstances that may affect the Independent Non-Executive Directors' analysis or decision making capabilities and these Directors, as well as the other Non-Executive Directors, exercise an important influence over the decision-making process and the development of company strategy and policy. Sonaecom's Board of Directors exhibits a healthy balance between the total number of Non-Executive Directors and the number of Independent Non-Executive Directors.

Aligned with corporate governance best practice, a self-assessment of our Board was carried out in 2005, with the help of an independent external consultant. The follow-up actions identified and agreed were regularly monitored during 2006 and 2007 and have now been fully implemented. A new Board self-assessment process will be carried out during 2008, which will again be designed to evaluate corporate governance at the Board level and to review how the Board and the Board Committees function, both considering the Board "as a whole" and in terms of the individual contributions of each Board member.

Role

The Board of Directors is responsible for assuring the management of the Company's business, monitoring risks, managing conflicts of interests and developing the organisation's goals and strategy. Sonaecom's Articles of Association permit the Board to delegate day-to-day company business, duties and responsibilities, as considered appropriate, to an Executive Committee (as described in more detail under the Executive Committee section below) but do not allow the Board to approve share capital increases, which must be approved at a Shareholders' General Meeting.

In order to improve the operational efficiency of the Board and to meet best practices in Corporate Governance, Sonaecom's Board has created two Board Committees: a Board Audit and Finance Committee and a Board Nomination and Remuneration Committee.

Qualifications, experience and responsibilities of individual Directors

A description of the qualifications, experience and responsibilities of each member of Sonaecom's Board of Directors can be found in the Appendix to this Report. The month of the first appointment of each member of the Board of Directors is as follows:

Duarte Paulo Teixeira de Azevedo.....	September 1998
António Sampaio e Mello.....	July 2006
David Charles Denholm Hobley.....	September 2005
Gervais Gilles Pellisser.....	July 2006
Jean-François René Pontal.....	July 2003
Angelo Gabriel Ribeirinho dos Santos Paupério.....	April 2007
George Christopher Lawrie.....	April 2003
Luís Filipe Campos Dias Reis.....	March 2000
Maria Cláudia Teixeira de Azevedo.....	April 2006
Miguel Nuno Santos Almeida.....	April 2005

The date of the term of office the members of the Board of Directors is the same as for all Governing Bodies under the current four year mandate, which is from 2004 until 2007. New Governing Bodies will be elected at the 2008 Annual General Meeting.

Other offices held by Sonaecom's Directors

Information on other offices held by each of the members of Sonaecom's Board of Directors can be found in the Appendix to this Report. There is neither an internal definition of incompatibilities nor a maximum number of offices held by members of the Board of Directors in other companies.

For all Directors, a register of significant and relevant outside directorships and other significant roles or activities, as well as a register of all significant shareholdings held, is maintained by the Secretary to the Board. Significant and relevant new appointments, activities and shareholdings should be disclosed in writing before being entered into. These disclosures should describe any potential conflict of interest arising, as well as any steps to be undertaken to manage or eliminate the identified conflicts. Disclosures are assessed by the Board Nomination and Remuneration Committee ("BNRC") in the case of Directorships, Roles and Activities.

Board meetings and quorum

Sonaecom's Board of Directors meets at least four times a year, as stipulated by its Articles of Association, and whenever its Chairman or two of its members call for a meeting. During 2007 there were seven Board meetings. The quorum for any Board Meeting requires that the majority of Directors are present or represented by proxy and decisions are taken by a majority of votes cast. During 2007, the attendance rate at Sonaecom's Board meetings was 97%.

Sonaecom's Non-Executive Directors also hold separate meetings to discuss their ability to assert their independence within the Board and to make suggestions to improve Board procedures and corporate governance in general. During 2007, there were two NED meetings and the attendance rate was 90%. There have been no restrictions on the scope of the NED's activities during 2007.

Executive Committee

Composition

Under Sonaecom's Articles of Association, the Executive Committee is selected from the members of the Board of Directors. The Group CEO, CFO and the Executive Directors of the Group's business comprise the Executive Committee. The Executive Committee meetings are also attended by the other members of the Executive Management Team, including the Advisors to the Board of Directors, who are identified below.

Management Team	
Angelo Gabriel Ribeirinho dos Santos Paupério.....	CEO
Luís Filipe Campos Dias Reis.....	Executive Director – Telco
George Christopher Lawrie.....	CFO
Maria Cláudia Teixeira de Azevedo.....	Executive Director – SSI/Media
Miguel Nuno Santos Almeida.....	Executive Director – Residential Market
António Lobo Xavier.....	Advisor to the Board – Legal, Regulation, PR, Fiscal
Pedro Ramalho Carlos.....	Advisor to the Board – Corporate and Wholesale Markets

Role

The Executive Committee may deliberate on matters that relate to general management and not on matters that are exclusively of the competence of the Board of Directors. The Executive Committee is conferred the powers and responsibility to manage and execute Sonaecom's day to day operations, except:

- (i) to appoint the Chairman of the Board;
- (ii) to co-opt a substitute to replace a member of the Board;
- (iii) to convene Shareholders' General Meetings;
- (iv) to approve the Annual Report and Accounts;
- (v) to grant any pledge, guarantee or charge over Sonaecom's assets, if those are in excess of an accumulated value of 500,000 euros in any financial year;
- (vi) to decide to change the registered office or to approve any share capital increases;

- (vii) to decide on mergers, de-mergers, modifications to the corporate format and any other projects relating to association with other legal entities to form new companies;
- (viii) to approve Sonaecom Group's Business Plan and Annual Budget;
- (ix) to define the key features of personnel compensation policies, including stock incentive plans and variable compensation plans applicable to Executives (Sonaecom Group Management Levels G3 and above), in areas that do not require decisions from the Shareholders' Remuneration Committee ("Comissão de Vencimentos") or deliberations at Shareholders' General Meetings;
- (x) to define or change major accounting policies of any company included in the consolidation perimeter of the Group;
- (xi) to approve Sonaecom's quarterly Accounts and half year Report and Accounts;
- (xii) to sell, acquire directly or by long term lease or transact, in any other way, investments classified as tangible fixed assets where the individual transaction value is in excess of 1,000,000 euros, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xiii) to purchase or subscribe for new shares in the share capital of any subsidiary companies where the accumulated amount exceeds 5,000,000 euros in any financial year, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xiv) to invest in any other companies or in other financial assets when the accumulated value is in excess of 1,000,000 euros in any financial year, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xv) to make any other financial investments which exceeds the accumulated amount of 1,000,000 euros in any financial year, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xvi) to dispose of assets or make other divestments, if such transaction has a significant effect on Sonaecom's operating results (defined as equal or greater than 5%) or affects the jobs of more than 100 employees, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board.

To ensure that the Board of Directors is kept well informed by the Executive Committee, all significant decisions taken by the Executive Committee are systematically extracted from the minutes of their meetings and are reported, in writing, to the Board of Directors.

Executive Committee meetings and quorum

Sonaecom's Executive Committee normally meets at least twice every month and whenever the CEO or a majority of its members call for a meeting. There were 21 meetings of the Executive Committee in 2007 and the attendance rate was 93%. The quorum for the Executive Committee meeting requires that a majority of members are present or represented by proxy. Decisions require unanimous approval otherwise the Executive Committee must submit the matter under consideration to the Board of Directors for decision.

Board Audit and Finance Committee

Composition

Sonaecom's Board Audit and Finance Committee ("BAFC") consists of three members who are appointed by and from among the members of the Board. The fourth member is the Board and Corporate Governance Officer. The Committee currently includes three Non-Executive Directors, two of whom are independent, and is chaired by an Independent Non-Executive Director.

Board Audit and Finance Committee

Jean-François René Pontal.....	Chairman – Independent Non-Executive Director
António Sampaio e Mello.....	Independent Non-Executive Director
David Charles Denholm Hobley.....	Non-Independent Non-Executive Director
David Graham Shenton Bain.....	Board and Corporate Governance Officer

Role

The BAFC operates under Terms of Reference approved by the Board and is responsible for monitoring and supervising Sonaecom's financial reporting processes, reviewing accounting policies and for evaluating risk associated with its activities on behalf of the Board, and additionally for overseeing Corporate Governance within the Company. The BAFC also meets directly with the Group's Statutory External Auditors and the Internal Audit Team. In particular, the duties of the BAFC are:

- (i) to review the Company's annual and interim financial statements and reports to the market, and reporting its findings to the Board, before these documents are approved or signed by the Board;
- (ii) to advise the Board on its reports to shareholders and financial markets to be included in the Company's Annual and Half-year Accounts and in the Quarterly Earnings Announcements;

- (iii) to advise the Board on the adequacy and appropriateness of internal information provided by the Executive Committee, including systems and standards on internal business controls applied by the Executive Committee;
- (iv) to advise the Board on the appointment of, the assignments to and the remuneration of the Statutory External Auditor and also on the appointment of the Internal Audit Manager;
- (v) to review the scope of the Internal Audit Function and its relation to the scope of the Statutory External Audit and discuss with the Statutory External Auditor and Internal Auditor Manager their intermediate and year-end reports, as well as their reports on internal control, and advise the Board thereon.

The full Terms of Reference of the BAFC are available on the Company's website (www.sonae.com).

Sonaecom's BAFC reports in writing on a regular basis to the Board of Directors concerning the work accomplished, results obtained and concerns identified, thus ensuring the effectiveness of their work.

BAFC meetings

The BAFC meets at least five times a year and whenever the Chairman, the Board of Directors, the Executive Committee or, exceptionally, the Statutory External Auditor believe a meeting is necessary. Between meetings, the BAFC follows projects and monitors activity by regular conference calls. During 2007, the Committee met five times with an attendance rate of 100% and also held four conference calls.

Board Nomination and Remuneration Committee

Composition

Sonaecom's Board Nomination and Remuneration Committee ("BNRC") currently consists of two members and includes the Chairman of the Board of Directors and one Independent Non-Executive Director. The current composition is shown in the table below.

Board Nomination and Remuneration Committee

Duarte Paulo Teixeira de Azevedo	Chairman – Non-Independent Non-Executive
Jean-François René Pontal.....	Independent Non-Executive

Role

The BNRC operates under Terms of Reference approved by Sonaecom's Board and is responsible for identifying candidates for appointment to the Board of Directors or Senior Management positions within the Group, for supervising the preparation of proposals on remuneration and other compensation on behalf of the Board of Directors, for the succession planning and for monitoring Sonaecom's talent management and contingency planning processes. The BNRC reports in writing to the Board, whenever necessary, and liaises with Sonaecom's Shareholders' Remuneration Committee ("Comissão de Vencimentos") to obtain their approval, on behalf of Shareholders, for the remuneration and other compensation of the Board of Directors and other Statutory Governing Bodies. The BNRC may receive assistance from external entities, which are required to ensure absolute confidentiality in relation to all the information obtained.

The full Terms of Reference of the BNRC are available on the Company's website (www.sonae.com).

BNRC meetings

The BNRC meets at least twice a year and, whenever the Chairman or the Board of Directors deem necessary. There were 3 formal BNRC meetings during 2007 and the attendance record was 100%.

Board and Corporate Governance Officer

Composition

Sonaecom's Board and Corporate Governance Officer ("BCGO") is David Graham Shenton Bain.

Role

The BCGO officer reports to the Board of Sonaecom as a whole, through the Chairman, and also, when appropriate, through the senior independent Non-Executive Director.

In particular, the main duties of the BCGO are:

- (i) Ensuring the smooth running of the Board and Board Committees;
- (ii) Participating in Board Meetings and relevant Board Committee Meetings and, when appointed, serving as a member;
- (iii) Facilitating the acquisition of information by all Board and Committee members;
- (iv) Supporting the Board in defining its role, objectives and operating procedures; Taking a leading role in organising Board evaluations and assessments;
- (v) Keeping under close review all Legislative, Regulatory and Corporate Governance issues; Supporting and challenging the Board to achieve the highest standards in Corporate Governance;
- (vi) Ensuring that the concept of stakeholders and the need to protect minority interests are in the Board's mind when important business decisions are being taken;
- (vii) Helping to ensure that the procedure to nominate and appoint Directors is properly carried out and assist in the induction of new Board Members;
- (viii) Acting as a primary point of contact and source of advice and guidance for, particularly, Non-Executive Directors as regards the Company and its activities; Facilitating and supporting the Independent Non-Executive Directors in the assertion of their "independence";
- (ix) Helping to ensure compliance with the continuing obligations of the Portuguese Listing Rules;
- (x) Participating in making arrangements for and managing the whole process of Shareholders' Meetings;
- (xi) Participating in the arrangement of insurance cover for Directors and Officers;
- (xii) Participating, on behalf of the Company, in external initiatives to debate and improve Corporate Governance regulations and practices in Portugal.

The full job description of the BCGO is available on the Company's website (www.sonae.com).

Statutory Audit Board

Composition

Sonaecom's Statutory Audit Board is composed of the following members:

Statutory Audit Board	
Arlindo Dias Duarte Silva	Chairman
Armando Luís Vieira de Magalhães	
Óscar José Alçada da Quinta	
Jorge Manuel Felizes Morgado	Substitute

Role

Sonaecom's Statutory Audit Board's main responsibilities consist in auditing the Company's activities and management and supervising and monitoring compliance with the law and with the Company's Articles of Association.

The full Terms of Reference of the Statutory Audit Board are currently being finalised and will be disclosed on the Company's website (www.sonae.com).

Statutory Audit Board meetings

The Statutory Audit Board meets at least once every quarter. There were 5 formal Statutory Audit Board meetings during 2007 and the attendance record was 100%.

Remuneration

The Chairman of the Statutory Audit Board receives an annual fee of 8.000 euros and the other 2 members fees of 6.000 each. Each member also received an annual responsibility allowance of 6.000 euros during 2007.

Statutory External Auditor

Composition

Sonaecom's Statutory External Auditor is Deloitte & Associados, SROC, S. A. represented by Jorge Manuel Araújo de Beja Neves, who may be substituted, if required, by João Luís Falua Costa da Silva.

Role

The Statutory External Auditor is responsible for verifying the accounts and all the financial documents of the Company and issuing a legal certification of the accounts and an audit report.

Shareholders' Remuneration Committee

Composition

Sonaecom's Shareholders' Remuneration Committee ("Comissão de Vencimentos") comprises Shareholders appointed by the Shareholders' General Meeting, under a four year mandate, currently 2004 to 2007.

Shareholders' Remuneration Committee

Sonae SGPS, S.A represented by.....	Duarte Paulo Teixeira de Azevedo ⁽¹⁾
Sonae Investments, BV, represented by.....	Bruno Walter Lehmann ⁽²⁾

(1) CEO of Sonae, SGPS, S.A.

(2) Partner – Egon Zehnder International

Role

The Committee is responsible for approving the remuneration and other compensation of members of Sonaecom's Board of Directors and of its other Statutory Governing Bodies, on behalf of the Shareholders, following the remuneration and other compensation policies approved by shareholders at the last Shareholders' General Meeting.

Bruno Walter Lehmann does not hold any office in the Company and is independent from the Board of Directors. The professional qualifications and experience of both representatives serving on the Shareholders' Remuneration Committee allow them to carry out their responsibilities effectively and rigorously.

The representative of the major shareholder does not take part in any discussion or resolution where there is a conflict of interests with his role as Chairman of the Board. In particular, his own remuneration as a non-executive Chairman, which is not a significant value, is approved by the independent member of the Shareholders' Remuneration Committee

Shareholders' Remuneration Committee meetings

This Committee meets at least once a year. There were 4 meetings during 2007 and the attendance record was 100%.

Remuneration

The Shareholder representatives on the Shareholders' Remuneration Committee did not receive any remuneration for their services during 2007. A shareholder proposal is expected to be presented to the Shareholders' 2008 Annual General Meeting to approve a remuneration basis for this Committee.

Company Secretary

Composition

Sonaecom's Secretary is Filipa Santos Carvalho, who may be substituted, if required, by Vera Lopes Pereira.

Role

The Company Secretary is responsible for:

- (i) Keeping the formal minute books and attendance lists at Shareholders' General Meetings;
- (ii) Forwarding the legal documentation to convene Shareholders' General Meetings;
- (iii) Supervising the preparation of supporting documentation for the Shareholders' General Meetings and meetings of the Board of Directors and preparing the respective formal minutes;
- (iv) Responding to Shareholders' requests for information within the scope of the law;
- (v) Legal registration of any act or resolutions of the Company's Statutory Governing Bodies.

4.1.4. Changes in governing bodies

During 2007, the structure and composition of Sonaecom's Governing Bodies changed as follows:

- (i) On 24 April 2007, following the resignation of Belmiro Mendes de Azevedo as Chairman of the Board and of Duarte Paulo Teixeira de Azevedo as CEO, the Board of Directors appointed the latter as Non-Executive Chairman of the Board and also co-opted Ângelo Gabriel Ribeirinho dos Santos Paupério to the Board and appointed him as CEO.
- (ii) Following the changes made to the Portuguese Company Law in 2006, a proposal to change the Company's Articles of Association was approved by the Shareholders' General Meeting on 2 May 2007. This resulted in the adoption of what is known as the "Reinforced Latin Model" corporate governance structure. Under this structure, a Statutory Audit Board ("Conselho Fiscal") was added to Sonaecom's statutory governing bodies with the composition explained above.
- (iii) At the same Shareholders' General Meeting, and for the same reason, the composition of the Board of the Shareholders' General Meeting was altered to the composition explained above.
- (iv) On 25 June 2007, António Lobo Xavier was appointed as the Representative for Relations with Capital Markets and the Portuguese Stock Exchange Authority.

4.1.5. Group remuneration policy

To promote initiative and build high levels of commitment, Sonaecom once again carried out its established annual performance appraisal process for all employees, during 2007, through which each individual's activity, performance and contribution to the organization's success was assessed and decisions were taken on the variable remuneration and other compensation to be attributed accordingly.

4.1.5.1. Description of components

Remuneration components

Sonaecom's remuneration policy for all employees includes two basic components:

- (i) Fixed Remuneration, which is paid as Annual Salary (salaries are paid 14 times per annum in Portugal);
- (ii) Annual Performance Bonus, which is paid in the first quarter of the following year.

In addition, a discretionary third component may be awarded to more senior employees (Sonaecom Group Management Levels – Grupos Funcionais or "GF" 1 to 6), on 10 March of

the following year, in the form of deferred compensation, under the Sonaecom Medium Term Incentive Plan¹ ("MTIP").

Sonaecom's MTIP is described in more detail in section 4.1.5.2. below.

Fixed remuneration

Annual remuneration and other elements of the compensation package are defined as a function of each employee's level of responsibility and are reviewed annually. Each employee is classified under a "Sonaecom Management Level" grid, designed using Hay's international model for classification of corporate functions to facilitate market comparisons as well as to help to promote internal equity.

During 2006, the "Sonaecom Management Levels" for senior management were reorganised and simplified and former Levels 15 to 20 are now integrated into three Management Levels (GF1 or Group Senior Executive, GF2 or Senior Executive and GF3 or Executive). The new model, although still linked to Hay's international model, introduces a system of valuation of competencies as an additional and complementary new criteria. During 2007, Sonaecom implemented this new model for all remaining employees, which were integrated in the Management Levels ("Grupos Funcionais") GF4 to GF9.

Annual Performance Bonus

The Annual Performance Bonus is aimed at rewarding the achievement of certain pre-defined annual objectives, which are linked to both Business and Personal Key Performance Indicators ("KPIs").

The target bonus amount is based on a percentage of the employee's Fixed Remuneration, which ranges between 15% and 70%, depending on the employee's Management Level. Business KPIs (which include economic and financial indicators based on approved budgets, relative share price performance, individual business unit performance as well as the performance of the Group as a whole) drive 70% of the Annual Performance Bonus and are normally objective indicators.

The remaining 30% of the Annual Performance Bonus is based on Personal KPIs, which are a mix of objective and subjective indicators. Annual Performance Bonuses paid relate to the actual performance achieved or assessed and can represent anything from 0% to 160% of the target bonus for Business KPIs and 0% to 120% of the target bonus for Personal KPIs. Combining both components, the maximum range that can apply to any individual is 0% to 148% of the target bonus.

The Business KPIs and their weightings for 2007 were:

Business KPIs and weightings

Indicator - Description	Weight
Turnover	22.5%
EBITDA	22.5%
Free Cash Flow	22.5%
Operational Indicators (1)	22.5%
Relative Share Price Performance	10.0%

(1) Various operational indicators such as Active Users, Direct Services, Paid Circulation

Medium term incentive plan (MTIP)

The MTIP is an equity-based discretionary deferred compensation plan with a three year period between the award date and the date on which the award vests. MTIP awards are made in March each year, in respect of performance during the previous financial year. The size of an award made under the MTIP is linked to an individual's Annual Performance Bonus paid for the same "performance year". Historically, the MTIP awards were made on 31 March of each year, but, for 2006 onwards, the award date has been changed to 10 March or the

¹ In previous years, deferred compensation was delivered under Sonaecom Deferred Performance Bonus Plans ("DPBP"). The plan was renamed as the MTIP in 2006, but the main characteristics of the plan remain unchanged.

last working day before that date. The vesting dates for all open plans have also been adjusted to this new timing.

As the MTIP is share based, Sonaecom's Board of Directors decided that the plan should be presented to Shareholders for approval at the Shareholders' Annual General Meeting in 2007, in order to comply with best practice in corporate governance. The MTIP was approved by shareholders at the Annual General Meeting held on 2 May 2007.

4.1.5.2. Medium term incentive plan (MTIP)

Sonaecom's MTIP is aimed at enhancing employees' loyalty, aligning their interests with those of shareholders, and increasing their awareness of the importance of their performance on the overall success of the organization, as reflected by changes in Sonaecom's share price.

MTIP assessment

All Sonaecom employees with Management Levels GF1 to GF6², are eligible to participate in the MTIP, as long they have entered the Company before the 31 December of the year being evaluated or they are promoted to GF6, or higher, at the annual review process performed in the first quarter of that year.

The value awarded is determined by applying the following percentages to the Annual Performance Bonuses paid in respect of the last financial year, according to Sonaecom Management Levels:

Sonaecom Management Levels ("Grupos Funcionais")	Percentage of Annual Performance Bonus
GF6	Up to 70%
GF5	Up to 80%
GF4	Up to 90%
GF3	Up to 100%
GF2	Up to 100%
GF1	Up to 100%

For Sonaecom's most senior employees who are at Senior Executive Level or above (GF1 or GF2), up to 40% of the awards under the MTIP were linked to Sonae SGPS shares (the "Sonae SGPS Share Plans"), depending on the employee's Management Level. This link to Sonae SGPS share was introduced to promote cooperation, maximise synergies and promote the exchange of knowledge between the Company and Sonae SGPS, Sonaecom's controlling shareholder.

In the past, employees participating in the MTIP were given the alternative of choosing between deferred share options ("Sonaecom Share Options Plans") or deferred rights to shares ("Sonaecom Share Plans"). As from March 2004 (relating to 2003 performance – the "2003 Plan"), all participants have been awarded deferred rights to shares.

For the MTIP awards delivered as deferred rights to shares, the number of shares is calculated by dividing the MTIP amount awarded by the average share price in the month prior to the award date. On vesting the shares, corresponding to the initial number of shares, adjusted for dividends and other changes in issued share capital, are transferred to the beneficiaries on the third anniversary of the award date at zero cost. The Company, subject to approval from the Board Nomination and Remuneration Committee, has the option to pay the cash equivalent to the value of the shares at the vesting date.

Summary of shares under the MTIP – Sonaecom's share plans

² Sonaecom Group Management Levels ("Grupos Funcionais" or "GF") are attributed according to Hay's international model for the classification of corporate functions. Sonaecom has defined internally that Managers with levels equal to or higher than GF3 may be Executive Committee members of Sonaecom Group companies.

The awards outstanding under the Sonaecom Share Plans in 2007 can be summarised as follows:

Sonaecom Share Plans outstanding during 2007

	Vesting period			Exercise period		At 31 December 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	-	-	-	-	-	-	-
2006 Plan	-	-	-	-	-	-	-
Sonaecom Shares							
2003 Plan	3,190	31-Mar-04	09-Mar-07	-	-	-	-
2004 Plan	3,960	31-Mar-05	10-Mar-08	-	-	354	985.074
2005 Plan	4,093	10-Mar-06	09-Mar-09	-	-	377	877.964
2006 Plan	4,697	09-Mar-07	08-Mar-10	-	-	411	1.039.044

* Average share price for the month prior to the award date, except for the 2006 Plan for which the share price corresponds to the average share price between 3rd March and 5th April 2007. This exception was due to the timing of the end of the Portugal Telecom bid and was approved by the Board Nomination and Remuneration Committee.

The number of shares awarded, and shares and options unvested, vested, cancelled or lapsed and exercisable options under Sonaecom's MTIP in the year ended 31 December 2007, are shown in the following table:

Sonaecom's options and shares under the MTIP

	Sonaecom options		Sonaecom shares		Total
	Aggregate number of participants	Number of options	Aggregate number of participants (1)	Number of shares	Corresponding shares
Outstanding at 31.12.2006					
Exercisable	33	510,633	-	-	510,633
Unvested	-	-	1,123	3,184,774	3,184,774
Total	33	510,633	1,123	3,184,774	3,695,407
movements in the year					
Awarded	-	-	422	1,097,470	1,097,470
Vested	-	-	(349)	(1,178,485)	(1,178,485)
Vested early (2)	-	-	(3)	(111,500)	(111,500)
Exercisable	-	-	-	-	-
Exercised	(31)	(343,571)	-	-	(343,571)
Cancelled/Lapsed	(2)	(167,062)	(51)	(90,177)	(257,239)
Outstanding at 31.12.2007					
Exercisable	-	-	-	-	-
Unvested	-	-	1,142	2,902,082	2,902,082
Total	-	-	1,142	2,902,082	2,902,082

(1) The number of participants is the cumulative number for all plans. The participant in 3 plans counts as 3.

(2) For the CEO, the vesting of all deferred plans was anticipated and cash equivalents were paid on 31 December 2007, in lieu of the delivery of Sonaecom shares.

Summary of shares and options under the MTIP – Sonae SGPS share plans

Awards under the Sonae SGPS Share Plans outstanding during 2007 can be summarised as follows:

Sonae SGPS Share Plans outstanding during 2007

	Share price at award date*	Vesting period		At 31 December 2007	
		Award date	Vesting date	Aggregate number of participants	Number of shares
Sonae SGPS Shares					
2003 Plan	0.93	31-Mar-04	09-Mar-07	-	-
2004 Plan	1.17	31-Mar-05	10-Mar-08	12	239,746
2005 Plan	1.34	10-Mar-06	09-Mar-09	12	125,779
2006 Plan	1.68	09-Mar-07	08-Mar-10	6	130,915

* The lower of the average share price for the month prior to the Annual General Meeting and the share price on the day after the Annual General Meeting, except for the 2006 Plan for which the share price corresponds to the average share price between 13rd February and 26th March 2007. This exception was due to the timing of the end of the Portugal Telecom bid and was approved by the Board Nomination and Remuneration Committee.

The number of awarded, unvested or vested, and cancelled, lapsed or adjusted Sonae SGPS shares under the MTIP in the year ended 31 December 2007, are shown in the following table:

Sonae SGPS shares under the MTIP

	Sonae SGPS shares	
	Aggregate number of participants (1)	Number of shares
Outstanding at 31.12.2006		
Unvested	38	911.350
Movements in the year		
Awarded	7	208.184
Vested	(12)	(369.317)
Vested early (2)	(3)	(269.616)
Cancelled/Lapsed/Adjusted (3)		15.839
Outstanding at 31.12.2007		
Unvested	30	496.440

(1) The number of participants is the cumulative number for all plans. The participant in 3 plans counts as 3.

(2) For the CEO, the vesting of all deferred plans was anticipated and cash equivalents were paid on 31 December 2007, in lieu of the delivery of Sonae SGPS shares.

(3) Adjustments are made to allow for the effects of dividends paid and changes in share capital.

MTIP hedging agreements and accounting impact

SonaeCom has hedged its MTIP and related obligations, up to and including the 2006 Plan. In respect of the SonaeCom shares plans, the 2004 plan is hedged through a contract with Sonae Investments BV. The 2005 and 2006 plans are hedged through own shares acquired in March 2007 and held by SonaeCom. Sonae SGPS shares plans have been hedged through a cash-settled share swap transaction, with an external party. SonaeCom has entered into agreements with its subsidiaries to recharge the corresponding hedging costs to each one of them.

The effect of the agreement relating to the 2004 Sonaecom shares plan (MTIP 2004) is that Sonaecom's liability is capped at a maximum share price of 3.22 euros per share (plus interest that accrues on payments that are deferred). The total liability as at 31 December 2007 was 3,304,474 euros, which is included under "Other Liabilities" in Sonaecom's accounts.

The 2005 and 2006 Sonaecom shares plans (MTIP 2005 and MTIP 2006), hedged through the acquisition and holding of own shares, are treated as an equity-settled plan, as it involves the delivery of Sonaecom's own shares. As such, the liability is, at 31 December 2007, accounted for in Reserves, within Shareholders' Funds, based on the share price at the award date (4.02 euros and 4.80 euros for the MTIP 2005 and MTIP 2006, respectively). At 31 December 2007, the amount included in Sonaecom accounts relating to these plans is 3,231,169 euros.

The Sonaecom SGPS shares plans correspond to the delivery of Sonaecom SGPS shares, but, as they are attributed by Sonaecom and not by Sonaecom SGPS, the plans are treated as cash-settled plans. Considering the cash-settled share swap transactions implemented to hedge these plans, the liability is included under "Other Liabilities" capped at a maximum share price of 2 euros, 2.10 euros and 2.1868 euros for the MTIP 2004, 2005 and 2006, respectively. At 31 December 2007, the total amount provided is 691,243 euros.

The cost of Sonaecom's MTIP is recognised in the accounts over the respective deferral period for each annual plan. As at 31 December 2007, 21.9 million euros had been expensed as a cost (5.4 million euros during 2007 and 16.5 million euros in previous years). The remaining 0.3 million euros have not yet been expensed and have been deferred and accounted for as Other Costs.

4.1.5.3. Directors' remuneration and other compensation

Sonaecom's Directors' compensation policy is aimed at remunerating in a fair, effective and competitive manner, taking into consideration the individual responsibilities and performance of each Director, both at a subsidiary company level and at a Sonaecom Group level.

Sonaecom's Shareholders' Remuneration Committee is responsible for the approval of the remuneration and other compensation of the Board of Directors, including both Executive and Non-Executive Directors following the remuneration and other compensation policies approved by shareholders at the Shareholders General Meeting. The composition and functioning of the Shareholders' Remuneration Committee is described in section 4.1.3. above.

Executive Directors

Remuneration and compensation proposals for Sonaecom's Executive Directors (excluding the CEO) are based on proposals made by the CEO, which are prepared taking into account:

- (i) Market comparables;
- (ii) Other Sonaecom and Sonaecom comparables;
- (iii) Individual appraisals of each Executive Director.

The Executive Directors remuneration and other compensation include Fixed Remuneration and an Annual Performance Bonus, and they also benefit from compensation under the MTIP, as described in Section 4.1.5.1. and 4.1.5.2. above.

CEO and Non-Executive Directors

Remuneration and other compensation for the CEO and remuneration for the Non-Executive Directors (excluding the Chairman) are based on proposals made by the Sonaecom Chairman.

The remuneration of the Chairman is decided by the other independent member of the Shareholders' Remuneration Committee.

For the CEO, the methodology used is the same as for the Executive Directors. Non-Executive Directors do not receive Annual Performance Bonuses nor do they participate in the Sonaecom MTIP.

For each Non-Executive Director, fixed remuneration assumes an agreed commitment of time during 2007, including the preparation and attendance of at least five Board Meetings each year. In addition, for External Non-Executive Directors who are Chairman of Board Committees their fixed remuneration is further increased by approximately 5%. Meeting attendance fees are payable for each meeting actually attended by each Non-Executive Director as follows: Board meetings: 800 euros, BAFC meetings: 550 euros and BNRC meeting: 330 euros. The Chairman of the Board does not receive attendance fees for Board Committee meetings.

Additionally, an annual responsibility allowance is paid to each Non-Executive Director, which amounts to 6,000 euros in the first year of Board membership, 4,000 euros in the following years and 8,000 in the last year of service on the Board

The BNRC may define additional remuneration for specific projects allocated to individual NEDs by the Board or by the Board Committees.

On resignation of any member of the Board, it is Group policy to pay whatever compensation is legally required, or to negotiate, in each situation, a value considered to be fair and appropriate by the parties involved. No additional compensation conditions exist for members of the Board who are treated in the same way as all employees.

Directors' remuneration

The remuneration of Sonaecom's Directors, including fixed remuneration and annual performance bonuses (both computed on an accruals basis), was as follows during 2007 and 2006:

Directors' Remuneration – Fixed Remuneration and Annual Performance Bonuses

Amounts in euros	2007			2006		
	Fixed Remuneration	Annual Performance Bonus	Total	Fixed Remuneration	Annual Performance Bonus	Total
Individual breakdown						
Chairman (Non-Executive)	60,667	-	60,667	56,000	-	56,000
CEO (Executive)	422,393	273,600	695,993	357,663	332,200	689,863
Average of the remaining 4 Executive Directors (4 in 2006)(1)	223,414	111,950	335,364	205,700	130,475	336,175
Average of the remaining 4 Non-Executive Directors (5 in 2006) (2)	26,285	-	26,285	25,627	-	25,627
Aggregate						
Executive Directors (5 in 2007 and 5 in 2006)	1,316,049	721,400	2,037,449	1,180,462	854,100	2,034,562
Non-Executive Directors (5 in 2007 and 6 in 2006)	165,807	-	165,807	184,136	-	184,136
	1,481,855	721,400	2,203,255	1,364,598	854,100	2,218,698

(1) Maximum Individual Remuneration in 2007 (2006) represented 129% (133%) of average and minimum 80% (74%) of average; (2) Maximum Individual Remuneration in 2007 (2006) represented 139% (145%) of average and minimum 0% (0%) of average, as one Non-Executive Director was not remunerated.

In presenting the figures above, the proportional remuneration for each Board Member has been included, based on the time of their appointment.

Sonaecom's Non-Executive Directors do not receive annual performance bonuses. The annual performance bonuses of the Executive Directors in the table above represent the best estimates of those values for the performance during 2007. The final values will only be determined and paid at the end of March 2008, after real performance has been fully

assessed and after the resulting bonuses have been approved by the Board Nomination and Remuneration Committee, on behalf of the Board of Directors, and by the Shareholders' Remuneration Committee, on behalf of the Shareholders.

Directors' participation in the MTIP

In addition to the values shown above, Sonaecom Executive Directors have been awarded compensation under the Sonaecom MTIP. Sonaecom's Non-Executive Directors do not participate in the MTIP.

The shares and options awarded to Executive Directors as part of the MTIP that vested, were exercised or remain unvested during 2007, are summarised below.

There are no performance conditions attaching to MTIP awards other than future share price performance, as these awards are based upon an individual's Annual Performance Bonus for which KPIs have already been satisfied.

Directors' other compensation – Participation in the Sonaecom MTIP (see below)

	Unvested				Total
	Plan 2003 (1)	Plan 2004	Plan 2005	Plan 2006	
Award date	31-Mar-04	31-Mar-05	10-Mar-06	9-Mar-07	
Beginning of the exercise period	9-Mar-07	10-Mar-08	9-Mar-09	10-Mar-10	
End of the exercise period	8-Mar-08	9-Mar-09	8-Mar-10	9-Mar-11	
SONAECOM SHARES and OPTIONS					
Share price at award date (2)	3,190	3,960	4,093	4,697	
Share price at vesting date	4,75	-	-	-	
Share price at 31 December 2007 (3)	-	3,30	3,30	3,30	
CEO					
N. of shares at 01.01.2007	44.577	39.878	29.186	-	113.641
N. of shares at 31.12.2007 (5)	-	-	-	-	-
Average of the remaining Executive Directors					
N. of shares at 01.01.2007	19.433	17.765	13.806	-	51.004
N. of shares at 31.12.2007	-	17.765	13.806	19.445	51.016
N. of options at 01.01.2007	57.426	-	-	-	57.426
N. of options at 31.12.2007	-	-	-	-	-
N. of options exercised	57.426	-	-	-	57.426
Total of the remaining Executive Directors					
N. of shares at 01.01.2007	77.731	71.059	55.224	-	204.014
N. of shares at 31.12.2007	-	71.059	55.224	11.119	204.062
N. of options at 01.01.2007	57.426	-	-	-	57.426
N. of options at 31.12.2007	-	-	-	-	-
N. of options exercised	57.426	-	-	-	57.426
TOTAL					
N. of shares at 01.01.2007	122.308	110.937	84.410	-	317.655
N. of shares at 31.12.2007	-	71.059	55.224	77.779	204.062
N. of options at 01.01.2007	57.426	-	-	-	57.426
N. of options at 31.12.2007	-	-	-	-	-
N. of options exercised	57.426	-	-	-	57.426
SONAE SGP S SHARES					
Share price at award date	0,98	1,17	1,34	1,68	
Share price at vesting date	2,16	-	-	-	
Share price at 31 December 2007 (4)	-	1,98	1,98	1,98	
CEO					
N. of shares at 01.01.2007	145.320	126.209	60.550	-	332.079
N. of shares at 31.12.2007 (5)	-	-	-	-	-
Average of the remaining Executive Directors					
N. of shares at 01.01.2007	24.419	26.677	18.413	-	69.508
N. of shares at 31.12.2007	-	27.054	18.673	23.629	69.356
Total of the remaining Executive Directors					
N. of shares at 01.01.2007	97.675	106.706	73.660	-	278.041
N. of shares at 31.12.2007	-	108.215	74.693	94.514	277.422
TOTAL					
N. of shares at 01.01.2007	242.995	232.915	134.200	-	610.110
N. of shares at 31.12.2007	-	108.215	74.693	94.514	277.422
VALUES					
CEO					
Value at award date	279.260	305.581	200.595	332.201	-
Value at vesting date (6)	530.073	381.491	216.203	296.647	-
Value at 31 December 2007 (5)	-	-	-	-	-
Average of the remaining Executive Directors					
N. of the remaining executive directors	4	4	4	4	
Value at award date	85.021	102.001	81.530	131.028	-
Value at vesting date	145.797	-	-	-	-
Value at 31 December 2007	-	112.190	82.533	110.952	305.675
Total of the remaining Executive Directors					
Value at award date	340.086	408.005	326.120	524.111	-
Value at vesting date	583.188	-	-	-	-
Value at 31 December 2007	-	448.760	330.131	443.808	1.222.700
TOTAL					
Value at award date	619.346	713.587	526.716	524.111	-
Value at vesting date	1.113.260	381.491	216.203	296.647	-
Value at 31 December 2007	-	448.760	330.131	443.808	1.222.700

(1) Vested on 15 March 2007. For three Executive Directors and for CEO, cash equivalents were paid, in lieu of the delivery of Sonaecom shares. The Sonaecom SGP S shares were delivered on 1 June 2007, rather than on 15 March 2007; (2) Average share price in the month prior to the award date, except for the 2006 Plan which share price corresponds to the average share price between 3rd March and 5th April 2007; (3) On 16 February 2007, the share price hit a high of 7.5 euros per share and a low of 3.25 euros per share on 17 September 2007; (4) On 2 May 2007, the share price hit a high of 2.171 euros per share and a low of 1.5 euros per share on 2 January 2007; (5) For the CEO, the vesting of all deferred plans was anticipated and cash equivalents were paid on 31 December 2007, in lieu of the delivery of Sonaecom and Sonaecom SGP S shares; following this payment, in 2008, the CEO acquired Sonaecom SGP S shares, which replace the Deferred Plans; (6) For the plans 2004, 2005 and 2006, the vesting date corresponds to the earlier vesting date (3 May 2007).

4.1.6. Fees of the Statutory External Auditor

During 2007, Sonaecom Group paid the following fees to the Statutory External Auditor Deloitte and their network of companies:

Statutory External Auditor Fees				
	2007		2006	
Audit	201.213	81%	183.524	85%
Tax Consultancy Services	48.561	19%	17.208	8%
Other Compliance & Assurance Services	-	0%	3.250	1%
Other Services	-	0%	12.965	6%
Total	249.774	100%	216.947	100%

Sonaecom's Risk Management Policy, which is supervised by the BAFC, monitors the non-audit services requested from the Statutory External Auditor and their respective network of companies, in order to ensure that auditor independence is not compromised. Annual fees paid by Sonaecom Group to the Deloitte Group represented less than 1% of their total global fees in Portugal. In addition, an Independence Letter is obtained each year from Deloitte confirming that they meet international guidelines on auditor independence.

4.1.7. Share price evolution

Sonaecom's shares ended 2007 with a market price of 3.30 euros per share, 34% below the closing price of 5.02 euros per share at 31 December 2006. The share price reached a maximum of 7.5 euros per share on 16 February 2007 and a minimum of 3.25 euros on 17 September 2007.

At the end of 2007, Sonaecom's market capitalisation stood at approximately 1.2 billion euros. The average daily trading volume reached approximately 1,008,000 shares, an increase of more than 73% compared to 2006. The total number of Sonaecom shares traded during 2007 exceeded 257 million shares, more than 70% of the total share capital of the Company, a further indicator of the increased liquidity of our shares.

During 2007, Sonaecom's share price evolution and liquidity was driven primarily by market expectations regarding the public tender offer over PT, launched in February 2006. Our share price at the end of 2006 naturally incorporated a market expectation in relation to a positive outcome of the outstanding tender offer and the termination of the offer on 2 March 2007 had an immediate impact on our share price. This is clearly evidenced by the fact that during March 2007, our share price has decreased by circa 30% (from 6.34 at 28 February 2007 to 4.44 at 30 March 2007). In the remainder of the year, Sonaecom shares were influenced by the following news flow:

- 26 April 2007: release of the first quarter 2007 consolidated results;
- 17 May 2007: confirmation of on-going negotiations with ONITELECOM - Infocomunicações, S.A. (ONI) for the acquisition of part of the business of that company;
- 19 June 2007: confirmation of on-going negotiations with Tele 2 Europe, S.A. for the acquisition of its business in Portugal;
- 21 June 2007: confirmation of the signature of an agreement between Novis and ONI for the acquisition of its business in the residential and SOHO segment, as well as of a set of assets related thereto owned by that company, for the global amount of 25 million euros;
- 28 June 2007: confirmation of the signature of an agreement between Sonaecom and Tele 2 Europe, S.A. for the acquisition of the total share capital of Telemilénio – Telecomunicações, Sociedade Unipessoal, Lda. (Tele 2 Portugal), for the amount of 16 million euros;
- 26 July 2007: release of the second quarter 2007 consolidated results;

- 6 August 2007: release of information in relation to the refinancing of Sonaecom's debt through a new underwritten Commercial Paper Programme;
- 28 September 2007: confirmation of the signature of an agreement for the acquisition of the total share capital of Cape Technologies Limited for a consideration of 17 million euros plus an additional amount of up to 3 million euros, subject to the accomplishment of certain pre-agreed targets.
- 29 October 2007: release of the third quarter 2007 consolidated results;
- 23 November 2007: announcement in relation to news in the press about a possible analysis of a friendly merger with PT Multimédia, SGPS, S.A.

Dividend distribution policy

At the Shareholders' Annual General Meeting, held on 2 May 2007, Sonaecom's shareholders approved the proposal from the Board of Directors to apply net results to legal and other reserves and retained earnings, with no dividend distribution, reflecting Sonaecom's strategy and the business opportunities available.

4.1.8. Investor relations

The Investor Relations department is responsible for managing Sonaecom's relationship with the financial community – current and potential investors, analysts and market authorities – with the goal of enhancing their knowledge and understanding of Sonaecom's businesses and activities, by providing relevant, timely and reliable information.

The department regularly prepares presentations and communications covering quarterly, half year and annual results, as well as issues announcements to the market whenever necessary, to disclose or clarify any relevant event that could influence Sonaecom's share price.

To further enhance the effective communication with the capital market and guarantee the quality of information provided, the Investor Relations department organises roadshows covering the most important financial centres of Europe and participates in various conferences. Also, a wide variety of investors and analysts have the opportunity to talk to management in one-on-one meetings or conference calls.

Any interested party may contact the Investor Relations department using the following contact details:

António Castro

Investor Relations Manager

Tel: (+351) 93 100 2099

Fax: (+351) 93 102 2099

Email: antonio.gcastro@sonae.com / investor.relations@sonae.com

Address: Rua Henrique Pousão, 432 – 7º Piso, 4460-841 Senhora da Hora, Portugal

Website: www.sonae.com

During 2007, the Investor Relations department participated in 71 one-on-one and group meetings, two international roadshows (covering Lisbon, Madrid, London and a few cities in the USA) and five investor and telecommunications conferences, providing analysts and investors with information on Sonaecom's performance and future prospects.

The representative for relations with capital markets and the Portuguese Stock Exchange Authority is António Lobo Xavier who can be contacted by phone or e-mail:

Tel: (+351) 93 100 2270

Fax: (+351) 93 100 2229

E-mail: antonio.xavier@sonae.com / investor.relations@sonae.com

Address: Rua Henrique Pousão, 432 – 7º Piso, 4460-841 Senhora da Hora, Portugal

4.1.9. Corporate regulations and guidelines

4.1.9.1. Share dealing regulation

In October 2004, Sonaecom's Board approved formal guidelines in relation to Share Dealing by Sonaecom Directors and "Relevant Employees". The agreed scope of coverage, including the meaning of Directors and Relevant Employees, within the Group, is the following:

- (i) Members of the Board of Directors of Sonaecom SGPS;
- (ii) Members of the Board of Directors of all other Sonaecom Group companies;
- (iii) Group Employees working in areas that tend to have access to Price Sensitive Information (PSI), which includes: Planning and Control, Corporate Finance, Treasury, Investor Relations, Legal, Public Relations and Accounting and Administration.

These rules also apply to "Connected Persons" of Directors and Relevant Employees.

These guidelines, summarised below, are based on practice in the UK for listed companies as set out in "Chapter 16 – Directors" of the UK Listing Rules issued by the UK Listing Authority, with the exception of the notification rules, which are based on the CMVM regulations currently applying in Portugal.

- (i) Directors and Relevant Employees of Sonaecom should not deal for short-term purposes (i.e. should not "trade");
- (ii) Directors and Relevant Employees of Sonaecom should always obtain formal clearance in writing from a second designated officer to deal in securities of Sonaecom;
- (iii) Dealings in Sonaecom shares will be prohibited under the following circumstances:
 - a. In a "Close Period" being the period before (but not after) an Earnings Announcement, where the close period is defined as two months for year-end Earnings Announcements and one month for the half-year and other quarters;
 - b. When any matter exists which represents unpublished Price Sensitive Information (PSI);
 - c. Any other period that the Director responsible for clearance believes may result in dealing in breach of these guidelines;
 - d. However, there is an "exceptional personal financial circumstance" clause allowing sales but not purchases.

Clear internal procedures have been established and communicated regarding implementation of these share dealing guidelines. The "designated officer" for Directors is the Chairman of the Board Audit and Finance Committee, Jean-François Pontal, who is an Independent Non-Executive Director.

The CMVM notification rules require notification from: (a) Directors of Sonaecom SGPS; (b) Directors of companies that control Sonaecom SGPS; (c) "Dirigentes" of Sonaecom SGPS, where "Dirigentes" means all people who have a regular access to privileged information and participate in management decisions; (d) companies controlled by any of the above Directors or "Dirigentes"; or (e) persons who act on behalf of any of the Directors or "Dirigentes" or companies above. The notification has to be made to CMVM within five working days following the transaction.

The notification must include: (a) the legal form of the acquisition or disposal and the respective date; (b) the number of shares involved and the number of shares held after the transaction; (c) the price and (d) the reason of notification.

4.1.9.2. Codes of conduct

Code of ethics

Sonaecom has in place a set of internal guidelines that are designed to guarantee the ethical and responsible behaviour of the organisation.

The Code of Ethic deals with topics ranging from integrity, transparency, respect, social responsibility, environmental commitment, health and safety, confidentiality and use of privileged information, to managing conflicts of interests and communicating irregularities. Sonaecom's employees and suppliers, including external consultants, are required to comply with by these guidelines and to always follow them in carrying out their activities.

Under the scope of this Code of Ethics, Sonaecom has created an Ethics Committee, whose responsibility includes ensuring that any doubts are clarified and reporting and dealing with alleged violations of the Code.

The full version of the Code of Ethics may be found on Sonaecom's website (www.sonae.com).

Whistleblowing policy

Sonaecom has a policy and process for communicating internal irregularities, which sets out procedures to efficiently and fairly respond to alleged irregularities reported, including:

- (i) Anyone wishing to communicate any irregularity believed or known to have been committed by any of Sonaecom's officers or members of staff, must address a letter or an e-mail containing a summary description of the facts to the Ethics Committee. The identity of the whistleblower will be kept anonymous, if explicitly requested;
- (ii) The letter will be analysed by the Ethics Committee and, if the committee finds grounds for the irregularity reported, measures will be taken, as deemed appropriate.

It is the responsibility of Sonaecom's Ethics Committee to review and evaluate the efficiency with which the policy and process for communicating irregularities is applied.

Conflicts of interest

In addition to the general guidance from the Sonaecom Code of Conduct, the following additional policy applies at Board Level (covering "Directors" as defined below):

A Director³, or entities in which a Director has a significant interest and/or influence, who or which enter or propose to enter into a transaction with Sonaecom SGPS, or any other company that is part of the Sonaecom Group, shall make full disclosure immediately. The fact that a transaction falls under other areas covered by separate guidance, such as Related Party Transactions, Business Gifts or Share Dealing, does not avoid the requirement for notification under this Conflicts of Interest Policy.

Such conflicts will be reported to the Board, normally via the Board Audit & Finance Committee (BAFC). The Board, on advice from the BAFC, may approve the transaction or request that such steps should be taken as are necessary and reasonable to remove any conflict of interest.

Where there are ongoing conflicts of interest, a written notice should be given to the Secretary to the Board who will maintain a Register of All Ongoing Declared Conflicts of Interest. This Register should be available at each Board meeting and will be updated with subsequent disclosures.

For all Directors, a Register of Significant and Relevant Outside Directorships and Other Significant Roles or Activities, as well as a Register of All Significant⁴ Shareholdings Held, should be maintained by the Secretary to the Board. Significant and relevant new appointments, activities and shareholdings should be disclosed in writing before being entered into. These disclosures should describe any potential conflict of interest arising, as well as any steps to be undertaken to manage or eliminate the identified conflicts. Disclosures should be assessed by the Board Nomination and Remuneration Committee ("BNRC") for Directorships, Roles and Activities and by the Board Audit and Finance Committee ("BAFC") for Shareholdings. The Secretary to the Board should ask all Directors to reconfirm the contents of the above register in writing once a year.

³ A "Director" for the purposes of the guidance includes all members of the Board of Directors, as well other Senior Executives who regularly attend Board meetings, Board Committee meetings or ExCom meetings.

⁴ "Significant" shareholding includes all shareholdings in the Group headed by Sonaecom's ultimate holding company (currently Efanor Investimentos) and any external shareholdings that represent more than 10% of the share capital or voting rights of the respective companies.

Related party transactions

Any significant related party transactions with reference shareholders, Directors or other Company Officers (individual or accumulated transaction values greater than 10 million euros) should be disclosed in advance to the BAFC, together with the planned steps to meet market comparability tests and to manage any potential conflicts of interest (see guidance on Conflicts of Interest above). Transactions that have been contracted as a result of a competitive process and transactions between wholly owned Sonaecom companies will be exempt from pre-clearance with the BAFC but will need to be reported under the procedures mentioned below.

The BAFC should ask the Statutory External Auditor, at the twice yearly meetings held with the BAFC, to specifically report on their audit review of significant Related Party Transaction risks (as reported in the notes to the accounts) covering compliance with agreed policy and procedures. Special emphasis should be placed on any transactions in course or completed with reference to shareholders.

The Sonaecom CFO is responsible for reporting to the BAFC, on a calendar year quarterly basis, all transactions with reference shareholders that exceed 1 million euros and any other transactions that are deemed to be particularly "sensitive" by management, that exceed 1 million euros. The report should cover all relevant transactions closed in the quarter or in course at the quarter end to the extent that appropriate information is available.

An annual review of recurring and ongoing related party transactions should be included in the BAFC meeting covering the first quarter of each year. In addition, this annual review should include all significant Sonaecom Group⁵ related party transactions with accumulated annual values that exceed 5 million euros as an Appendix to the Board papers. The BAFC will provide feedback to the Board with details of any issues raised on related party transactions or, alternatively, confirmation that no such issues have been raised by the BAFC.

4.1.9.3. Internal risk management policies

The management and monitoring of Sonaecom's main risks is achieved through the following key approaches:

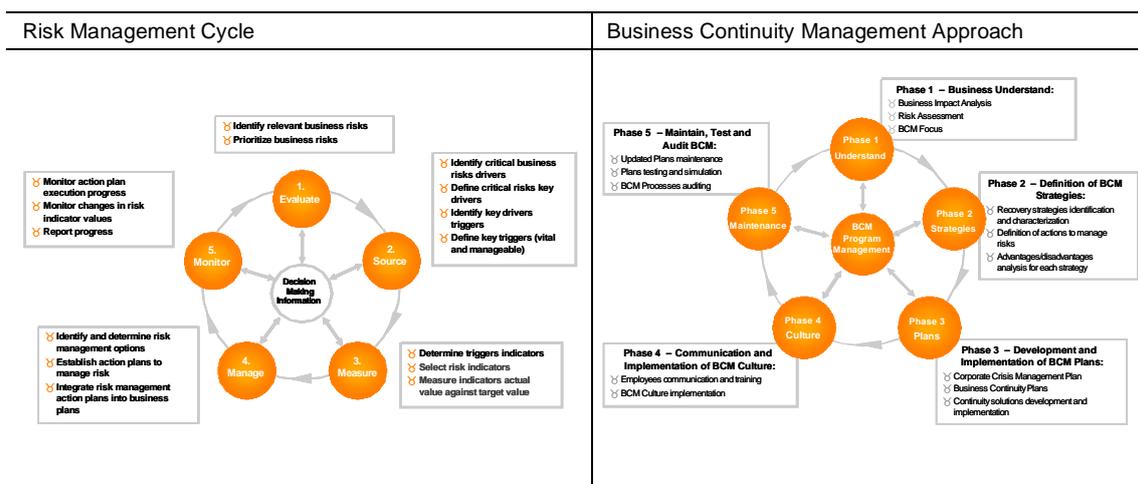
Aligning the risk management cycle with the strategic planning cycle at all Sonaecom subsidiaries, allowing Sonaecom to prioritise and identify critical risks that might compromise performance and goals, and to take actions to manage those risks within defined levels through constant monitoring and by implementing corrective measures.

Implementing an internal business continuity management process to reduce the risk of business interruption caused by disasters or technical and operating failures. This approach involves five main phases: (a) business understanding; (b) devising recovery strategies; (c) developing and implementing recovery plans; (d) deploying a culture of business continuity management and; (e) testing, maintaining and auditing recovery plans. It also includes internal diagnosis and tests in relation to the physical safety of Sonaecom's critical facilities (e.g. data centres, call centres), using business continuity management to assess and manage potential risks.

Setting in place risk management cycles / processes allowing Sonaecom to mitigate identified critical risks that can affect processes, areas or entities, positioning them at the levels required by the management.

The diagrams below illustrate the main phases included in Sonaecom's risk management policies, which apply to all businesses in its portfolio.

⁵ "Sonaecom Group" includes Sonaecom SGPS, and any other company that is consolidated in the Sonaecom Group accounts.



Actions undertaken

Management of Sonaecom's corporate risks

The main focus on the management of the Group's corporate risks during 2007 was in adapting the risk management cycle to sustainability opportunities and risks on Sonaecom's telecom business (further detailed information can be found in the Sustainability Report).

Business continuity management

During 2007, Sonaecom continued to focus on the development and consolidation of the business continuity management process. In this respect, Sonaecom undertook several actions, which will be finalised during 2008:

- (i) Business impact analysis and risk assessment of telco business (mobile and wireline), integrating the 2003 mobile results. Identification of services/products offer and "mission critical" activities. These were catalogued in terms of recovery priorities and recovery time objectives. Impacts were estimated for revenues, customers, legal and regulatory, media and service quality. Based on these assessments and prioritisation, a business continuity focus will be set, and solutions will be adapted and developed, taking into account a cost/benefit analysis (detailed information can be found in the Sustainability Report)
- (ii) Crisis management development and consolidation for some risk scenarios, such as human resources failure, natural catastrophes or technical failures.

Pursuing our policy of assessment and management of physical security risks, diagnoses were made at facilities that are critical for business continuity purpose. The strands analysed were fire, flood and intrusion security, as well as organisational security procedures.

Pandemic flu

The possibility, in the short term, of a pandemic flu as a result of mutation of avian flu is of concern to Sonaecom. Accordingly, the Group has launched a project for the management of this pandemic flu risk, with the goal of guaranteeing that Sonaecom, its subsidiaries and employees are prepared to deal with this scenario.

The Group aims to minimise any related health problems and assure the continuity of critical services. During 2007, the focus covered:

- (i) Development of preparation and contingency plans for the core areas, envisaging the continuity of critical services and activities. The planned strategy is primarily based on remote access solutions and human resources backup
- (ii) Defining and looking for solutions that allow plans maintenance and crisis management;
- (iii) Benchmarking our project solutions approach and status at European level, to ensure that we are following best practice in this area.

More detailed information can be found in the company Sustainability Report.

Customer information and security

At Sonaecom, we are dealing with certain risks associated with customer information and security. As part of a process that will continue during 2008, several initiatives were implemented during 2007, as follows:

- (i) Improvement of processes and controls for the management of customers' and employees' confidential information risk
- (ii) A CSSP (Customer Safety Security Program) is under development aimed at defining and implementing a strategy for customer awareness, accountability and protection regarding efficient, secure and optimised IP/data services usage (detailed information can be found in the Sustainability Report).

Telecommunications Revenue Assurance

Continuous monitoring is implemented at Sonaecom's telecommunication businesses to detect any kind of register loss between customer handset usage and invoicing, supported in RAID systems. The risk of QoS (quality of service) loss/deterioration is also mitigated when caused by integrity breach. "Alarmistic" was adapted to prevent income loss from new products / services.

In parallel, a platform upgrade was launched to include fixed-mobile convergence.

Telecommunications fraud

During 2007, fraud management processes were developed with the aim of controlling fixed and mobile platforms against fraud risk and malware management (mitigation of mobile handsets virus risk). It is important to highlight the following:

- (i) The launch of a project to set the roadmap for the actual systems' development to encompass fraud and security risk management for IP and fixed-mobile convergence technical developments. These systems will allow the monitoring and control of risks at service level such as VoIP, ADSL, IP TV, wireless broadband
- (ii) A proposal for SEFRI (Security and Fraud Functions Integration for mitigating cross sector security risks) was submitted to the European Commission ("EC"). This proposal envisages the development of a prototype or intersectorial solution (involving the telecommunication, energy and financial industries) to protect services, business and customers from criminality. An international consortium was set up, with Eurescom acting as the project manager, HP leading the project's technical elements, and Sonaecom involved as a reference operator. The EC decision is expected in April 2008.

The risk management activities and results are shared at Sonae Group level in the Risk Management Consulting Group, allowing the transfer of knowledge and best practices.

Quarterly, Sonaecom's Audit and Risk Management Team reports to the Board Audit and Finance Committee, presenting a summary of all relevant corporate risks findings. A follow-up procedure to monitor the effective adoption of effective corrective measures for the main findings is implemented on a half-yearly basis.

4.1.10. Relevant transactions with related parties

No material non-operational transactions were made during the year with related parties (including Sonaecom Officers or Governing Bodies, such as Members of the Board of Directors and the Statutory External Auditor, owners of qualified shareholdings or with controlling or Group companies), with the exception of the agreements signed in 2003, 2004 and 2005 with Sonae Investments BV and Sonae SGPS, relating to the hedging of Sonaecom's MTIP as described above. In the course of the Group's normal treasury management activities, the Company transferred its excess liquidity as treasury applications with Sonae SGPS at Euribor flat, with the exception of the excess liquidity from its bond issue that is earning a higher rate of Euribor plus 20 basis points.

4.1.11. Other offices held by members of the Board of Directors
Please refer to 3.2 under the “Our Management” section.

4.1.12. Article 447, 448 and qualified holdings
Please refer to 3.3 under the “Our Management” section.

5. Our performance

5.1 Sonaecom Consolidated Financial Statements

SONAECON, S.G.P.S., S.A. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED AT 31 DECEMBER 2007 AND 2006
 (Amounts expressed in Euro)

ASSETS	Notes	December 2007	December 2006
NON CURRENT ASSETS:			
Tangible assets	1.d), 1.j) and 6	533,166,510	494,771,742
Intangible assets	1.e), 1.f) and 7	189,436,634	166,664,974
Goodwill	1.g) and 9	528,216,604	506,902,772
Investments in associated companies	1.b) and 4	747,614	762,437
Investments available for sale	1.h) and 10	1,207,320	112,317,225
Deferred tax assets	1.q) and 11	101,118,096	61,786,654
Other non current assets	1.s), 1.t), 1.y) and 12	-	348,568
Total non current assets		<u>1,353,892,778</u>	<u>1,343,554,372</u>
CURRENT ASSETS:			
Inventories	1.j) and 13	24,036,540	15,138,395
Trade debtors	1.k) and 14	192,029,940	151,981,914
Other current debtors	1.k) and 15	17,704,719	20,060,419
Other current assets	1.s), 1.t), 1.y) and 16	87,096,013	62,687,227
Investments recorded at fair value through profit or loss	1.h) and 17	-	849,375
Cash and cash equivalents	1.l) and 18	83,851,612	125,917,344
Total current assets		<u>404,718,824</u>	<u>376,634,674</u>
Total assets		<u>1,758,611,602</u>	<u>1,720,189,046</u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	19	366,246,868	366,246,868
Own Shares	1.v) and 20	(8,938,165)	-
Reserves	1.u)	540,469,726	556,646,226
Consolidated net income/(loss) for the year		36,777,870	(13,883,168)
		<u>934,556,299</u>	<u>909,009,926</u>
Minority interests	21	865,131	471,382
Total Shareholders' Funds		<u>935,421,430</u>	<u>909,481,308</u>
LIABILITIES:			
NON CURRENT LIABILITIES:			
Medium and long-term loans - net of short-term portion	1.m), 1.n) and 22	373,213,990	460,600,827
Other non current creditors	1.i) and 23	17,916,038	1,614,602
Provisions for other liabilities and charges	1.p), 1.t) and 24	30,885,378	20,078,571
Deferred tax liabilities	1.q)	284,402	-
Other non current liabilities	1.s), 1.t), 1.y) and 25	291,147	3,785,049
Total non current liabilities		<u>422,590,955</u>	<u>486,079,049</u>
CURRENT LIABILITIES:			
Short-term loans and other loans	1.m), 1.n), 18 and 22	624,457	74,607
Trade creditors	26	185,332,554	162,680,112
Other current financial liabilities	1.i) and 27	1,926,041	1,708,922
Other creditors	28	18,350,798	17,538,711
Other current liabilities	1.s), 1.t), 1.y), 29 and 41	194,365,367	142,626,337
Total current liabilities		<u>400,599,217</u>	<u>324,628,689</u>
Total Shareholders' Funds and liabilities		<u>1,758,611,602</u>	<u>1,720,189,046</u>

The notes are an integral part of the consolidated financial statements at 31 December 2007 and 2006.

The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho Paupério

Lúis Filipe Campos Dias de Castro Reis

George Christopher Lawrie

Miguel Nuno Santos Almeida

Maria Cláudia Teixeira de Azevedo

António Sampaio e Mello

Gervais Gille Pellissier

David Charles Denholm Hobley

Jean-François René Pontal

SONAECOM, S.G.P.S., S.A. AND SUBSIDIARIES
 CONSOLIDATED PROFIT AND LOSS ACCOUNT BY NATURE
 FOR THE QUARTERS AND THE YEARS ENDED AT 31 DECEMBER 2007 AND 2006
 (Amounts expressed in Euro)

Notes	December 2007	September to December 2006 (Not audited)	December 2006	September to December 2006 (Not audited)	
Sales	30	79,052,510	24,134,556	89,288,539	22,666,820
Services rendered	30	813,641,181	224,281,105	746,751,737	189,343,178
Other operating revenues	31	6,421,176	2,188,901	32,035,543	2,412,482
		<u>899,114,867</u>	<u>250,604,562</u>	<u>868,075,819</u>	<u>214,422,480</u>
Cost of sales	13	(108,621,905)	(33,901,886)	(102,115,774)	(29,701,109)
External supplies and services	32	(507,530,381)	(142,230,185)	(457,366,138)	(120,895,672)
Staff expenses		(95,000,392)	(25,920,379)	(102,501,059)	(25,189,054)
Depreciation and amortisation	1.d), 1.e), 6 and 7	(139,982,820)	(38,485,608)	(135,670,907)	(35,480,638)
Provisions and impairment losses	1.p), 1.w) and 24	(12,176,960)	(2,944,485)	(10,612,459)	(2,378,237)
Other operating costs	1.x) and 33	(13,791,210)	(4,183,035)	(11,142,336)	(3,178,012)
		<u>(877,103,668)</u>	<u>(247,665,578)</u>	<u>(819,408,673)</u>	<u>(216,822,722)</u>
Tender Offer costs	34	-	-	(30,906,602)	(30,906,602)
		<u>(877,103,668)</u>	<u>(247,665,578)</u>	<u>(850,315,275)</u>	<u>(247,729,324)</u>
Gains and losses on associated companies	35	224,427	312,000	(162,483)	(41,249)
Gains and losses on investments available for sale	35	5,578,307	-	-	-
Other financial expenses	1.n), 1.o), 1.w), 1.x) and 35	(39,460,766)	(4,707,415)	(23,138,426)	(6,236,916)
Other financial income	1.o), 1.w) and 35	12,176,948	554,561	5,931,577	1,403,780
Current income/(loss)		530,115	(901,870)	391,212	(38,181,229)
Income taxation	1.q), 11 and 36	36,635,013	34,929,818	(5,259,937)	(2,068,876)
Consolidated net income/(loss)		37,165,128	34,027,948	(4,868,725)	(40,250,105)
Attributed to:					
Shareholders of parent company	40	36,777,870	33,846,503	(13,883,168)	(40,354,249)
Minority interests	21	387,258	181,445	9,014,443	104,144
Earnings per share					
Including discontinued operations					
Basic		0.101	0.09	(0.04)	(0.11)
Diluted		0.101	0.09	(0.04)	(0.11)
Excluding discontinued operations					
Basic		0.101	0.09	(0.04)	(0.11)
Diluted		0.101	0.09	(0.04)	(0.11)

The notes are an integral part of the consolidated financial statements at 31 December 2007 and 2006

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SONAECOM, S.G.P.S., S.A. AND SUBSIDIARIES
 CONSOLIDATED MOVEMENTS IN SHAREHOLDERS' FUNDS
 FOR THE YEARS ENDED AT 31 DECEMBER 2007 AND 2006
 (Amounts expressed in Euro)

	2007													
	Reserves											Minority Interests	Net income/(loss)	Total
Share capital	Own Shares (Note 20)	Legal reserves	Share premium	Other reserves	Reserves Medium Term Incentive Plans	Hedging Reserve	Reserves of Own shares	Fair value reserves (Note 10)	Total reserves					
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 year ended 31 December 2007	-	-	-	-	-	-	-	-	-	-	36,777,870	36,777,870		
Acquisition of own shares	-	(8,938,165)	-	-	(8,938,165)	-	-	8,938,165	-	-	-	(8,938,165)		
Fair value reserves	-	-	-	-	-	412,910	-	(5,121,876)	(4,708,966)	-	-	(4,708,966)		
Medium Term Incentive Plans recognition	-	-	-	-	-	2,234,288	-	-	2,234,288	-	-	2,234,288		
Reimbursements of expenses incurred in share capital increases (stamp tax)	-	-	-	-	300,000	-	-	-	300,000	-	-	300,000		
Adjustments in foreign currency translation reserves and others	-	-	-	-	(118,654)	-	-	-	(118,654)	-	-	(118,654)		
Balance at 31 December 2007	366,246,868	(8,938,165)	1,002,287	775,290,377	(248,360,691)	3,186,678	412,910	8,938,165	540,469,726	-	36,777,870	934,556,299		
Minority interests														
Balance at 31 December 2006	-	-	-	-	-	-	-	-	-	471,382	-	471,382		
Minority interests on results	-	-	-	-	-	-	-	-	-	387,258	-	387,258		
Other changes	-	-	-	-	-	-	-	-	-	6,491	-	6,491		
Balance at 31 December 2007	-	-	-	-	-	-	-	-	-	865,131	-	865,131		
Total	366,246,868	(8,938,165)	1,002,287	775,290,377	(248,360,691)	3,186,678	412,910	8,938,165	540,469,726	865,131	36,777,870	935,421,430		
	2006													
	Reserves													
Share capital	Own Shares	Legal reserves	Share premium	Other reserves	Reserves Medium Term Incentive Plans	Hedging Reserve	Reserves of Own shares	Fair value reserves (Note 10)	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)	-		
Capital increase including share premium	69,720,000	-	275,657,217	-	-	-	-	-	275,657,217	-	-	345,377,217		
Consolidated net income/(loss) for the year ended 31 December 2006	-	-	-	-	-	-	-	-	-	-	(13,883,168)	(13,883,168)		
Fair value reserves	-	-	-	-	-	-	-	5,121,876	5,121,876	-	-	5,121,876		
Medium Term Incentive Plans recognition	-	-	-	-	-	952,390	-	-	952,390	-	-	952,390		
Adjustments in foreign currency translation reserves and others	-	-	-	-	(334,673)	-	-	-	(334,673)	-	-	(334,673)		
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		
Minority interests														
Balance at 31 December 2005	-	-	-	-	-	-	-	-	-	115,163,114	-	115,163,114		
Minority interests on results	-	-	-	-	-	-	-	-	-	9,014,443	-	9,014,443		
Sales of group companies	-	-	-	-	-	-	-	-	-	(3,035,780)	-	(3,035,780)		
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	(120,682,005)	-	(120,682,005)		
Other changes	-	-	-	-	-	-	-	-	-	11,610	-	11,610		
Balance at 31 December 2006	-	-	-	-	-	-	-	-	-	471,382	-	471,382		
Total	366,246,868	-	559,078	775,290,377	(225,277,495)	952,390	-	5,121,876	556,646,226	471,382	(13,883,168)	909,481,308		

The notes are an integral part of the consolidated financial statements at 31 December 2007 and 2006

SONAECON, S.G.P.S., S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euro)

	31 December 2007		31 December 2006	
Operating activities				
Receipts from trade debtors	859,288,809		821,674,020	
Payments to trade creditors	(574,683,704)		(554,492,890)	
Payments to employees	(107,936,161)		(112,906,999)	
Cash flows from operating activities	176,668,944		154,274,131	
Payments/receipts relating to income taxes, net	(3,052,899)		(1,954,217)	
Other payments/receipts relating to operating activities, net	(23,686,174)		(29,255,058)	
Cash flows from operating activities (1)	149,929,871	149,929,871	123,064,856	123,064,856
Investing activities				
Receipts from:				
Investments	115,310,368		28,375,116	
Tangible assets	1,057,408		2,609,447	
Intangible assets	6,966		8,235	
Interest and similar income	11,683,303	128,058,045	5,919,370	36,912,168
Payments for:				
Loans granted	(1,233,597)		(4,990)	
Investments	(34,864,358)		(106,702,871)	
Tangible assets	(105,570,640)		(93,357,152)	
Intangible assets	(33,976,535)	(175,645,130)	(18,764,014)	(218,829,027)
Cash flows from investing activities (2)	(47,587,085)	(47,587,085)	(181,916,859)	(181,916,859)
Financing activities				
Receipts from:				
Loans obtained	225,000,000	225,000,000	-	-
Payments for:				
Leasing	(3,251,496)		(1,820,101)	
Interest and similar expenses	(36,364,867)		(18,512,975)	
Own shares	(8,938,165)		-	
Loans obtained	(324,458,200)	(373,012,728)	-	(20,333,076)
Cash flows from financing activities (3)	(37,752,668)	(37,752,668)	(20,333,076)	(20,333,076)
Net cash flows (4)=(1)+(2)+(3)	(45,669,942)		(79,185,079)	
Effect of the foreign exchanges	117,920		(59,000)	
Cash and cash equivalents at the beginning of the year	128,779,177		(205,086,816)	
Cash and cash equivalents at end of the year	83,227,155		125,842,737	

The notes are an integral part of the consolidated financial statements at 31 December 2007 and 2006.

Chief Accountant

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SONAECOM, S.G.P.S., S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED AT 31 DECEMBER 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.	1,148,715	-
Telemilénio Telecomunicações - Sociedade Unipessoal, Lda.	13,924,227	-
Cape Technologies, Limited	22,149,145	-
Praesidium Holdings Limited	1,579,349	-
b) Amount to pay from the acquisition of financial investments		
Tecnológica Telecomunicações, Ltda.	917,494	-
Cape Technologies, Limited	3,070,000	-
Praesidium Holdings limited	578,369	-
c) Amount to receive from the acquisition of financial investments		
Telemilénio Telecomunicações - Sociedade Unipessoal, Lda.	628,785	-
d) 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, S.A.	-	150,000
Acquisition of Portugal Telecom, S.G.P.S., S.A. Shares	-	105,988,029
	34,864,358	106,702,871
e) Sales		
Retailbox BV	-	33,268,380
Investimento Directo, S.A.	-	679,412
Sale of Sonae Indústria, S.G.P.S., S.A. shares	-	247,274
Sale of Portugal Telecom, S.G.P.S., S.A. shares	108,461,474	-
Sale of Sonae, S.G.P.S., S.A. Shares	385,979	-
Outsystem Software em Rede, S.A.	87,790	-
Despegar.com Inc	2,904,245	-
Profimetrics Software Solutions, S.A.	300,000	-
f) Amounts received of sales from previous years		
Retailbox BV	3,320,880	-
g) Amount to be paid related to financial investments sold		
Profimetrics Software Solutions, S.A.	150,000	-
Retailbox BV	-	5,819,950
	115,310,368	28,375,116
h) Amounts of cash and cash equivalents in the subsidiary sold		
Retailbox BV	-	247,394
Enabler - Informática, S.A.	-	3,166,663
Enabler Brasil, Lda.	-	116,001
Enabler Retail & Consult, GmbH	-	17,900
Enabler UK, Limited	-	570,900
Enabler France	-	155,860
i) Amounts of other assets and liabilities sold		
Retailbox BV		
Fixed assets	-	611,599
Trade debtors and other current debtors	-	6,490,798
Investments recorded at fair value through profit or loss	-	391,216
Trade creditors and other creditors	-	(2,416,842)
2 - Details of cash and cash equivalents:		
Cash in hand	581,803	143,380
Cash at bank	4,431,889	6,173,117
Treasury applications	78,837,920	119,600,847
Overdrafts	(624,457)	(74,607)
Cash and cash equivalents	83,227,155	125,842,737
Overdrafts	624,457	74,607
Cash assets	83,851,612	125,917,344
The difference between Cash and cash equivalents at 31 December 2006 and Cash and cash equivalents at the beginning of the year relates to the change of the consolidation perimeter and the detail is as follows:		
Cash and cash equivalents at 31 December 2006		125,842,737
Changes on the consolidation perimeter:		
Tecnológica Telecomunicações, Ltda.		384
Telemilénio Telecomunicações - Sociedade Unipessoal, Lda.		338,480
Cape Technologies Limited		2,157,457
Cape Asia Pac PTY Limited		3,638
Cape Poland Sp Z.o.o.		5,905
Cape Technologies (UK) Limited		13,809
Cape Technologies Americas, Inc		35,213
Praesidium Holdings Limited		497
Praesidium Services Limited		381,057
Cash and cash equivalents at the beginning of the year ended on 31 December 2007		128,779,177
3 - Description of non monetary financing activities		
a) Bank credit granted and not used	104,611,398	225,141,177
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 breakdown by activity

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net Cash Flows
Telecommunication	188,741,151	(135,098,163)	(340,551,509)	(286,908,521)
Multimedia	(3,696,917)	(748,124)	(15,415)	(4,460,456)
Information Systems	(19,036,526)	(18,710,340)	(227,416)	(37,974,281)
Others	(16,077,837)	106,969,542	192,781,612	283,673,316
	149,929,871	(47,587,085)	(148,012,728)	(45,669,942)

The notes are an integral part of the consolidated financial statements at 31 December 2007 and 2006.

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5.2 Notes to the Consolidated Financial Statements

Notes to the consolidated financial statements at 31 December 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 4 ("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 in Euro 70,276,868, from Euro 226,250,000 to Euro 296,526,868, by the issuance of 70,276,868 new shares of 1 Euro each and with a share premium of Euro 242,455,195, fully subscribed by France Telecom. The corresponding public deed was executed on 15 November 2005.

By decision of the Shareholders General Meeting held on 18 September 2006, Sonaecom's share capital was increased in Euro 69,720,000, from Euro 296,526,868 to Euro 366,246,868, by the issuance of 69,720,000 new shares of 1 Euro each and with a share premium of Euro 275,657,217,

subscribed by 093X - Telecomunicações Celulares, S.A. (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 in Portugal and has some subsidiaries (in the information systems consultancy area) in Brazil, the United Kingdom, Ireland, Poland, Australia and the United States of America.

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 financial statements are the Sonaecom Group's consolidated financial statements and have been prepared on a going concern basis, based on the accounting records of the companies included in the consolidation (Notes 2 and 4) in accordance with International Financial Reporting Standards ("IAS/IFRS") as adopted by the European Union ("EU"). These financial statements were prepared based on the acquisition cost, except for the revaluation of financial instruments.

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

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

In 2007, there were no changes in accounting policies in relation to those used for the consolidated financial statements as of 31 December 2006. In 2007, Sonaecom applied for the first time the IFRS 7 - "Financial instruments: disclosures", mandatory for the years beginning on or after 1 January 2007 and the revised IAS 1 - "Presentation of Financial Statements". Application of these standards resulted in an increase in the disclosures regarding financial instruments used by the Group (Notes 1. ab), 8, 14, 15, 22, 26, 28 and 35).

On 29 March 2007, with mandatory effect as from 1 January 2009, but with early adoption allowed, 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.

Additionally, in 2007, five interpretations were issued: (i) IFRIC 7 - "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies", (ii) IFRIC 8 - "Scope of IFRS 2", (iii) IFRIC 9 - "Reassessment of Embedded Derivatives", (iv) IFRIC 10 - "Interim Financial Reporting and Impairment", and (v) IFRIC 11 - "IFRS 2 - Group and Treasury Share Transactions". Application of these interpretations did not have a significant effect on the consolidated financial statements as of 31 December 2007.

Finally, at the at time of issuing these financial statements, the following standards and interpretations had been issued, application of which was not mandatory and which had not yet been endorsed by the European Union:

- Review of IFRS 3 - "Business concentration" - (mandatory at 1 July 2009);
- IFRS 8 - "Operating Segments" - (mandatory at 1 January 2009);

- IFRIC 12 - "Service Concession Arrangements" - (mandatory at 1 January 2008);
- IFRIC 13 - "Customer Loyalty Programmes" - (mandatory at 1 July 2008);
- IFRIC 14 - "IAS 19 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" - (mandatory at 1 January 2008).

At 31 December 2007, the Group had already applied IFRIC 13, the other standards and interpretations not having a significant effect on the Group's consolidated financial statements.

Main accounting policies

The main accounting policies used in the preparation of the accompanying 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 accompanying consolidated financial statements. Third party participations in the shareholders' equity and net results of those companies are recorded 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.

In the acquisition of subsidiaries, the purchase method is applied. 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 a 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 under the caption 'Provisions for other liabilities and charges'.

Investments in associated companies are listed in Note 4.

c) Jointly controlled companies

The financial statements of companies jointly controlled have been consolidated in the accompanying financial statements, as from their acquisition date, in accordance with the proportional consolidation method. In accordance with this method, assets, liabilities, income and costs of these companies have been included into the consolidated financial statements, caption by caption, in proportion to the control attributed to the Group.

The excess of cost in relation to the fair value of identifiable assets and liabilities of the jointly controlled companies at the time of their acquisition is recorded as Goodwill (Note 9). If the difference between cost and the fair value of the net assets and liabilities acquired is negative, it is recognised as income for the period, after reconfirmation of the fair value of the identifiable assets and liabilities.

Transactions, balances and dividends distributed between Group companies and jointly controlled companies are eliminated in the proportion attributable to the Group.

Classification of investments in jointly controlled companies is determined, among other matters, based on shareholders' agreements governing the joint control.

Details of jointly controlled companies are included in Note 3.

d) 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 necessary conditions to operate as intended by the management, by a corresponding charge to the statement of profit and loss caption 'Depreciation and amortisation'.

Impairment losses detected in the realization 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 the management. Good conditions in terms of network coverage and/or necessary quality and technical reliability to ensure minimum services are examples of conditions evaluated by the management.

During the year ended at 31 December 2007 the Group reassessed, on a prospective basis, the useful life of certain assets recorded under 'Tangible assets', (Note 6), based on reports of independent specialised entities.

e) Intangible assets

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

Intangible assets correspond, essentially, to software (excluding the one included in tangible assets - telecommunication sites' software), industrial property, costs incurred with the mobile network operator licenses (GSM and UMTS) and the fixed network operator licenses as well the costs incurred with the acquisition of customers portfolios (amount attributed in the allocation of the purchase price under business combinations).

Amortisation is provided on a straight-line monthly basis, over the estimated useful life of the assets (three to six years) as from the month in which the corresponding expenses are incurred. Mobile and fixed network operator licences are amortised over the period for which they were granted (15 years). The UMTS license is being amortised on a straight-line basis for an 11 year period, which corresponds to the period between the commercial launch date and the maturity date of the license. Additional licence costs, namely costs relating to the commitments assumed under the UMTS license, regarding the contributions to the "Information Society", are amortised from the moment they are incurred up to the end of the license. Customers portfolios are amortised on a straight-line basis over the estimated average period of customer retention.

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 is able to 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'.

f) 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. Where the period of useful life is undefined, they are not subject to depreciation, but rather to annual impairment tests.

g) 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 year 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 acquisition cost of such financial investment and the proportional amount of the shareholders funds of the acquired company.

h) 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 investment', 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 it is acquired principally for the purpose of selling in the short term or if the adoption of this method allows reducing or eliminating 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 mature 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 recognised at amortised cost, using the effective interest rate method less any impairment.

Loans and receivables are recorded as current assets, except when its maturity is greater than twelve months from the balance sheet date, situation 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 with 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 in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose it 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 or losses from investment securities.

The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. The fair value of listed investments is determined 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 case of equity securities classified as available for sale, a significant or prolonged decline (decrease of over 25% in two consecutive quarters) in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

i) Financial and operational leases

The lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the detention 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 detention 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 the liability are recorded in accordance with the contractual financial plan at fair value or, if less, at the present value of payments. 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.

j) Inventories

Inventories are stated at their acquisition cost, net of any impairment losses, which reflects their estimated realisable value.

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 24).

k) Trade and other current debtors

Trade and other current debtors are recorded at their realisable value and do not include interests, as the discount effect is not considered to be significant.

These financial investments arise when the Group lends money, supplies goods or renders services directly to a debtor without the intention of trading the receivable.

Trade and other current debtors are stated net of any impairment losses. Future recovery of impairment losses recognised earlier are credited to the statement of profit and loss caption 'Other operating revenues'.

l) Cash and cash equivalents

Amounts included under the caption 'Cash and cash equivalents' correspond to amounts held in cash 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 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.

All amounts included under this caption are able to be realised in the short term and are not subject to any onus or guarantee.

m) 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. The interests incurred but not yet due are added to the amount of the loans until they are liquidated.

n) 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.

o) 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 similar 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 a corresponding entry under the caption 'Hedging reserves' in shareholders' funds.

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

p) Provisions and contingencies

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

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

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

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

q) 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 11).

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.

r) Government subsidies

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

Subsidies awarded to finance investments in tangible assets are registered as deferred income and are included in the profit and loss statement during the estimated useful life of the corresponding assets, as a deduction to Amortisation and depreciation costs.

s) 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 the 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 Sonaecom - Serviços de Comunicações, S.A., are calculated taking in consideration the probability of the redemption of the points, 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'.

Revenues and costs on information systems projects are recognised in each period based on the percentage of completion.

Non-current financial assets and liabilities are recorded at fair value and, in each period, the financial actualisation to the fair value is recorded in the statement of profit and loss under the caption 'Financial results'.

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

t) 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 11 and 24).

u) Reserves

Share premiums

Share premium relates to premiums obtained on the issuance of capital or in capital increases. In accordance with Portuguese legislation, the amounts included in this caption are subject to the rules applicable to the 'Legal reserve', that is they are not distributable, except in case of liquidation of the company, but can be used to absorb losses, after the other reserves have been exhausted, or to increase capital

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 it may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

Medium Term Incentive Plans Reserves

In accordance with IFRS 2, the liability for equity settled plans is recognised in the caption 'Medium Term Incentive Plan Reserves' and cannot be distributed or used to absorb losses.

Hedging reserve

The Hedging reserve reflects the changes in fair value of "cash flow" hedging derivatives that are considered as effective (Note 1.o) and is not distributable or can be used to absorb losses.

Own Shares reserve

The own shares reserve reflects the cost of own shares and is subject to the same requirements as the legal reserve.

Under Portuguese legislation, the distributable amount of reserves is determined based on the individual financial statements of the Company, prepared in accordance with IAS/IFRS. Therefore Sonaecom, SGPS, S.A.'s only distributable reserves are its other reserves, which amount to Euro 8,189,905.

v) Own Shares

Own shares are recorded at cost and reflected as a decrease in shareholders' funds. Gains or losses on the sale of own shares are recorded under the caption "Other Reserves".

w) 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 of the financial statements of foreign entities are translated into Euro using the rates of exchange in force on the balance sheet date, while expenses and income in such financial statements are translated into Euro using the average rate of exchange for the year. The resulting exchange differences are recorded in the shareholders' funds caption 'Other reserves'.

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

The following rates were used to translate into Euro the financial statements of foreign subsidiaries:

	2007		2006	
	31.12.07	Average	31.12.06	Average
Pounds Sterling	1.36361	1.46209	1.48920	1.46704
Brazilian Real	0.38516	0.37577	0.35564	0.36658
American Dollar	0.67930	0.73080	-	-
Zloti (Poland)	0.27828	0.26445	-	-
Australian Dollar	0.59677	0.61203	-	-

x) Assets impairment

Impairment tests are performed at the date of each balance sheet and whenever an event or change of circumstances indicates that the recorded 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 a transaction within the capability of the parties involved, less the costs directly related to the sale. The value of use is the present amount of the estimated future cash flows expected to result from the continued use of the asset and of its sale at the end of its useful life. The recoverable value is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

Evidence of the existence of impairment in accounts receivable exists when:

- the counterparty is in significant financial difficulty;
- there are significant delays by the counterparty in the payment of interest and other major payments;
- it is probable that the debtor will go into liquidation or financial restructuring.

Impairment of certain categories of financial assets for which impairment cannot be determined on an individual basis is determined on a collective basis. Objective evidence of impairment of a portfolio of accounts receivable may include past collection experience, increasing number of delays in collections, as well as changes in national or local economic conditions relating to the ability to collect.

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 supported 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 impairment is calculated based on market evidence and several indicators of stock rotation.

y) 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 amount payable to third parties is 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 plans to be liquidated through the delivery of 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 captions '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 transferred its liability relating to the Sonaecom share plan to an entity outside the Sonaecom Group. At 31 December 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 relation to the plans which will be liquidated through the delivery 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, in proportion to the period of time elapsed from the date the benefit is attributed to the date it is recorded.

z) Subsequent events

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

aa) Judgements and estimates

The most significant accounting estimates reflected in the consolidated financial statements as at 31 December 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 impairment losses on assets and provisions;
- d) Assessment of the responsibilities associated with the 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 approval 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 these consolidated financial statements are disclosed in the correspondent notes.

ab) 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. o)).

Market risk

a. Foreign exchange risk

The Group operates internationally, having subsidiaries that operate in Brazil, United Kingdom, Ireland, Poland, United States of America and Australia and so it is exposed to foreign exchange rate risk.

Foreign exchange risk management seeks to minimize the volatility of investments and transactions made in foreign currency and contributes to reduce 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 such procedure is not possible, the Group adopt derivatives financial hedging instruments.

The Group's exposure to exchange rate risk results mainly from the fact that some of its subsidiaries report in currencies other than the Euro, the risk relating to the operations being insignificant.

The Euro amounts of the Group's foreign currency assets and liabilities are as follows:

	Assets		Liabilities	
	31.12.07	31.12.06	31.12.07	31.12.06
Pounds Sterling	520,785	-	141,875	-
Brazilian Real	17,910,518	11,400,844	13,176,664	5,743,749
American Dollar	19,781	-	7,503	-
Zloti (Poland)	128,134	-	81,695	-
Australian Dollar	32,115	-	67,565	-

The Group sensitivity to changes in foreign exchange rates is summarized as follows (increases/(decreases)):

	Variation	2007		2006	
		Shareholders'		Shareholders'	
		Results	Funds	Results	Funds
Pounds Sterling	1%	(577)	4,813	-	-
Brazilian Real	1%	310	18,744	15,496	20,022
American Dollar	1%	(336)	41	-	-
Zloti (Poland)	1%	(105)	(111)	-	-
Australian Dollar	1%	(386)	405	-	-
		(1,094)	23,892	15,496	20,022

The table details the possible impact on the Group's consolidated financial statements of the translation of the foreign currency financial statements of subsidiaries, due to variations in exchange rates.

b. Price risk

In 2007, the Group was exposed to the risk of price variations on investments recorded at fair value through profit and loss and part of investments available for sale. In the first case, that caption is made up of Sonae S.G.P.S., S.A. shares, acquired to hedge the Group's liability under the Medium Term Incentive Plans granted to its employees (Note 1. y) and 41) and therefore the variation in the price of those shares was compensated by the variation in the liability of the respective plan. In the case of the investments available for sale, the amount reflected in this caption consists mainly of Portugal Telecom S.G.P.S., S.A. shares.

During 2007 both the securities were sold (Notes 10 and 17), the Medium Term Incentive Plans relating to Sonae SGPS SA shares now being hedged through contracts with an external entity.

c. Interest rate risk

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility on the Group's income and shareholders' equity is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility of using interest rate hedging derivative instruments, as explained below; (iii) possible correlation between the market interest rate levels and economic growth, the latter having a positive effect on other lines of the Group's consolidated results (particularly operational), thus partially offsetting the increased financial costs ("natural hedge"); and (iv) the availability of consolidated liquidity or cash, also remunerated at variable rates.

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 equalize 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 changes 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 (Note 22) 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, being the Group's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions. In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

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 the derivatives contracted, that are considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions 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.

Sonaecom's Board of Directors approves the terms and conditions of the funding with a significant impact on the Group, based on an analysis of the debt structure, the inherent risks and the different options in the market, particularly as regards the type of interest rate (fixed / variable). Under this policy, the Executive Committee is responsible for decisions regarding the contracting of occasional interest rate hedging derivative financial instruments, through monitoring the conditions and alternatives existing in the market.

d. Liquidity risk

The existence of liquidity in the Group requires the definition of some parameters for the efficient and secure management of liquidity, enabling maximisation of the return obtained and minimisation of the opportunity costs relating to the liquidity.

Liquidity risk management has a threefold objective: (i) Liquidity, that is to ensure permanent access in the most efficient way to sufficient funds to cover current payments on the respective maturity dates, as well as any unexpected requests for funds; (ii) Safety, that is minimisation of the probability of default in the repayment of any application of funds; and (iii) Financial Efficiency, that is ensuring that the Companies maximise the value / minimise the opportunity cost of holding excess liquidity in the short term.

The main parameters underlying such a policy correspond to the type of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparty and the maximum periods for investment.

The liquidity of each company should be applied as follows, by order of priority:

- i. Repayment of short term debt - after comparing the opportunity cost of repayment and the opportunity cost relating to alternative investments;
- ii. Consolidated management of liquidity - the existing liquidity in companies, should preferably be applied in Group companies, so as to minimise the use of bank debt on a consolidated basis;
- iii. Application in the market.

Application in the market is limited to eligible counterparties that comply with ratings previously established by Management, limited to maximum amounts established by counterparty.

Definition of maximum amounts by counterparty is intended to ensure that liquidity is applied prudently considering the principles of management of banking relationships.

The maturity of the applications should coincide with the projected payments (or be sufficiently liquid, in case of investments, to enable urgent unexpected payments to be made), including a margin to cover possible forecasting errors. The required margin of error depends on the reliability of the treasury forecasts and should be determined by the business. The reliability of the treasury forecasts is a determinant variable in quantifying the amounts and maturity of the funds obtained/applied in the market.

A maturity analysis of each financial liability instrument is presented in Notes 15,18 and 28, considering amounts not discounted and the worst case scenario, that is the shortest period that the liability can become due.

e. Credit risks

The Group's exposure to credit risk is mainly associated with the accounts receivable related to current operational activities. The credit risk on financial operations is mitigated by the fact that the Group only negotiates with high credit quality entities.

The management of this risk seeks to guarantee that the 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.

The amount of trade debtors and other debtors in financial statements, which is net from impairment losses, represents the maximum exposure of the Group to credit risk.

2. Companies included in the consolidation

Group companies included in the consolidation through full consolidation method, their head offices, main activity, shareholders and percentage of share capital held at 31 December 2007 and 2006, are as follows:

Company (Commercial Brand)	Head Office	Main activity	Shareholder	Percentage of share capital held			
				2007		2006	
				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%	100%	100%	99%
Sonaecom - Serviços de Comunicações, S.A. ("Novis" and "Optimus") (a)	Maia	Implementation, operation, exploitation and offer of networks and rendering services of electronic communications and related resources; offer and commercialisation of products and equipments of electronic communications.	Sonaecom	53.54%	53.54%	58.33%	58.33%
			Sonae Matrix	-	-	41.67%	41.67%
			Sonae Telecom	37.94%	37.94%	-	-
			Sonaecom BV	8.52%	8.52%	-	-
Optimus - Telecomunicações, S.A. ("Optimus")	Maia	Rendering of mobile telecommunications services and the establishment, management and operation of telecommunications networks.	Sonae Telecom	Merged		49.06%	49.06%
			Sonaecom				
Per-Mar - Sociedade de Construções, S.A. ("Per-Mar")	Maia	Purchase, sale, renting and operation of property and commercial establishments.	Sonaecom Serviços de Comunicações	100%	100%	-	-
			Optimus	-	-	100%	100%
Público - Comunicação Social, S.A. ("Público")	Oporto	Editing, composition and publication of periodical and non-periodical material.	Sonaetelecom BV	100%	100%	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.	Sonaecom Serviços de Comunicações	100%	100%	-	-
			Optimus	-	-	100%	100%

* Sonaecom effective participation

Company (Commercial Brand)	Head Office	Main activity	Shareholder	Percentage of share capital held			
				2007		2006	
				Direct	Effective*	Direct	Effective*
Saphety Level – Trusted Services, S.A. (Saphety)	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%	100%	100%
Sonae Matrix Multimédia, S.G.P.S., S.A. ("Sonae Matrix") (b)	Maia	Management of shareholdings in the area of multimedia trade.	Sonae.com	(Liquidated)		100%	100%
Sonae Telecom, S.G.P.S., S.A. ("Sonae Telecom")	Maia	Management of shareholdings in the area of mobile telecommunications.	Sonae.com	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.	Sonae.com	100%	100%	100%	100%
Sonae.com BV	Amsterdam	Management of shareholdings.	Sonae.com	100%	100%	100%	100%
Sonae.com BV	Amsterdam	Management of shareholdings.	Sonae.com	100%	100%	100%	100%
Tecnológica Telecomunicações, LTDA. ("Tecnológica") (c)	Rio de Janeiro	Rendering of consultancy and technical assistance in the area of IT systems and telecommunications.	We Do Brasil	99.99%	99.90%	-	-
We Do Consulting – Sistemas de Informação, S.A. ("We Do")	Maia	Rendering of consultancy services in the area of information systems.	Sonae.com Sistemas de Informação	100.00%	100.00%	97.66%	97.66%
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%	99.91%	99.91%	97.57%
Telemilénio Telecomunicações - Sociedade Unipessoal, Lda. ("Tele2") (d)	Lisbon	Rendering of mobile telecommunications services, including fixed telecommunications and internet service.	Sonae.com	100%	100%	-	-

* Sonae.com effective participation

Company (Commercial Brand)	Head Office	Main activity	Shareholder	Percentage of share capital held			
				2007		2006	
				Direct	Effective*	Direct	Effective*
Optimus Artis - Concepção, Construção e Gestão de Redes de Comunicações, S.A. ("Artis") (e)	Maia	Design, construction, management and exploitation of electronic communications networks and their equipment and infrastructure, management of technologic assets and rendering of related services.	Sonaecom	100%	100%	-	-
Cape Technologies Limited ("Cape Technologies") (f)	Dublin	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	-	-
Cape Poland Sp. Z.o.o. ("Cape Poland") (f)	Posnan	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	-	-
Cape AsiaPac PTY Limited ("Cape Asia") (f)	New South Wales	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	-	-
Cape Technologies Americas, Inc ("Cape America") (f)	Delaware	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	-	-
Cape Technologies (UK) Limited ("Cape UK") (f)	Cardiff	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	-	-
Praesidium Holdings Limited ("Praesidium Hld") (f)	Berkshire	Management of shareholdings.	We Do	100%	100%	-	-
Praesidium Services Limited ("Praesidium Services") (f)	Berkshire	Rendering of consultancy services in the area of information systems.	Praesidium Hld	100%	100%	-	-
Praesidium Technologies Limited ("Praesidium Technologies") (f)	Berkshire	Rendering of consultancy services in the area of information systems.	Praesidium Hld	100%	100%	-	-

* Sonaecom effective participation

(a) At 1 November 2007, occurred the merger through incorporation of Optimus - Telecomunicações, S.A. in Novis Telecom, S.A., which changed its corporate name to Sonaecom - Serviços de Comunicações, S.A. (Sonaecom Serviços de Comunicações)

(b) Company liquidated in December 2007.

(c) Company acquired in April 2007.

(d) Company acquired in September 2007.

(e) Company established in October 2007.

(f) Companies acquired in October 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. Companies jointly controlled

At 31 December 2007, the Group had joint control and consolidated using the proportional method the following companies:

Company (Commercial Brand)	Head Office	Main activity	Shareholder	Percentage of share capital held			
				2007		2006	
				Direct	Effective*	Direct	Effective*
Vipu Ace ("Sexta") (a)	Lisbon	Optimization of resources for activity of editing of periodic contents for revisions in paper to digital media, video or TV.	Público	50%	50%	-	-

* Sonaecom effective participation
(a) Joint venture established in October 2007

The main impact of this company on the Group's consolidated financial statements is as follows (debit/ (credit)):

	2007
Non current assets	13,973
Current assets	161,079
Current liabilities	(183,446)
Net results	139,795
Total revenues	(137,640)
Total costs	277,435

4. Investments in associated companies

At 31 December 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				Book value	
				2007		2006		2007	2006
				Direct	Effective*	Direct	Effective*		
Associated companies:									
Net Mall, S.G.P.S., S.A. ("Net Mall")	Maia	Management of shareholdings.	Sonae.Com Sistemas de Informação	39.51%	39.51%	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. Gala	Trade and industry of graphic design and publishing.	Público	40%	40%	40%	40%	747,614	762,437
Profimetrics - Software Solutions, S.A. (Profimetrics)	Maia	Development of software solutions to optimize the retail sales.	Sonae.com Sistemas de Informação	(Sold)		30%	30%	-	(a)
								747,614	762,437

* Sonaecom effective participation
(a) Investment recorded at a nil book value

The only change in investments in associated companies in the years ended 31 December 2007 and 2006 was the effect of applying the equity method to the investment in Unipress.

The associated companies were included in the consolidated financial statements in accordance with the equity method, as referred in Note 1. b). It was not necessary to make any adjustment to make the accounting policies of the associated companies comply with those of the Group, as there were no significant differences.

At 31 December of 2007, the assets, liabilities, total revenues and net results of associated companies were as follows:

Company	Assets	Liabilities	Total revenues	Net results
Unipress - Centro Gráfico, Lda ⁽¹⁾	5,027,507	3,198,883	2,934,954	52,945
Sociedade Independente de Radiodifusão				
Sonora, S.A.	652,698	696,790	1,302,377	53,245
Netmall, S.G.P.S., S.A.	14,637	20,354	-	(1,576)

(1) Values at 31.12.2006

5. Changes in the Group

During the years ended 31 December 2007 and 2006 the following changes occurred in the composition of the Group:

5. 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 Brasil	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%
Sonae.com SI	We Do	Oct-07	0.02%	99.46%
We Do	Cape Technologies Limited	Oct-07	100.00%	100.00%
We Do	Praesidium Holdings Limited	Oct-07	100.00%	100.00%
Sonae Telecom BV	Público	Nov-07	1.00%	100.00%
Sonae.com SI	We Do	Dec-07	0.54%	100.00%

During the year ended 31 December 2007 and as a result of the above mentioned acquisitions, additional Goodwill of Euro 21,313,832 was recorded (Note 9).

Goodwill of the main acquisitions made during 2007 was calculated as follows:

Cape Group - (Business: Rendering of consultancy services in the information systems area):

	Book value before the acquisition
Acquired Assets:	
Tangible and Intangible assets	429,411
Trade debtors	692,880
Other debtors	1,863,987
Other current assets	2,291,926
Cash and cash equivalents	<u>2,216,022</u>
	<u>7,494,226</u>
Acquired Liabilities:	
Short-term loans and other loans	1,228,597
Other financial liabilities	260,304
Provisions for other liabilities and charges	80,706
Trade creditors	945,562
Other creditors	613,792
Other current liabilities	<u>2,088,066</u>
	<u>5,217,027</u>
Total net assets acquired	<u><u>2,277,199</u></u>
Acquisition price net of loans	22,149,146
Goodwill	19,871,947
Praesidium Group - (Business: Rendering of consultancy services in the information systems area):	
Acquired Assets:	
Tangible and Intangible assets	26,868
Other current assets	307,164
Cash and cash equivalents	<u>381,554</u>
	<u>715,586</u>
Acquired Liabilities:	<u>286,065</u>
Total net assets acquired	<u><u>429,521</u></u>
Acquisition price	1,579,349
Goodwill	1,149,828

Goodwill in Cape and Praesidium Groups relates ,essentially, to the amount of the future cash flows that will result from the operations of these subsidiaries and so no adjustments to the fair value of the assets and liabilities acquired were noted.

Tele2 - (Business: Rendering of telecommunications services, namely fixed telecommunications and internet services):

In accordance with IFRS3 - " Business Combinations," the acquisition of Tele 2, in September 2007, was recorded based on provisional amounts, as the fair value of the assets and liabilities acquired

was not fully determined. Allocation of the purchase price was adjusted at 31 December 2007, the amount of Euro 14,709,468 which was allocated to the customers portfolio, having been recorded in the intangible assets caption "Industrial property and other rights". This amount is being amortised over a period of four years (Note 1. e).

	Book value before the acquisition	Adjustments to fair value	Fair Value
Acquired Assets:			
Tangible and Intangible assets	7,138,322	14,709,468	21,847,790
Inventories	106,090	-	106,090
Trade debtors	4,677,059	-	4,677,059
Other debtors	1,836,530	-	1,836,530
Other current assets	5,897,657	-	5,897,657
Cash and cash equivalents	338,480	-	338,480
	19,994,138	14,709,468	34,703,60
Acquired Liabilities:			
Provisions for other liabilities and charges	6,106,524	-	6,106,524
Trade creditors	8,231,622	-	8,231,622
Other creditors	121,215	-	121,215
Other current liabilities	6,299,621	-	6,299,621
	20,758,982	-	20,758,98
Total net assets acquired	(764,844)	14,709,468	13,944,62
Acquisition price			13,944,624
Goodwill			-

The cost of these entities includes the following costs directly associated with the acquisitions:

	Cape	Praesidium	Tele 2
Base Price	22,962,296	1,500,040	13,771,215
Acquisition Costs	415,447	79,309	173,409
Acquisition price	23,377,743	1,579,349	13,944,624

The impact of the acquisition of these companies on free cash flow was as follows:

	Cape	Praesidium	Tele2
Acquisition base price	22,962,296	1,500,040	13,771,215
Cash and cash equivalents acquired	(2,216,022)	(381,554)	(338,480)
Deferred Price	(3,000,000)	(510,000)	-
Impacts on free cash flow	17,746,274	608,486	13,432,73

The contribution of the acquired companies to the consolidated operating revenues and to the net result for the year ended 31 December 2007, from the acquisition date to 31 December 2007, was as follows (amounts in thousands of Euros):

	Cape	Praesidium	Tele 2
Operating revenues	1,947	248	16,438
Net result	(1,476)	45	(523)

Amounts in thousands of Euros

If these companies had been acquired in the beginning of the year, the contribution to consolidated operating revenues and net result would have been as follows (amounts in thousands of Euros):

	Cape	Praesidium	Tele 2
Operating revenues	11,802	1,300	58,273
Net result	(5,895)	539	(14,407)

Amounts in thousands of Euros

No contingent liabilities or intangible assets were identified in the companies acquired during 2007.

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%
Sonae.com SI	We Do	Oct-06	0.04%	97.62%
Sonaecom	Optimus	Oct-06	30.76%	50.94%
Sonae.com SI	We Do	Nov-06	0.04%	97.66%

During 2006 and as a result of the above mentioned acquisitions, additional Goodwill of Euro 225,108,379 was recorded (Note 9).

5. b) Incorporations

Year	Shareholder	Subsidiary	Date	Amount	Current % shareholding
2007	Público	Vipu, ACE	Oct-07	-	50%
2007	Sonaecom - Serviços de Comunicações (1)	Artis	Oct-07	50,000	100%
2006	Sonaecom	Sonaecom BV	Feb-06	100,000	100%
2006	Sonae.com SI	Profimetrics	Mar-06	500,000	30%
2006	Novis	Saphety	Dec-06	50,000	100%

(1) Founded by Optimus, which was merged into Novis, which changed its corporate name to Sonaecom - Serviços de Comunicações, S.A.

5. c) Sales

Year	Seller	Subsidiary	Date	% Sold	% Shareholding
2007	Sonae.com SI	Profimetrics	Nov-07	30.00%	-
2006	Net Mall	Global S, SGPS, SA	Jan-06	64.73%	-
2006	Sonaetelecom BV	Retailbox BV	Jun-06	68.47%	-

The sale of Profimetrics in 2007 generated a capital gain of Euro 458,000.

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

5. d) Dissolution

Year	Shareholder	Subsidiary	Date	% Shareholding
2007	Sonaecom	Matrix	Dec-07	100.00%
2006	Optimus	SESI	Feb-06	9.75%

These dissolutions did not have a significant impact on the accompanying consolidated financial statements.

5. e) Others

On 1 November 2007 Optimus was merged into Novis, that is merger of the mobile and wireline telecommunications divisions. This operation represents an internal reorganisation that is nothing more than the natural development of an integrated telecommunications strategy which is intended to: (i) reinforce the Group's growth strategy both in organic and non-organic terms; (ii) better position the organisation to anticipate and react to market trends that are progressively moving towards Wireline/Mobile convergence; (iii) provide for the development of new products and services; and (iv) improve operating efficiency and reduce costs.

6. Tangible Assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended 31 December 2007 and 2006 was as follows:

GROSS ASSETS	Buildings and other construction								Plant and machinery	Vehicles	Fixtures and fittings	Tools	Other tangible assets		Total
	Land	Work in progress	Work in progress	Work in progress	Work in progress	Work in progress	Work in progress	Work in progress							
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	1,129,078,44						
New Companies (Nota 5.a)	-	491,711	7,090,488	74,852	1,288,385	-	-	-	8,945,436						
Additions	-	4,292,180	12,661,578	91,200	4,540,131	3,816	17,322	130,672,281	152,278,508						
Disposals	-	(964,385)	(21,533,950)	(109,098)	(2,216,455)	(342)	(39)	(28,439)	(24,852,708)						
Transfers and writte-offs	-	8,263,439	100,555,831	19,321	5,744,434	5,607	143,500	(116,357,399)	(1,625,268)						
Balance at 31.12. 2007	1,391,593	235,216,110	842,983,026	129,546	143,432,036	1,096,920	2,728,382	36,846,800	1,263,824,41						
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	-	634,306,70						
New Companies (Nota 5.a)	-	478,833	930,227	39,572	816,573	-	-	-	2,265,205						
Depreciation for the year	-	14,320,573	77,117,292	8,145	14,229,789	18,754	206,137	-	105,900,690						
Reversal of impairment losses in the year	-	(319,710)	(120,207)	-	(27,136)	(228)	(16)	-	(467,297)						
Disposals	-	(482,087)	(4,199,948)	(2,325)	(1,384,790)	(171)	(27)	-	(6,069,348)						
Transfers and writte-offs	-	(4,934,419)	(38,203)	-	(302,393)	(21)	(3,013)	-	(5,278,049)						
Balance at 31.12. 2007	-	118,050,343	492,489,934	94,160	116,612,257	1,040,128	2,371,081	-	730,657,90						
Net value	1,391,593	117,165,767	350,493,092	35,386	26,819,779	66,792	357,301	36,846,800	533,166,51						

GROSS ASSETS	Buildings and other construction								Plant and machinery	Vehicles	Fixtures and fittings	Tools	Other tangible assets		Total
	Land	Work in progress	Work in progress	Work in progress	Work in progress	Work in progress	Work in progress	Work in progress							
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	1,013,503,01						
Companies no longer consolidated (Note 5. c)	-	-	(2,414,413)	(89,507)	(546,614)	-	(268,965)	-	(3,319,499)						
Additions	-	13,308,281	3,202,673	67,537	1,705,097	1,466	60,575	109,067,709	127,413,338						
Disposals	-	(972,878)	(439,332)	(160,115)	(2,742,020)	(2,933)	(1,763)	(208,946)	(4,527,987)						
Transfers and writte-offs	-	16,995,576	73,913,349	66,571	3,195,902	42,394	8,599	(98,212,850)	(3,990,459)						
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	1,129,078,44						
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	-	536,070,67						
Companies no longer consolidated (Note 5. c)	-	-	(2,109,812)	(18,153)	(366,872)	-	(253,855)	-	(2,748,692)						
Depreciation for the year	-	19,826,075	71,481,827	12,658	14,978,197	16,175	335,352	-	106,650,284						
Reversal of impairment losses in the year	-	(1,187)	(386)	-	(34,302)	-	(60)	-	(35,935)						
Disposals	-	(139,609)	(239,325)	(51,466)	(2,532,879)	(2,933)	(559)	-	(2,966,771)						
Transfers and writte-offs	-	(106,389)	(692,414)	2,816	(1,823,215)	(1,451)	(42,207)	-	(2,662,860)						
Balance at 31.12.2006	-	108,987,153	418,800,773	48,768	103,280,214	1,021,794	2,168,000	-	634,306,70						
Net value	1,391,593	114,146,012	325,408,306	4,503	30,795,327	66,045	399,599	22,560,357	494,771,74						

The additions to Tangible assets during the year 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 the agreements for backbone rental which were classified as financial leases and therefore were recorded in tangible assets.

The disposals of the year includes circa Euro 18,6 million related to the replacement of some equipments associated to UMTS network the new equipment having been recorded as additions for the year.

The reversal of impairment losses was recorded as 'Other operating income'.

The acquisition cost of Tangible assets held by the Group under finance lease contracts amounted to Euro 24,936,767 and Euro 9,378,039 as of 31 December 2007 and 2006, respectively and their net book value as of those dates amounted to Euro 21,083,522 and Euro 5,564,239, respectively.

The revision made in the year ended 31 December 2007 (Note 1.d)), of the useful life of certain assets related to the telecommunications sites and other GSM related assets, resulted in a decrease of around Euro 13,3 million in the depreciation charges for the year, in comparison to the amount that would have been recorded if the previous useful lives were used.

At 31 December 2007, the caption 'Tangible assets' does not include any asset pledged in guarantee of the repayment of loans or liabilities, except for assets under financial lease.

Tangible assets in progress at 31 December 2007 and 2006 were made up as follows:

	2007	2006
Development of mobile network	32,044,146	13,135,575
Development of fixed network	2,594,034	6,138,254
Information systems	44,341	3,091,141
Other projects in progress	2,164,279	195,387
	<u>36,846,800</u>	<u>22,560,357</u>

At 31 December 2007 and 2006, the amounts of commitments to third parties relating to investments to be made were as follows:

	2007	2006
Network	15,389,209	21,798,493
Information systems	3,376,440	6,717,515
	<u>18,765,649</u>	<u>28,516,008</u>

7. Intangible assets

In the years ended 31 December 2007 and 2006, the movement in Intangible assets and in the corresponding accumulated amortisation and impairment losses, 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 5.a))	14,988,405	2,428,836	-	17,417,241
Additions	22,137,088	765,246	20,235,791	43,138,125
Disposals	(13,034)	(23,113)	(11,420)	(47,567)
Transfers and write-offs	103,667	19,520,677	(23,199,881)	(3,575,537)
Balance at 31.12.2007	184,616,429	212,851,390	5,011,298	402,479,117
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:				
Balance at 31.12.2006	31,677,199	147,204,682	-	178,881,881
New companies (Note 5.a))	180,217	-	-	180,217
Amortisation for the year	16,215,118	17,867,012	-	34,082,130
Reversal of impairment losses in the year	(236)	(131,636)	-	(131,872)
Disposals	(11,835)	(10,004)	-	(21,839)
Transfers and write-offs	80	51,886	-	51,966
Balance at 31.12.2007	48,060,543	164,981,940	-	213,042,483
Net value	136,555,886	47,869,450	5,011,298	189,436,634

	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 5. c))	(32,035)	(386,943)	-	(418,978)
Additions	252,545	225,264	18,414,103	18,891,912
Disposals	(6,853)	(17,600)	(434,262)	(458,715)
Transfers and writte-offs	31,479	17,913,118	(17,078,377)	866,220
Balance at 31.12.2006	147,400,303	190,159,744	7,986,808	345,546,855
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:				
Balance at 31.12.2005	18,483,941	132,907,337	-	151,391,278
Companies no longer consolidated (Note 5. c))	(22,740)	(355,446)	-	(378,186)
Amortisation for the year	13,241,891	15,778,732	-	29,020,623
Reversal of impairment losses in the year	(1,220)	(882,356)	-	(883,576)
Disposals	(1,725)	(1,941)	-	(3,666)
Transfers and writte-offs	(22,948)	(241,644)	-	(264,592)
Balance at 31.12.2006	31,677,199	147,204,682	-	178,881,881
Net value	115,723,104	42,955,062	7,986,808	166,664,974

The additions for the year ended at 31 December 2007 include: (i) the amount of circa Euro 5,4 million related to the acquisition of customers portfolio from ONI; (ii) Euro 4,6 million relating to the amount of the no competition clause with Oni; and (iii) Euro 10,5 million relating to commitments assumed under the Information Society program ("Iniciativas-E"). The 'New companies' include Euro 14,7 million relating to Tele 2's customers portfolio of Tele2 (Note 5. a)).

At 31 December 2007 and 2006, the Group has recorded under the heading 'Intangible assets' the amounts of Euro 111,732,870 and Euro 114,996,798, respectively, that correspond to the investments net of depreciations made in the development of the UMTS network, including: (i) Euro 72,006,914 (amount of Euro 81,007,779 in 2006) related to the license; (ii) Euro 24,060,150 (amount of Euro 27,067,669 in 2006) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators in Portugal with UMTS licenses; (iii) Euro 7,389,598 related to a contribution to the Information Society Fund, established in 2007, 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; and (iv) Euro 2,123,896 relating to the "Iniciativas E" program, the latter last relating to commitments assumed by the Group in the Information Society Fund (Note 45).

The intangible assets in progress, at 31 December 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 31 December 2007 and 2006 such expenses amounted to Euro 14,365,760 and Euro 13,096,510, respectively. The amount capitalised on the years ended 31 December 2007 and 2006 were Euro 1,269,250 and Euro 642,909, respectively. An interest capitalization rate of 4.77% was used in 2007 (3.65% in 2006), which corresponds to the average interest rate supported by the Group.

8. Classes of financial instruments

At 31 December 2007 and 2006, the classes of financial instruments were as follows:

2007							
	Investments recorded at fair value through profit and loss	Loans and receivables	Held-to-maturity investments	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
Non current Assets							
Investments available for sale	-	-	-	1,207,320	1,207,320	-	1,207,320
	-	-	-	1,207,320	1,207,320	-	1,207,320
Current Assets							
Trade debtors	-	192,029,940	-	-	192,029,940	-	192,029,940
Other trade debtors	-	7,919,281	-	-	7,919,281	9,785,438	17,704,719
Cash and cash equivalents	-	83,851,612	-	-	83,851,612	-	83,851,612
	-	283,800,833	-	-	283,800,833	9,785,438	293,586,271
	-	283,800,833	-	-	283,800,833	9,785,438	293,586,271
2006							
	Investments recorded at fair value through profit and loss	Loans and receivables	Held-to-maturity investments	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
Non current Assets							
Investments available for sale	-	-	-	112,317,225	112,317,225	-	112,317,225
	-	-	-	112,317,225	112,317,225	-	112,317,225
Current Assets							
Trade debtors	-	151,981,914	-	-	151,981,914	-	151,981,914
Other trade debtors	-	9,218,633	-	-	9,218,633	10,841,786	20,060,419
Investments recorded at fair value through profit and loss	849,375	-	-	-	849,375	-	849,375
Cash and cash equivalents	-	125,917,344	-	-	125,917,344	-	125,917,344
	849,375	287,117,891	-	-	287,967,266	10,841,786	298,809,052
	849,375	287,117,891	-	-	287,967,266	10,841,786	298,809,052

2007							
	Liabilities recorded at fair value through profit and loss	Derivatives	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IFRS 7	Total
Non current liabilities							
Medium and long-term loans - net of short-term portion	-	(412,910)	373,626,900	-	373,213,990	-	373,213,990
Other non current financial liabilities	-	-	-	17,916,038	17,916,038	-	17,916,038
	-	(412,910)	373,626,900	17,916,038	391,130,028	-	391,130,028
Current Liabilities							
Short-term loans and other loans	-	-	624,457	-	624,457	-	624,457
Trade creditors	-	-	-	185,332,554	185,332,554	-	185,332,554
Other financial liabilities	-	-	-	1,926,041	1,926,041	-	1,926,041
Other creditors	-	-	-	11,407,495	11,407,495	6,943,303	18,350,798
	-	-	624,457	198,666,090	199,290,547	6,943,303	206,233,850
2006							
	Liabilities recorded at fair value through profit and loss	Derivatives	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IFRS 7	Total
Non current liabilities							
Medium and long-term loans - net of short-term portion	-	107,462	460,493,365	-	460,600,827	-	460,600,827
Other non current financial liabilities	-	-	-	1,614,602	1,614,602	-	1,614,602
	-	107,462	460,493,365	1,614,602	462,215,429	-	462,215,429
Current Liabilities							
Short-term loans and other loans	-	-	74,607	-	74,607	-	74,607
Trade creditors	-	-	-	162,680,112	162,680,112	-	162,680,112
Other financial liabilities	-	-	-	1,708,922	1,708,922	-	1,708,922
Other creditors	-	-	-	6,954,626	6,954,626	10,584,085	17,538,711
	-	-	74,607	171,343,660	171,418,267	10,584,085	182,002,352

Considering the nature of the amounts payable to and receivable from the State and other public entities, they were considered not to be covered by IFRS 7. Also, the captions of 'Other current assets' and 'Other current liabilities' were not included in this breakdown, as the amounts are not covered by IFRS 7.

9. Goodwill

At 31 December 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 5. a))	21,313,832	225,108,379
Sale of participations (Note 5. c))	-	(3,674,059)
Closing balance	528,216,604	506,902,772

The increase in participations in 2007 corresponds, mainly, to goodwill generated on the acquisition of Cape group (Euro 19,871,947) and the Praesidium group (Euro 1,149,828).

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

Goodwill at 31 December 2007 and 2006 was made up as follows:

	2007	2006
Sonaecom - Serviços de Comunicações ("Optimus")	389,902,620	389,902,620
Sonaecom - Serviços de Comunicações ("Novis")	95,189,755	95,189,755
Público	20,000,000	20,000,000
Cape	19,871,947	-
WeDo	1,971,668	1,679,611
Praesidium	1,149,828	-
SIRS	72,820	72,820
Permar	47,253	47,253
Optimus Towering	10,713	10,713
	528,216,604	506,902,772

Determination of the existence or not of impairment losses on the main items of goodwill was made based on business plans with projected cash flows for periods of 5 years. The discount rates used are based on the estimated weighted average cost of capital, which depends on the business segment of each company. The Group considered a growth rate in perpetuity of around 3%.

10. Investments available for sale

At 31 December 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 24)	Net amount	Gross amount	Accumulated impairment losses (Note 24)
Portugal Telecom, S.G.P.S., S.A.	1.00%	-	-	-	111,109,905	-	111,109,905
Despegar.com	5.50%	-	-	-	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	114,856,454	(2,539,229)	112,317,225

At 31 December 2007, these investments correspond to participations of immaterial amount, in unlisted companies in which the Group does not have significant influence, the book value of which is a reasonable approximation of their fair value, adjusted where applicable, by the respective impairment losses.

The financial information regarding these investments is detailed below (in thousands of Euro):

	Shareholders		Gross Debt	Turnover	Operational	
	Assets	fund's			results	Net results
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 thousands Euros at 31-12-06

During the years ended 31 December 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 in reserves	(5,121,876)	5,121,876
Sales	(111,566,336)	-
Capital gain recorded under profit and loss statement (Note 35)	5,578,307	-
Closing balance	1,207,320	112,317,225

During the year ended 31 December 2007, the movements occurred in this caption were 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 1.5% of Outsystems, in July 2007 and to the sale of shares representative of 5.50% of Despegar, in August 2007. As a result of these sales, the Group recognised capital gains of Euro 2,473,445, Euro 87,792 and Euro 3,017,070, respectively.

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

11. Deferred tax assets

Deferred tax assets at 31 December 2007 and 2006, in the amount of Euro 101,118,096 and Euro 61,786,654, respectively, arise mainly from timing differences relating to tax losses carried forward, non tax deductible provisions and differences between the accounting and tax amount of some fixed assets.

The movements in deferred tax assets in the years ended 31 December 2007 and 2006 were as follows:

	2007	2006
Opening balance	61,786,654	66,239,165
Impact on results		
Tax losses carried forward	(3,966,246)	(9,423,815)
Adjustments to the estimated taxable income of prior year	143,501	-
Deferred tax assets not recorded in previous years, as it was not expected its utilization (essentially Novis Euro 7,000,000 and Digitmarket Euro 631,000)	8,613,498	10,132,525
Movements in provisions not deductible for tax purposes and on tax benefits	681,621	(1,555,435)
Temporary differences between the tax and the accounting amount of certain fixed assets	35,258,598	(946,852)
Impairment of deferred tax assets recorded in previous years(Público)	(1,373,788)	-
Adjustments due to the changes occurred in the rate and on the computation of Municipal Surcharges	-	(2,270,047)
Sub-total effect on results (Note 36)	<u>39,357,184</u>	<u>(4,063,624)</u>
Others (including Retailbox sub-group sale in 2006)	(25,742)	(388,887)
Closing balance	<u>101,118,096</u>	<u>61,786,654</u>

The changes in the temporary differences between the accounting and tax amounts of certain fixed assets in the year ended 31 December 2007 result mainly from the sale (made in 2007, based on market values determined by independent entities) of the technological equipment of Sonaecom - Serviços de Comunicações, S.A. assigned to the GSM/GPRS network to Artis. Although the results of this transaction were eliminated in the consolidated financial statements, a difference was generated between the accounting and the tax amounts.

At 31 December 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, which were corroborated by independent external analysts (Investment Banks).

The rates used at 31 December 2007 and 2006 to calculate the deferred tax assets relating to tax losses carried forward were 25%. The rates used to calculate deferred tax assets resulting from temporary differences were 26.5% at 31 December 2007 and 2006.

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 31 December 2007 was as follows:

Nature	Sonaecom					Total
	Serviços de Comunicações	We Do	Digitmarket	Mainroad	Praesidium	
Tax losses:						
To be used until 2008	-	-	97,944	-	-	97,944
To be used until 2009	-	-	447,096	-	-	447,096
To be used until 2010	-	-	257,298	-	-	257,298
To be used until 2011	-	12,308	210,662	-	-	222,970
To be used until 2012	530,399	-	-	100,393	-	630,792
To be used until 2013	-	-	-	131,607	-	131,607
Unlimited Utilization	-	-	-	-	77,726	77,726
	530,399	12,308	1,013,000	232,000	77,726	1,865,433
Tax provisions not accepted and other temporary differences						
	8,361,312	402,245	-	-	-	8,763,557
Adjustments in the conversion to IAS/ IFRS						
	40,089,987	5,182	-	-	-	40,095,169
Differences between the tax and accounting amount of certain fixed assets and others						
	50,393,937	-	-	-	-	50,393,937
Total	99,375,635	419,735	1,013,000	232,000	77,726	101,118,096

At 31 December 2007 and 2006, the Group has other situations where potential deferred tax assets could be recognised but since it was not expected that sufficient taxable profits could be generated in the future to cover those losses, such deferred tax assets were not recorded:

	2007	2006
Tax losses	92,944,433	90,267,543
Temporary differences (mainly provisions not accepted for tax purposes)	18,520,485	20,896,545
Adjustments in the conversion to IAS/IFRS	892,611	2,251,861
	112,357,529	113,415,949

At 31 December 2007, tax losses carried forward for which deferred tax assets were not recognised, must be used by the following dates:

Due date	2007
2008	26,753,197
2009	10,186,641
2010	5,849,663
2011	13,058,434
2012	16,918,590
2013	19,501,290
Unlimited	676,618
	<u>92,944,433</u>

The reconciliation between the earnings before taxes and the taxes recorded in the years ended 31 December 2007 and 2006 is as follows:

	2007	2006
Earnings before taxes	530,115	391,212
Income tax rate (25% and 27.5%)	(132,529)	(107,583)
Deferred tax assets not recognised in the individual accounts and/or resulting from consolidation adjustments and other adjustments to taxable income	(6,820,152)	(12,067,980)
Deferred tax assets not recognised in previous years	8,613,498	10,132,525
Record of deferred tax liabilities	(284,402)	-
Adjustments due to the changes occurred in the rate and computation of Municipal Surcharges	-	(2,270,047)
Movements in the temporary differences between the tax and accounting amount of certain fixed assets	35,258,598	(946,852)
Income taxation recorded in the years (Note 36)	<u>36,635,013</u>	<u>(5,259,937)</u>

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 2004 (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 accompanying consolidated financial statements.

The Group's Board of Directors believes, supported by its lawyers and tax consultants, that the Group does not have significant tax assets or contingencies not provided for in the accounts or that should be disclosed in the Notes to the consolidated financial statements as of 31 December 2007.

12. Other non current assets

At 31 December 2006 the amount recorded under this caption in an amount of Euro 348,568 relates with the Medium Term Incentive Plans (Note 1. y) and 41).

13. Inventories

At 31 December 2007 and 2006 this caption was made up as follows:

	2007	2006
Raw materials	1,839,957	1,970,796
Merchandise	30,860,286	19,289,684
	<u>32,700,243</u>	<u>21,260,480</u>
Accumulated impairment losses on inventories (Note 24)	(8,663,703)	(6,122,085)
	<u>24,036,540</u>	<u>15,138,395</u>

The cost of goods sold in the years ended 31 December 2007 and 2006 amounted to Euro 108,621,905 and Euro 102,115,774, respectively, and was determined as follows:

	2007	2006
Opening Inventories	21,260,480	30,346,914
New companies	106,090	-
Purchases	126,935,458	95,830,142
Inventory adjustments	(6,979,880)	(2,800,802)
Closing inventories	<u>(32,700,243)</u>	<u>(21,260,480)</u>
	<u>108,621,905</u>	<u>102,115,774</u>

The amounts recorded under the caption 'Inventory adjustments' at 31 December 2007 and 2006 correspond, essentially, to the transfer of telecommunications handsets from the caption 'Inventories' to the caption 'Tangible assets', as a result of the rental contracts agreements signed with customers by the subsidiary Sonaecom -Serviços de Comunicações, S.A..

14. Trade debtors

At 31 December 2007 and 2006 this caption was made up as follows:

	2007	2006
Trade Debtors:		
Telecommunications	173,394,341	139,710,370
Information Systems	11,743,693	6,731,609
Multimedia and others	6,891,906	5,509,136
	<u>192,029,940</u>	<u>151,951,115</u>
Bills receivable	-	30,799
Doubtful debtors	65,641,188	60,832,530
	<u>257,671,128</u>	<u>212,814,444</u>
Impairment losses in accounts receivable (Note 24)	(65,641,188)	(60,832,530)
	<u>192,029,940</u>	<u>151,981,914</u>

At 31 December 2007 and 2006, the accumulated impairment losses by segment are made up as follows:

	2007	2006
Impairment losses in accounts receivable		
Telecommunications	62,141,724	57,215,951
Information Systems	770,023	727,670
Multimedia and others	2,729,441	2,888,909
	<u>65,641,188</u>	<u>60,832,530</u>

The Group's exposure to credit risk is mainly related to accounts receivable arising from its operational activity. The amounts included in the balance sheet are net of cumulative doubtful debtors impairment losses that were estimated by the Group, taking into consideration its past experience and an assessment of the current macroeconomic environment. The Board of Directors believes that the book value of the accounts receivable does not differ significantly from its fair value.

Trade debtors by age at 31 December 2007 and 2006 were as follows:

	2007								
	Due without impairment					Due and with impairment			
	Total	Not due	Till 30 days	From 30 to 90 days	More than 90 days	Till 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
Trade debtors	257,671,128	69,205,465	19,759,858	8,265,381	39,652,184	35,983,219	8,845,605	5,997,673	69,961,743
	<u>257,671,128</u>	<u>69,205,465</u>	<u>19,759,858</u>	<u>8,265,381</u>	<u>39,652,184</u>	<u>35,983,219</u>	<u>8,845,605</u>	<u>5,997,673</u>	<u>69,961,743</u>

	2006								
	Due without impairment					Due and with impairment			
	Total	Not due	Till 30 days	From 30 to 90 days	More than 90 days	Till 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
Trade debtors	212,814,444	69,615,187	15,408,696	2,348,702	38,545,094	12,692,092	5,865,719	3,017,733	65,321,221
	<u>212,814,444</u>	<u>69,615,187</u>	<u>15,408,696</u>	<u>2,348,702</u>	<u>38,545,094</u>	<u>12,692,092</u>	<u>5,865,719</u>	<u>3,017,733</u>	<u>65,321,221</u>

At 31 December 2007, impaired accounts receivable overdue more than 6 months, net 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 claims and the financial situation of the operator.

Agents are classified, in terms of risk, based on the regularity of the services rendered and their financial situation, the impairment adjustment is calculated by applying of an uncollectible percentage, based on historical data, to the accounts receivables overdue.

In the case of regular customers, impairment adjustment is calculated by applying of an uncollectible percentage based on historical data regarding collections, to the accounts receivables overdue.

In the case of the remaining accounts receivable, impairment adjustments are determined in a stand alone basis, based on the age of the receivables, net of the amounts payable.

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

15. Other current debtors

At 31 December 2007 and 2006, this caption was made up as follows:

	2007	2006
Other debtors	6,673,662	8,975,397
Advances to suppliers	1,771,739	470,861
State and other public entities	9,785,438	10,841,786
Accumulated impairment losses in accounts receivable	(526,120)	(227,625)
	<u>17,704,719</u>	<u>20,060,419</u>

At 31 December 2007 and 2006 the caption 'Other debtors' refers essentially to accounts receivables from the subsidiary Sonaecom - Serviços de Comunicações, S.A. (Euro 4,858,053), and from Optimus (Euro 7,499,432) and Novis (Euro 442,979), respectively.

At 31 December 2007 and 2006, the caption 'State and other public entities' includes reimbursement requests of VAT from Sonaecom - Serviços de Comunicações, S.A. in an amount of Euro 1,353,032, at 2007 and from Sonaecom and Novis, at 2006, amounting to Euro 2,096,589 and to Euro 3,433,391, respectively.

Other debtors and advances to suppliers by age at 31 December 2007 and 2006 are as follows:

	2007								
	Due without impairment					Due and with impairment			
	Total	Not due	Till 30 days	From 30 to 90 days	More than 90 days	Till 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
Other debtors	6,673,662	756,947	2,463,179	1,193,920	1,709,198	152,220	-	-	398,198
Advances to suppliers	1,771,739	33,532	34,602	188,094	1,515,511	-	-	-	-
	<u>8,445,401</u>	<u>790,479</u>	<u>2,497,781</u>	<u>1,382,014</u>	<u>3,224,709</u>	<u>152,220</u>	<u>-</u>	<u>-</u>	<u>398,198</u>

	2006								
	Due without impairment					Due and with impairment			
	Total	Not due	Till 30 days	From 30 to 90 days	More than 90 days	Till 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
Other debtors	8,975,397	313,380	3,932,723	2,498,484	2,003,185	42,918	184,707	-	-
Advances to suppliers	470,861	451,075	5,283	-	14,503	-	-	-	-
	<u>9,446,258</u>	<u>764,455</u>	<u>3,938,006</u>	<u>2,498,484</u>	<u>2,017,688</u>	<u>42,918</u>	<u>184,707</u>	<u>-</u>	<u>-</u>

The amounts due and without impairment correspond to group companies and other entities, without credit risk.

16. Other current assets

At 31 December 2007 and 2006, this caption was made up as follows:

	2007	2006
Invoices to be issued to clients for services rendered	44,816,553	32,522,665
Invoices to be issued to operators	22,920,309	20,579,967
Specialised work paid in advance	7,748,244	4,037,048
Other costs paid in advance	6,485,364	1,356,984
Other accrued income	1,979,854	217,548
Rappel discounts (annual quantity discounts)	1,567,391	1,423,478
Prepaid rents	1,302,925	1,042,892
Medium Term Incentive Plan (Note 1. y) and 41)	275,373	1,506,645
	<u>87,096,013</u>	<u>62,687,227</u>

The results of projects carried out by the information systems area are recognised based on the percentage of completion of each project, which calculation is based on the percentage of costs incurred on the work performed to date in relation to the total estimated costs of the project, except where this does not represent of the stage of completion of the project.

At 31 December 2007, projects in progress were as follows:

	2007
Number of projects in progress	332
Total costs recognised	15,977,401
Total revenues recognised	24,941,448
Total deferred revenues	4,611,748
Total accrued revenues	1,904,875

17. Investments recorded at fair value through profit and loss

During the years ended 31 December 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 year	-	414,842
Disposals in the year	(1,128,864)	(1,237,987)
Increases/ reductions to fair value (Note 35)	279,489	350,830
	<u>-</u>	<u>849,375</u>

At 31 December 2007, 'Investments recorded at fair value through profit and loss' refers to 562,500 shares of Sonae, S.G.P.S., S.A., acquired to fulfil future obligations under the Medium Term Incentive Plans and which were recorded based on the closing share price of Euronext at the balance sheet date. During the year ended at 31 December 2007, 369,317 shares were issued to employees and 193,183 shares were sold, generating a capital gain of Euro 154,160.

18. Cash and cash equivalents

At 31 December 2007 and 2006, the detail of cash and cash equivalents was as follows:

	2007	2006
Cash	581,803	143,380
Bank deposits repayable on demand	4,431,889	6,173,117
Treasury applications	78,837,920	119,600,847
Cash and cash equivalents	83,851,612	125,917,344
Bank overdrafts (Note 22)	(624,457)	(74,607)
	<u>83,227,155</u>	<u>125,842,737</u>

At 31 December 2007 and 2006, the heading 'Treasury applications' had the following breakdown:

	2007	2006
Funds placed in Sonaecom:		
Sonaecom	-	90,000,004
Bank short term deposits:		
Sonaecom	77,740,000	-
Mainroad	-	875,000
WeDoBrasil	567,920	2,105,843
Sonaecom BV	365,000	-
Saphety	90,000	-
Optimus	-	26,620,000
Vipu, ACE	75,000	-
	<u>78,837,920</u>	<u>119,600,847</u>

During the year ended at 31 December 2007, the above referred treasury applications bear interests at an average rate of 3.873% (2.94% in 2006).

19. Share capital

At 31 December 2007 and 2006 the share capital of Sonaecom was comprised by 366,246,868 ordinary bearer shares of 1 Euro each. At those dates, the shareholder structure was as follows:

	2007		2006	
	Number of shares	%	Number of shares	%
Sontel BV	184,052,872	50.25%	-	-
Shares traded on the Portuguese Stock Exchange ('Free float ')	80,848,153	22.07%	76,649,353	20.92%
Wirefree Services Belgium, S.A.	70,276,868	19.19%	70,276,868	19.19%
O93X (EDP)	29,150,000	7.96%	29,150,000	7.96%
Own Shares	1,894,326	0.52%	-	-
Sonae	23,649	0.01%	46,572,998	12.72%
Efanor Investimentos, S.G.P.S., S.A	1,000	0.00%	1,000	0.00%
Sonae Investments BV	-	-	143,596,649	39.21%
	<u>366,246,868</u>	<u>100.00%</u>	<u>366,246,868</u>	<u>100.00%</u>

The Group's capital Structure is analysed in the Management report.

All the shares have the same rights and each share corresponds to one vote. During 2007, Sonaecom acquired 1,894,326 own shares to cover its responsibility under the Medium Term Incentive Plans.

20. Own shares

During the year ended 31 December 2007, Sonaecom acquired a total of 1,894,326 own shares, representative of 0.52% of its share capital, at an average acquisition price of Euro 4,72, to hedge the responsibilities associated with Medium Term Incentive Plans.

21. Minority interests

Minority interests at 31 December 2007 and 2006 are made up as follows:

	2007	2006
Digitmarket	864,933	472,655
Others	198	(1,273)
	<u>865,131</u>	<u>471,382</u>

22. Loans

At 31 December 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	2006
Sonaecom SGPS	"Obrigações Sonaecom SGPS 2005"	150,000,000	Jun-13	Final	150,000,000	150,000,000
	Costs associated with setting-up the financing	-	-	-	(2,879,021)	(3,373,693)
	Interests incurred but not yet due	-	-	-	260,883	-
	Fair value of swaps	-	-	-	56,194	-
					<u>147,438,056</u>	<u>146,626,307</u>
Sonaecom SGPS	Commercial paper	250,000,000	Jul-12	-	225,000,000	-
	Costs associated with setting-up the financing	-	-	-	(545,505)	-
	Interests incurred but not yet due	-	-	-	1,790,543	-
	Fair value of swaps	-	-	-	(469,104)	-
					<u>225,775,934</u>	<u>-</u>
Optimus	European Investment Bank (a)	324,458,200	Jun-09	30% - Jun 08 70% - Jun 09	-	324,458,200
	Costs associated with setting-up the financing	-	-	-	-	(10,591,142)
	Fair value of swaps	-	-	-	-	107,462
					<u>-</u>	<u>313,974,520</u>
					<u>373,213,990</u>	<u>460,600,827</u>

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 2007 with the reimbursement of the loan).

b) Short-term loans and other loans

Subsidiary	Lender	Type	Amount outstanding	
			2007	2006
Various	Various	Bank overdrafts	624,457	74,607
			<u>624,457</u>	<u>74,607</u>

In July 2007, Sonaecom contracted a Program of Commercial Paper 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 syndicate is composed by the following institutions: Banco Santander Totta, Caixa Geral de Depósitos, Banco BPI, Banco Bilbao Vizcaya Argentina (Portugal), Banco Comercial Português and BNP Paribas (in Portugal).

In September 2007, the subsidiary Optimus - Telecomunicações, S.A., reimbursed its financing from European Investment Bank (BEI), in an amount of Euro 324 million.

This facility contracted by Sonaecom results in a significant extension in the maturity dates contracted and elimination of a series of contractual, financial and operating restrictions, under more favourable market conditions, of Optimus' previous syndicated loan, and greater efficiency in managing consolidated liquidity.

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 the fair value of those loans does not differ significantly from their market value.

The spread on the medium and long term loans is established 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.

At 31 December 2007 and 2006, the repayment schedule of medium and long term loans and of interests, as well for the bonds and commercial paper was as follows:

2007						
	N+1	N+2	N+3	N+4	N+5	After N+5
Bond Loan						
Reimbursements	-	-	-	-	-	150,000,000
Interests	7,873,575	7,873,575	7,873,575	7,873,575	7,873,575	7,873,575
Commercial paper						
Reimbursements	-	-	-	75,000,000	150,000,000	-
Interests	8,149,750	8,149,750	8,149,750	7,837,250	7,602,875	-
	<u>16,023,325</u>	<u>16,023,325</u>	<u>16,023,325</u>	<u>90,710,825</u>	<u>165,476,450</u>	<u>157,873,575</u>
2006						
	N+1	N+2	N+3	N+4	N+5	After N+5
Bond Loan						
Reimbursements	-	-	-	-	-	150,000,000
Interests	6,116,775	6,116,775	6,116,775	6,116,775	6,116,775	6,116,775
European Investment Bank						
Reimbursements	-	97,337,460	227,120,470	-	-	-
Interests	11,842,724	9,905,709	3,770,204	-	-	-
	<u>17,959,499</u>	<u>113,359,944</u>	<u>237,007,449</u>	<u>6,116,775</u>	<u>6,116,775</u>	<u>156,116,775</u>

Although the commercial paper issues mature in six months, the counterparties have assumed the commitment to place and maintain these limits for a period of five years.

At 31 December 2007 and 2006 the available credit lines were as follows:

2007						
Subsidiary	Credit	Limit	Amount outstanding	Amount available	Maturity	
					Until 12 months	More than 12 months
Sonaecom SGPS	Commercial paper	250,000,000	225,000,000	25,000,000		x
Sonaecom SGPS	Commercial paper	70,000,000	-	70,000,000		x
Sonaecom SGPS	Overdraft facilities	5,000,000	-	5,000,000	x	
Sonaecom SGPS	Bond Loan	150,000,000	150,000,000	-		x
Público	Overdraft facilities	1,496,394	-	1,496,394	x	
Público	Overdraft facilities	1,500,000	-	1,500,000	x	
Público	Authorized Overdrafts	1,246,995	-	1,246,995	x	
WeDo Brasil	Overdraft facilities	368,009	-	368,009	x	
			479,611,398	375,000,000	104,611,398	

2006						
Subsidiary	Credit	Limit	Amount outstanding	Amount available	Maturity	
					From 6 months to 12 months	more than 12 months
Optimus	European Investment Bank	324,458,200	324,458,200	-		x
Optimus	Revolving	125,541,800	-	125,541,800		x
Optimus	Overdraft facilities	4,987,979	-	4,987,979	x	
Sonaecom SGPS	Bound loan	150,000,000	150,000,000	-		x
Sonaecom SGPS	Commercial paper	70,000,000	-	70,000,000		x
Sonaecom SGPS	Caution accounts	20,000,000	-	20,000,000	x	
Público	Overdraft facilities	1,496,394	-	1,496,394	x	
Público	Overdraft facilities	1,500,000	-	1,500,000	x	
Público	Authorized overdrafts	1,246,995	-	1,246,995	x	
WeDo Brasil	Overdraft facilities	368,009	-	368,009	x	
			699,599,377	474,458,200	225,141,177	

The following interest rate hedging instruments were outstanding at 31 December 2007 and 2006:

Subsidiary	Hedged loan	Notional amount	Expiry date	Base rate	Fixed rate contracted	Fair value of the derivative instruments	
Sonaecom	Commercial paper	110,000,000	Mar-09	Euribor 6m	4.365%	(469,104)	-
Sonaecom	Bond Loan	75,000,000	Jun-09	Euribor 6m	4.565%	56,194	-
Optimus	European Investment Bank	55,000,000	Dec-07	Euribor 3m	4,75% (a) 3,68% (b)	-	(107,462)
						(412,910)	(107,462)

(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 (3.767% in the last period of exchange).

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

In September 2007, Sonaecom contracted an interest rate swap with a notional amount of Euro 110 million, for a period of 18 months, re-fixed half yearly, to fully cover the interest rate risk of one commercial paper lot issued on 13 September 2007, for the same amount and the same period. This lot will be renewed for the same amount and for the same period until at least 13 March 2009, the maturity date of this new interest rate swap.

In December 2007 Sonaecom contracted an interest rate swap, with a notional amount of Euro 75 million, for a period of 18 months, re-fixed half yearly, to fully cover 50% of the interest rate risk on the bonds issued by Sonaecom in June 2005, in the amount of Euro 150 million for the period of eight years, re-fixed half yearly. Interest on the bonds and swap is paid simultaneously, the latter being paid net.

The changes in 2007 in the fair value of the swap relating to the European Investment Bank loan in the amount of Euro 107,462, were recorded in the profit and loss statement for the year as the hedging instrument is not considered as effective (Note 22). The changes in fair value of the swaps relating to the Commercial Paper program in the amount of 469,104 Euros, and bonds in the amount of 56,194 Euros, were recorded in reserves, as the hedges were considered as effective in accordance with IAS 39.

As a result of contracting of these derivative financial instruments, at 31 December 2007 approximately 46% of gross indebtedness was indirectly subject to fixed interest rates. The remaining 54% of gross indebtedness was exposed to changes in the interest rates.

Based on gross indebtedness exposed to variable interest rates at 31 December 2007, including the finance lease liability, considering the applications and bank balances at that date, if interest rates increase (decrease) an average of 75 bp in 2008, the interest cost for that year would be increased (decreased) by approximately Euro 1 million. However, considering that under the contractual terms interest rates are fixed until the re-fixing dates, the impact in 2008 would only be of around Euro 0.5 million.

23. Other non current financial liabilities

At 31 December 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 17,916,038 and Euro 1,614,602, respectively.

At 31 December 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
2007	-	-	1,812,615	1,708,922
2008	2,875,757	1,926,041	959,885	908,212
2009	2,389,062	1,522,619	477,035	457,943
2010	2,070,704	1,266,085	228,719	220,614
2011	1,869,068	1,124,586	27,909	27,833
2012	1,885,669	1,196,417	-	-
2013	1,677,995	1,043,570	-	-
2014 and follows	14,996,915	11,762,761	-	-
	<u>27,765,170</u>	<u>19,842,079</u>	<u>3,506,163</u>	<u>3,323,524</u>
Interests	(7,923,091)	-	(182,639)	-
	<u>19,842,079</u>	<u>19,842,079</u>	<u>3,323,524</u>	<u>3,323,524</u>
Short term liability (Note 27)	-	(1,926,041)	-	(1,708,922)
	<u>19,842,079</u>	<u>17,916,038</u>	<u>3,323,524</u>	<u>1,614,602</u>

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". These contacts have a maturity between 15 and 20 years.

24. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended 31 December 2007 and 2006 were as follows:

Heading	2007						Closing balance
	Opening balance	New Companies	Transfers	Increases	Utilisations	Decreases	
Accumulated impairment losses on accounts receivables (Notes 14 and 15)	61,060,155	5,975,780	(949,642)	8,316,573	(8,096,333)	(139,225)	66,167,308
Accumulated impairment losses on inventories (Note 13)	6,122,085	-	-	2,541,618	-	-	8,663,703
Accumulated impairment losses on investments available for sale (Note 10)	2,539,229	-	-	-	(2,539,229)	-	-
Provisions for other liabilities and charges	20,078,571	5,708,383	949,642	5,175,929	(211,807)	(815,340)	30,885,378
	<u>89,800,040</u>	<u>11,684,163</u>	<u>-</u>	<u>16,034,120</u>	<u>(10,847,369)</u>	<u>(954,565)</u>	<u>105,716,389</u>

Heading	2006						Closing balance
	Opening balance	Companies no longer consolidated	Transfers	Increases	Utilisations	Decreases	
Accumulated impairment losses on accounts receivables (Note 14 and 15)	64,905,431	(158,854)	(189,820)	5,575,466	(8,570,655)	(501,413)	61,060,155
Accumulated impairment losses on inventories (Note 13)	7,134,249	-	-	1,631,000	(2,643,164)	-	6,122,085
Accumulated impairment losses on investments available for sale (Note 10)	2,685,477	-	-	-	(146,248)	-	2,539,229
Accumulated impairment losses on other non current assets and in associated companies investments (Notes 3 and 12)	986,956	-	-	5,000	(991,956)	-	-
Provisions for other liabilities and charges	5,092,476	(339,409)	428,283	15,623,073	(626,318)	(99,534)	20,078,571
	<u>80,804,589</u>	<u>(498,263)</u>	<u>238,463</u>	<u>22,834,539</u>	<u>(12,978,341)</u>	<u>(600,947)</u>	<u>89,800,040</u>

The increase of 'Provisions for other liabilities and charges' includes the amount of Euro 3,857,160 associated with the dismantling of sites (Euro 12,222,080 in 2006), as foreseen in IAS 16 (Note 1.d.)). 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 12,176,960 (Euro 10,612,459 in 2006).

The heading utilisations refers, essentially, to the use of provisions by the subsidiary Sonaecom - Serviços de Comunicações, S.A., which were registered against an entry in customers' current accounts.

At 31 December 2007 and 2006, the breakdown of the provisions for other liabilities and charges were as follows:

	2007	2006
Dismantling of sites	18,888,140	15,105,140
Several contingencies	6,594,725	981,148
Legal processes in progress	1,945,403	2,419,933
Indemnities	379,432	575,780
Others	3,077,678	996,570
	<u>30,885,378</u>	<u>20,078,571</u>

The caption 'Several contingencies' corresponds to probable liabilities arising from transactions carried out in previous years, the outflow of funds being probable.

As regards the provisions for legal processes in progress and for other risks and charges, given the uncertainty of such processes, the Board of Directors is unable to reliably estimate the time that such provisions will be used.

25. Other non-current liabilities

At 31 December 2007 and 2006, this caption, in the amounts of Euro 291,147 and Euro 3,785,049, respectively, corresponds to the medium and long term portion associated with the Medium Term Incentive Plans (Note 41).

26. Trade creditors

At 31 December 2007 and 2006 this caption have the following composition and maturity plans:

2007				
	Total	Till 90 days	From 90 to 180 days	More than 180 days
Suppliers - current account	141,378,871	141,378,871	-	-
Fixed assets suppliers	35,620,058	35,620,058	-	-
Suppliers - invoices pending approval	8,333,625	8,333,625	-	-
	<u>185,332,554</u>	<u>185,332,554</u>	<u>-</u>	<u>-</u>
2006				
	Total	Till 90 days	From 90 to 180 days	More than 180 days
Suppliers - current account	106,888,885	106,888,885	-	-
Fixed assets suppliers	53,648,257	53,173,443	474,814	-
Suppliers - invoices pending approval	2,142,970	2,142,970	-	-
	<u>162,680,112</u>	<u>162,205,298</u>	<u>474,814</u>	<u>-</u>

At 31 December 2007 and 2006, this caption included balances payable to suppliers resulting from the Group's operations and the acquisition of fixed assets. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

27. Other financial liabilities

At 31 December 2007, this caption includes the amount of Euro 1,926,041 (Euro 1,708,922 in 2006) related to the short term portion of lease contracts (Note 23).

28. Other creditors

At 31 December 2007 and 2006 this caption was made up as follows:

	2007	2006
Other Creditors	11,407,495	6,954,626
State and other public entities	6,943,303	10,584,085
	<u>18,350,798</u>	<u>17,538,711</u>

The liability to other creditors matures as follows:

2007				
	Total	Till 90 days	From 90 to 180 days	More than 180 days
Other creditors	11,407,495	11,407,495	-	-

2006				
	Total	Till 90 days	From 90 to 180 days	More than 180 days
Other creditors	6,954,626	6,954,626	-	-

The liability to other creditors does not incorporate interest. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

At 31 December 2007 and 2006, the caption 'State and other public entities' related essentially to Taxes payables (Value Added Tax, Corporate Income Tax, Social Security contributions and withholdings of Personal Income Tax) from the following subsidiaries:

	2007	2006
Sonaecom - Serviços de Comunicações, S.A. (Novis in 2006)	1,530,114	542,439
Público	919,835	1,056,339
WeDo	1,006,032	1,197,369
Situs	873,246	-
WeDo Br	859,254	-
Sonaecom	629,421	-
Optimus	-	5,597,492
Others	1,125,401	2,190,446
	<u>6,943,303</u>	<u>10,584,085</u>

29. Other current liabilities

At 31 December 2007 and 2006 this caption was made up as follows:

	2007	2006
Costs:		
Invoices to be issued by operators	67,830,456	42,801,688
Personnel Costs	24,997,829	25,145,801
Tangible assets to be invoiced	23,507,993	983,187
Costs related to Public Tender Offers (Note 34)	-	16,185,850
Commissions	8,478,963	10,481,089
Other external suppliers and services	10,749,316	4,366,871
Specialised works	7,235,652	2,625,515
Medium Term Incentive Plans (Note 41)	3,749,061	4,448,113
Advertising and promotion	7,233,546	4,247,475
Rappel discounts (annual quantity discounts)	2,527,552	2,603,357
Maintenance and repairs	1,521,079	781,025
Other Costs	7,443,083	4,408,363
	<u>165,274,530</u>	<u>119,078,334</u>
Deffered Income:		
Customer advance payments	28,325,600	23,262,734
Other deferred income	765,237	285,269
	<u>29,090,837</u>	<u>23,548,003</u>
	<u>194,365,367</u>	<u>142,626,337</u>

The heading 'Customer advance payments' is associated, mainly, with the recharges of mobile phones and the acquisition of pre-paid minutes which were not yet used, by the customers of the subsidiary Sonaecom - Serviços de Comunicações, S.A..

The heading 'Tangible assets to be invoiced' includes invoices to be issued by suppliers of fixed assets and the amount of Euro 8,313,000 related to the contribution to the the Information Society Fund (Note 7).

30. Sales and services rendered

At 31 December 2007 and 2006 the caption 'Sales and services rendered' was made up as follows:

	2007	2006
Telecommunications	816,142,423	751,575,016
Multimedia	33,177,338	35,758,402
Information Systems	42,827,045	48,239,841
Others	546,885	467,017
	<u>892,693,691</u>	<u>836,040,276</u>

31. Other operating revenues

At 31 December 2007 and 2006 the caption 'Other operating revenues' was made up as follows:

	2007	2006
Supplementary Income	3,297,103	3,853,525
Reversal of provisions (Note 24)	954,565	600,947
Operating Subsidies	-	401,085
Others	2,169,508	27,179,986
	<u>6,421,176</u>	<u>32,035,543</u>

At 31 December 2006, the heading 'Others' includes, mainly, capital gains generated by the sale of tangible assets and by the gains generated on the sale of Retailbox (Euro 25,370,915 - Note 5.c)).

32. External supplies and services

'External supplies and services' for the years ended 31 December 2007 and 2006 are made up as follows:

	2007	2006
Interconnection costs	230,469,011	200,603,352
Commissions	54,925,505	58,144,594
Specialised works	52,068,856	46,760,511
Advertising and promotion	41,527,503	35,625,198
Leased lines	29,855,471	19,873,355
Rents	29,457,665	30,879,521
Others subcontracts	22,464,345	21,992,713
Energy	8,303,022	7,071,431
Maintenance and repairs	6,799,572	5,836,512
Communications	5,411,410	4,662,466
Travelling costs	4,619,237	5,464,890
Fees	3,087,843	3,512,346
Others	18,540,941	16,939,249
	<u>507,530,381</u>	<u>457,366,138</u>

The commitments assumed by the Group in 31 December 2007 related with operational leases are as follows:

Minimum payments of operational leases	2007
2008	9,087,335
2009	6,815,307
2010	4,930,436
2011	3,373,779
2012	1,340,785
2013	92,295
Renewable by periods of 1 year	1,527,939
	<u>27,167,876</u>

During the year ended at 31 December 2007, an amount of Euro 12,376,281 was recorded in the heading ' External supplies and services' related with operational leasing rents (exception of the leased lines).

The rent of leased space consists mainly of a contract for the lease of the Sonaecom building, completed during 2007, for a period of 5 years with the possibility of annual renewal. The rent is updated at the end of the first cycle of the contract, that is after the first five years.

33. Other operating costs

At 31 December 2007 and 2006 the caption 'Other operating costs' was made up as follows:

	2007	2006
Taxes	12,574,556	10,634,282
Others	1,216,654	508,054
	<u>13,791,210</u>	<u>11,142,336</u>

The caption 'Taxes' at 31 December 2007 and 2006 includes, essentially, the fees paid by the subsidiary Sonaecom - Serviços de Comunicações, S.A. to ANACOM, calculated based on the number of its active customers. This obligation was included in the terms of the GSM operator license granted to that subsidiary.

34. Tender Offer costs

At 31 December 2006, this caption includes all the costs incurred (invoiced and not invoiced but which legal obligation was generated during 2006) with the public tender offers for the acquisition of the shares of Portugal Telecom S.G.P.S., S.A. and of PT - Multimédia - Serviços de Telecomunicações, S.G.P.S., S.A.. These costs were recorded in 'Other non current assets' because, until that date, the probability of success of the offers was high and the costs incurred would be considered as part of the cost of acquiring those financial investments. After the end of the offers, those costs were fully recognised in the consolidated statement of profit and loss accounts in last quarter of 2006.

35. Financial results

Net financial results for the years ended 31 December 2007 and 2006 are made up as follows:

	2007	2006
Financial results related to associated companies		
Losses on associated companies	(14,822)	(239,249)
Gains on associated companies	-	76,766
Gains on disposal of shareholdings in associated companies	239,249	-
	<u>224,427</u>	<u>(162,483)</u>
Gains and losses on Investments available for sale (Note 10)	<u>5,578,307</u>	<u>-</u>
Other financial expenses:		
Interest expenses		
Bank loans	(19,498,500)	(16,786,452)
Set up costs	(282,620)	-
Other loans	(6,509,514)	(3,048)
Swap interests	(195,730)	(389,464)
Leasing	(968,893)	(204,078)
Bank overdrafts and others	(130,318)	(74,891)
	<u>(27,585,575)</u>	<u>(17,457,933)</u>
Foreign exchange losses	(437,836)	(101,915)
Adjustments to fair value on investments recorded at fair value through profit and loss (Note 17)	-	(16,875)
Other financial expenses		
Set up costs (Note 22)	(11,074,426)	(4,846,439)
Swap fair value (Note 22)	107,462	(108,952)
Others	(470,391)	(606,312)
	<u>(11,437,355)</u>	<u>(5,561,703)</u>
	<u>(39,460,766)</u>	<u>(23,138,426)</u>
Other financial income:		
Interest income	11,613,672	5,281,255
From related parties	2,091,718	2,896,367
From others	9,521,954	2,384,888
Foreign exchange gains	283,787	125,483
Adjustments to fair value on investments recorded at fair value through profit and loss (Note 17)	279,489	350,830
Other financial income	-	174,009
	<u>12,176,948</u>	<u>5,931,577</u>

The 'Interest income' includes, mainly, interests earned on the treasury applications granted to Sonae and on bank deposits (Note 18).

At 31 December 2007, the set-up costs in the amount of Euro 11,074,426, corresponded mainly to the recognition of the full amount of costs incurred with the syndicated loan of Optimus, which was refinanced in 2007.

36. Income taxation

Income taxes recognised during the years ended 31 December 2007 and 2006 are made up as follows (costs)/gains:

	2007	2006
Current tax	(2,437,769)	(1,196,313)
Deferred tax asset (Note 11)	39,357,184	(4,063,624)
Deferred tax liability	(284,402)	-
	<u>36,635,013</u>	<u>(5,259,937)</u>

37. Related parties

During the years ended 31 December 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) and to the concession and obtainance of loans.

The most significant balances and transactions with related parties at 31 December 2007 and 2006 were as follows:

Balances at 31 December 2007					
	Accounts receivable	Accounts payable	Treasury applications	Accruals	Loans obtained
Sonae	96,973	215,936	-	391	-
Modelo Continente					
Hipermercados, S.A.	888,974	439,935	-	192,066	-
Worten	5,750,544	2,237,511	-	(1,019,247)	-
France Telecom	4,525,809	3,585,926	-	(13,649,802)	-
Sonae Investments BV	-	-	-	(3,304,474)	-
	<u>11,262,300</u>	<u>6,479,308</u>	<u>-</u>	<u>(17,781,066)</u>	<u>-</u>
Balances at 31 December 2006					
	Accounts receivable	Accounts payable	Treasury applications	Accruals	Loans obtained
Sonae	34,455	68,267	90,000,004	101,731	-
Modelo Continente					
Hipermercados, S.A.	3,920,522	196,471	-	289,165	-
France Telecom	1,448,363	3,885,223	-	398,650	-
Sonae Investments BV	-	-	-	(5,517,065)	-
	<u>5,403,340</u>	<u>4,149,961</u>	<u>90,000,004</u>	<u>(4,727,519)</u>	<u>-</u>

Transactions at 31 December 2007				
	Sales and services rendered	Supplies and services received	Interest and similar income/ (expense)	Supplementary income
Sonae	367,473	139,312	2,091,349	78,653
Modelo Continente				
Hipermercados, S.A.	6,005,553	1,779,942	-	615,638
Worten	5,910,046	1,819,408	-	-
France Telecom	12,943,185	8,428,837	-	-
	<u>25,226,257</u>	<u>12,167,499</u>	<u>2,091,349</u>	<u>694,290</u>
Transactions at 31 December 2006				
	Sales and services rendered	Supplies and services received	Interest and similar income/ (expense)	Supplementary income
Sonae	336,115	331,390	2,848,505	-
Modelo Continente				
Hipermercados, S.A.	12,866,646	2,245,900	-	245,279
France Telecom	3,041,726	5,625,713	-	-
	<u>16,244,487</u>	<u>8,203,003</u>	<u>2,848,505</u>	<u>245,279</u>

The transactions between Group companies were eliminated in consolidation, and therefore are not mentioned in this note.

Accounts receivable from and payable to related companies, will be settled in cash and are not covered by guarantees. During the years ended at 31 December 2007 and 2006, no impairment losses on accounts receivable from related entities were recognized.

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

38. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 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
Optimus	ANACOM	UMTS License	-	2,493,989
Sonaecom - Serviços de Comunicações, Público and Sonaecom	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT Reimbursements	6,064,286	126,372
Sonaecom - Serviços de Comunicações	Direcção de Contribuições e Impostos (Portuguese tax authorities)	IRC - Tax assessment	1,650,000	-
Sonaecom - Serviços de Comunicações and Público	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT - Impugnation process	598,000	580,000
Sonaecom - Serviços de Comunicações and Tele2	Direcção Geral do Tesouro (Portuguese tax authorities)	IRC – Withholding tax on payments to non-residents	470,954	164,000
Sonaecom - Serviços de Comunicações	Câmara Municipal de Coimbra, Lisboa, Braga, Elvas e Caldas da Rainha (Coimbra, Lisbon, Braga, Elvas and Caldas da Rainha Municipalities)	Performance bond - works	287,494	280,565
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
WeDo	API (Portuguese Investment Agency)	Application to PRIME subsidies	184,004	184,004
Sonaecom - Serviços de Comunicações	Governo Civil de Lisboa (Lisbon Government Civil)	Guarantee the fulfilment of legal obligations	161,474	98,195
Sonaecom - Serviços de Comunicações and Digitmarket	Hewlett Packard	Finance lease and services provider contracts	159,859	212,790
Sonaecom - Serviços de Comunicações	Beiralusa	Performance bond - works	147,809	-
Sonaecom - Serviços de Comunicações	Governo Civil de Santarém (Santarém Local Government)	Guarantee the fulfilment of legal obligations	119,703	119,703
WeDo	Digi Telecommunications	Guarantee the fulfilment of contracts	116,262	-
Various	Others		838,327	541,219
			<u>331,279,177</u>	<u>399,740,041</u>

At 31 December 2007 and 2006, the Group's Board of Directors believes that the outcome of the legal and tax processes in progress will not have a significant effect on the accompanying consolidated financial statements.

39. Information by business segment

The following business segments were identified for the years ending 31 December 2007 and 2006:

- Telecommunications
- Multimedia
- Information systems

As a result of the merger between Optimus and Novis (Note 5.e)) (mobile and fixed telecommunications businesses), in 2007 the Group decided to change the form of presenting the segment information, grouping the two above mentioned business areas into a single area called "Telecommunications". As required by IAS 8, the information for 2006 was restated considering this change.

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

Inter-segment transactions at 31 December 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 31 December 2007 and 2006 can be summarised as follows:

	Telecommunications		Multimedia		Information Systems (*)		Other		Sub-total		Eliminations		Total	
	December-2007	December-2006	December-2007	December-2006	December-2007	December-2006	December-2007	December-2006	December-2007	December-2006	December-2007	December-2006	December-2007	December-2006
Revenues:														
Sales and services rendered	817,216,458	752,653,246	33,154,870	36,394,116	79,512,209	78,951,997	7,547,991	6,900,343	937,431,529	874,899,702	(44,737,838)	(38,859,426)	892,693,691	836,040,276
Other operating revenues	10,955,218	9,138,675	247,408	394,549	359,081	27,145,144	24,314,732	427,780	35,876,439	37,106,148	(29,455,263)	(5,070,604)	6,421,176	32,035,543
Total revenues	828,171,676	761,791,921	33,402,278	36,788,665	79,871,290	106,097,141	31,862,723	7,328,123	973,307,968	912,005,850	(74,193,101)	(43,930,030)	899,114,867	868,075,819
Tender Offer costs	-	-	-	-	-	-	-	(30,906,602)	-	-	-	-	-	(30,906,602)
Depreciation and amortisation	(144,035,273)	(134,154,018)	(696,094)	(757,042)	(1,730,709)	(1,683,755)	(244,096)	(323,785)	(146,706,172)	(136,918,599)	6,723,352	1,247,692	(139,982,820)	(135,670,907)
Net operating income/(loss) for the segment	(3,444,320)	28,919,307	(3,966,068)	(9,531,890)	2,853,227	30,484,392	21,152,715	(32,206,558)	16,595,554	17,665,251	5,415,645	95,293	22,011,199	17,760,544
Net interests	(14,378,841)	(10,820,283)	(274,826)	(321,293)	438,735	690,454	(1,389,727)	(1,634,812)	(15,604,659)	(12,085,934)	(367,246)	(90,744)	(15,971,905)	(12,176,678)
Gains and losses in associated companies	-	-	-	-	-	-	(82,074,258)	-	(82,074,258)	-	82,298,685	(162,483)	224,427	(162,483)
Other financial results	(4,708,000)	(4,708,891)	(12,601)	(16,455)	2,950,603	(104,651)	11,297,445	33,055,263	3,500,447	28,225,266	(9,234,054)	(33,255,437)	(5,733,607)	(5,030,171)
Income taxation	39,267,960	(4,986,398)	(1,394,799)	(162,651)	(1,211,860)	(103,608)	(26,286)	(7,280)	36,635,015	(5,259,937)	(2)	-	36,635,013	(5,259,937)
Consolidated net income/(loss) for the year	10,709,799	8,403,735	(5,648,294)	(10,032,289)	4,637,498	30,966,587	(51,040,111)	(793,387)	(41,341,109)	28,544,646	78,113,029	(33,413,371)	37,165,128	(4,868,725)
Attributable to:														
Shareholders of Parent Company	10,709,799	8,403,735	(5,648,294)	(10,032,289)	4,637,498	30,966,587	(51,040,111)	(793,387)	(41,341,109)	28,544,646	78,118,979	(42,427,814)	36,777,870	(13,883,371)
Minority interests	-	-	-	-	393,207	-	-	-	393,207	-	(5,949)	9,014,443	387,258	9,014,443
Assets:														
Fixed assets and Goodwill	724,305,383	670,189,912	2,095,621	2,104,453	65,181,390	41,975,353	1,907,139	2,091,992	793,489,533	716,361,710	457,330,215	451,977,778	1,250,819,748	1,168,339,488
Inventories	21,270,043	13,194,072	1,794,957	1,925,796	971,540	18,527	-	-	24,036,540	15,138,395	-	-	24,036,540	15,138,395
Financial investments	1,282,025	1,282,025	1,097,695	1,097,695	907,494	1,062,485	1,220,716,956	1,330,735,802	1,224,004,170	1,334,178,007	(1,222,049,236)	(1,221,098,344)	1,954,934	113,079,662
Other non current assets	100,959,814	60,243,977	-	1,381,592	1,742,461	2,373,279	510,187,974	364,245,029	612,890,249	428,243,877	(511,772,153)	(366,108,655)	101,118,096	62,135,222
Other current assets of the segment	279,876,652	319,753,633	8,744,178	7,863,320	34,694,952	55,267,614	227,214,153	211,471,587	550,529,935	594,356,154	(169,847,651)	(232,859,875)	380,682,284	361,496,279
	1,127,693,917	1,064,663,619	13,732,451	14,372,856	103,497,837	100,697,258	1,960,026,222	1,908,544,410	3,204,950,427	3,088,278,143	(1,446,338,825)	(1,368,089,096)	1,758,611,602	1,720,189,046
Liabilities:														
Liabilities of the segment	747,727,329	686,589,007	14,533,022	14,825,133	47,650,293	24,063,154	636,734,216	436,153,458	1,446,644,860	1,161,630,752	(623,454,688)	(350,923,014)	823,190,172	810,707,738
	747,727,329	686,589,007	14,533,022	14,825,133	47,650,293	24,063,154	636,734,216	436,153,458	1,446,644,860	1,161,630,752	(623,454,688)	(350,923,014)	823,190,172	810,707,738
CAPEX	209,636,921	146,344,593	693,291	357,077	27,184,495	1,354,009	255,767,146	597,799,059	493,281,852	745,854,738	(257,446,499)	(492,379,403)	235,835,353	253,475,335

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

Despite the merger occurred in 2007, of some balance sheet and of profit and loss statement captions, the Group's Board of Directors decided to continue separating the business as follows:

	Mobile Network		Fixed Network and internet		Eliminations		Telecommunications	
	December 07	December 06	December 07	December 06	December 07	December 06	December 07	December 06
Income:								
Services rendered	619,368,772	610,384,810	255,426,850	200,187,750	(57,579,164)	(57,919,314)	817,216,458	752,653,246
Other operational income	37,003,173	34,392,109	3,808,503	5,160,126	(29,856,458)	(30,413,560)	10,955,218	9,138,675
Total Revenues	<u>656,371,945</u>	<u>644,776,919</u>	<u>259,235,353</u>	<u>205,347,876</u>	<u>(87,435,622)</u>	<u>(88,332,874)</u>	<u>828,171,676</u>	<u>761,791,921</u>
Depreciation and amortisation	(115,546,228)	(117,355,937)	(28,489,045)	(16,798,081)	-	-	(144,035,273)	(134,154,018)
Operational Results of segments	28,140,571	51,696,514	(31,999,336)	(23,038,709)	414,445	261,502	(3,444,320)	28,919,307
Assets								
Tangible assets and Goodwill	552,368,912	565,244,652	171,940,013	104,849,963	(3,542)	95,297	724,305,383	670,189,912
Inventories	19,340,721	11,472,556	1,929,322	1,721,516	-	-	21,270,043	13,194,072
Financial Investments	1,282,025	1,282,025	-	-	-	-	1,282,025	1,282,025
Increases in tangible assets	127,075,613	114,768,373	82,561,308	31,545,258	-	30,962	209,636,921	146,344,593

During the years ended at 31 December 2007 and 2006, the inter-segments sales and services were as follows:

	2007			
	Information			
	Telecommunications	Multimedia	Systems	Others
Telecommunications	-	-	36,162,830	6,652,727
Multimedia	588,209	-	414,914	180,000
Information Systems	406,267	25,029	-	140,047
Sonaecom others	79,559	46,290	75,228	-
Others	816,142,423	33,083,551	42,859,238	575,217
	<u>817,216,458</u>	<u>33,154,870</u>	<u>79,512,209</u>	<u>7,547,991</u>
	2006			
	Information			
	Telecommunications	Multimedia	Systems	Others
Telecommunications	-	627,635	29,862,134	5,961,470
Multimedia	548,900	-	218,332	252,469
Information Systems	459,579	5,537	-	170,233
Sonaecom others	69,752	2,542	89,083	-
Others	751,575,015	35,758,402	48,782,448	516,171
	<u>752,653,246</u>	<u>36,394,116</u>	<u>78,951,997</u>	<u>6,900,343</u>

40. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income of the year attributable to the Group (Euro 36,777,870 in 2007 and Euro 13,883,168 in 2006) by the average number of shares outstanding during the years ended at 31 December 2007 and 2006, net of own shares (364,668,263 in 2007 and 313,956,868 in 2006).

41. Medium Term Incentive Plans

In June 2000, Sonaecom Group created a discretionary Medium Term Incentive Plans 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 31 December 2007 can be summarized as follows:

	Share price at award date *	Vesting period		Exercise period		31- Dec-2007	
		Award date	Vesting date	From	To	Aggregate number of participations	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	-	-	-	-
2004 Plan	3.96	31-Mar-05	10-Mar-08	-	-	354	985,074
2005 Plan	4.093	10-Mar-06	09-Mar-09	-	-	377	877,964
2006 Plan	4.697	09-Mar-07	08-Mar-10	-	-	411	1,039,044
Sonae SGPS shares							
2003 Plan	0.93	31-Mar-04	09-Mar-07	-	-	-	-
2004 Plan	1.17	31-Mar-05	10-Mar-08	-	-	12	239,746
2005 Plan	1.34	10-Mar-06	09-Mar-09	-	-	12	125,779
2006 Plan	1.68	09-Mar-07	08-Mar-10	-	-	6	130,915

* Average share price in the month prior to the award date, for Sonaecom shares and the lower of the average share price for the month prior to the Annual General Meeting and the share price on the day after the Annual General Meeting, for Sonae SGPS shares. However, for the 2006 Plans the share price was: Sonaecom shares - the average share price between 3rd March and 5th April 2007; Sonae SGPS shares - the average share price between 13rd February and 26th March 2007. This exception was due to the timing of the end of the Portugal Telecom bid and was approved by the Board Nomination and Remuneration Committee.

In 2007, 343,571 options were exercised at an average price of Euro 5.67 and a 167,062 options, related to the plan of 2002, were extinguished, as follows:

	Sonaecom Options		Sonaecom shares		Sonae SGPS shares	
	Aggregate number of participations	Number of options	Aggregate number of participations	Number of shares	Aggregate number of participations	Number of shares
Outstanding at 31.12.2006						
Exercisable	33	510,633	-	-	-	-
Unvested	-	-	1,123	3,184,774	38	911,350
Total	33	510,633	1,123	3,184,774	-	-
Movements in year						
Awarded	-	-	422	1,097,470	7	208,184
Vested	-	-	(349)	(1,178,485)	(12)	(369,317)
Advance vested	-	-	(3)	(111,500)	(3)	(269,616)
Exercisable	-	-	-	-	-	-
Exercised	(31)	(343,571)	-	-	-	-
Cancelled/Lapsed*	(2)	(167,062)	(51)	(90,177)	-	15,839
Outstanding at 31.12.2007						
Exercisable	-	-	-	-	-	-
Unvested	-	-	1,142	2,902,082	30	496,440
Total	-	-	1,142	2,902,082	30	496,440

* Corrections are made according to the dividend paid or by changes in the capital.

Sonaecom signed agreements to cover the execution and hedging of its Medium Term Incentive Plans and related obligations and acquired own shares with the same purpose. The agreements and the acquisitions means that Sonaecom's liabilities are limited to a maximum of Euro 7,226,886.

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 3,186,678 and was recorded in 'Reserves for Medium Term Incentive Plans'. For the Sonaecom, S.G.P.S. shares plan awarded in 2005, and for the Sonae S.G.P.S. shares the

Group signed hedging contracts with external entities, and the liability is calculated based on the price agreed on that contract and was recorded under the headings of 'Other current liabilities' and 'Other non current liabilities'.

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 in previous years and in the year ended at 31 December 2007, were as follows:

	Amount
Costs recognised in previous years	16,537,840
Costs recognised in the year	5,412,980
Costs of plans from subsidiary Exit (no longer consolidated)	(8,882)
Costs of plans vested in previous year	(9,145,896)
Costs of plans vested in the year	(5,844,529)
Other non current and current assets (Deferred costs not yet recognised) (Note 16)	275,373
Total cost of the plans	7,226,88
Recorded in Other current liabilities (Note 29)	(3,749,061)
Recorded in Other non current liabilities (Note 25)	(291,147)
Reserves	(3,186,678)

Total costs recognized in the year include Euro 4,378,427 relating share-based payment plans, settled with own shares.

42. Remuneration attributed to the key management personnel

The remuneration of directors and other members of key management during the years ended 31 December 2007 and 2006 were as follows:

	2007	2006
Short term employee benefits	2,943,670	2,958,352
Share based payments	2,522,131	2,054,667
	<u>5,465,801</u>	<u>5,013,020</u>

The amounts above related to short term employee benefits, were calculated on an accruals basis and includes Fixed Remuneration and Performance Bonus. The Share based payments for 2007 and 2006 corresponds to the value of the Medium Term Incentive Plans awarded in 2004, in respect of performance during 2003 (and the Medium Term Incentive Plans awarded in 2003 in respect of performance during 2002, for the 2006 values), whose shares, or the cash equivalent, were delivered on March 2007 and March 2006, and valued based on the share price of the delivery date (9 March 2007 and 10 March 2006, respectively). This amount also includes cash paid during 2007, corresponding to the early settlement of the awarded Plans in 2005, 2006 and 2007, attributed to the Chairman of the Executive Board, following the changes in the composition of the Board of Directors during the year, explained in the Management Report.

Full details on the Sonaecom group remuneration policy are disclosed in the Corporate Governance Report.

43. Average number of employees

During the years ending 31 December 2007 and 2006 the companies included in the consolidation employed an average number of 2,054 and 2,069 employees, respectively. At 31 December 2007, the number of employees was 1,961.

44. Others matters

(i) As of 31 December 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 ended 31 December 2001. The Company has considered the most penalising tariffs in the consolidated financial statements. In the lower court, the decision was favourable to Optimus but the higher courts decided that the case should be tried again. At the moment, it is in course the period to TMN to appeal from that decision.

(ii) In the Arbitration Court proceeding imposed to resolve the conflict between Maxistar and the other shareholders of Sonaecom - Serviços de Comunicações, S.A. (at the time 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 Sonaecom - Serviços de Comunicações 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 Lisbon Court (Tribunal da Relação de Lisboa) rejected the appeal lodged by Maxistar, confirming the sentence appealed against.

The Maxistar can still appeal against the ruling but management continues to believe that the chances of any appeal are low.

45. Commitments associated to "Information Society"

Upon being given the UMTS Licence, Optimus (now Sonaecom - Serviços de Comunicações) assumed commitments in the area of promotion of the Information Society, totalling Euro 274 million, to be complied with up to the end of the licence period (2015).

In accordance with the Agreement established on 5 June 2007 with the Ministry of Public Works, Transport and Communications ("MOPTC"), part of these commitments, up to Euro 159 million will be realised through own projects which qualify as contributions to the Information society and incurred under the normal activities of Sonaecom - Serviços de Comunicações, S.A. (investments in the network and technology, not resulted from the need to comply with the obligations assumed under the UMTS License, and activities relating to research, development and promotion of services, contents and applications), which must be recognized by the MOPTC and by entities created especially for this purpose. At the date of approval of the financial statements, 64 million euros were realised in previous years and have already been validated by these entities, the remainder being in the phase of evaluation or not yet realised. These costs are being recognised as the projects are carried out.

The remaining commitments, up to 116 million euros, will be realised as agreed between Sonaecom-Serviços de Comunicações and MOPTC, through contributions to the "Initiatives E" project (offer of modems, discounts on tariffs, cash contributions, among others, assigned to the widespread use of broadband internet for students and teachers), the contributions being made through an Open fund, called Information Society Fund (Fundo para a Sociedade de Informação), to be created by the three mobile operators operating in Portugal. Contributions under this project will be recorded, at their present value, as intangible fixed asset as an additional cost of the UMTS licence, for its discounted value, and will be amortized on a straight-line basis over the remaining period of the license. Success of the project, which was initiated in the end of 2007, depends on the beneficiaries participation in the various initiatives (e-opportunities, e-school and e-teacher) and will determine an possible need for a revision of the current conditions of the project, to a new model of contributions, to be determined after at least 12 months from the beginning of the project. Therefore,, considering that: (i) the Open fund has not yet been created and so no financial flows have been made with the Fund and the operators; (ii) the contract establishing the specific conditions for implementation of the project "Initiatives E" has still not be signed, (iii) the liability to be recognized depends on uncertain future events, not totally under the control of the company,

relating to uncertainty, at this time as to the success and level of participation in the various initiatives, and consequently, uncertainty regarding the present value of the liability to be recognised; and (iv) if the participation in the initiatives is not sufficient, the current contract conditions can be reviewed to a new model of contributions (after 12 months after the beginning of the contract) which can take the form of own projects which qualify as contributions to the Information society and carried out under the company's normal activity, as explained above, it therefore not being possible to estimate and quantify the correspondent impact on the financial statements; the Board of Directors believes that there is insufficient information to make a sufficiently reliable estimate of the total liability. Therefore, the company, up to 31 December 2007, the Group has recognized in intangible assets only the liability relating to the participations already occurred, which amount to 2.1 million Euros (Note 7).

Also by agreement between MOPTC, Optimus (now Sonaecom- Serviços de Comunicações) and the other mobile operators, the commitments of three operators relating to the acquisition of the rights of use UMTS frequencies corresponding to ONIWAY - Infocomunicações, S.A.'s licence have been definitively and fully clarified and extinguished, Optimus being responsible for contributing the amount of Euro 8,313,298.28 to establish the Information Society Fund (Note 7). However, this commitment has been guaranteed by the shareholders of Oniway as of that date.

46. Subsequent events

On 21 February 2008, Sonaecom announced a 3 year investment plan in the amount of 240 million Euros, to develop a New Generation Network, with the aim of building the most advanced telecommunications network in Portugal.

These consolidated financial statements were approved and authorized for publication by the Board of Directors on 28 February 2008.

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.

APPENDIX

At 31 December 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 Trigo Jordão
Duarte Paulo Teixeira de Azevedo	Nuno Miguel Teixeira Azevedo
George Christopher Lawrie	Paulo Jorge Henriques Pereira
Gervais Pellissier	Pedro Miguel Freitas Ramalho Carlos

Sonaecom Group Companies	
3DO Holding GmbH	Aserraderos de Cuellar,S.A.
3DO Shopping Centre GmbH	Atlantic Ferries-Tráf.Loc,Flu.e Marit,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 Laminat Park GmbH Co. KG	Best Offer-Prest. Inf. p/Internet,S.A.
Aglom Investimentos, Sgps, S.A.	Bikini, Portal de Mulheres,S.A.
Aglom-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.
Arrábidasshopping- 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,Urbán.,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
Citorres-Sociedade Imobiliária,S.A.	Glunz UK Holdings Ltd
Clérigoshopping- Gestão do C.Comerc.,S.A.	Glunz Uka Gmbh
Coimbrashopping- Centro Comercial, S.A.	Golf Time-Golfe e Invest. Turísticos, S.A.
Colombo Towers Holding, BV	Guerin – Rent a Car (Dois), Lda.
Contacto Concessões, SGPS, S.A.	Guimarãeshopping- Centro Comercial, S.A.
Contacto-SGPS,S.A.	Hornitex Polska Sp z.o.o
Contacto-Sociedade de Construções,S.A.	Iberian Assets, S.A.
Contibomba-Comérc.Distr.Combustiveis,S.A.	IGI-Investimento Imobiliário,S.A.
Contimobe-Imobil.Castelo Paiva,S.A.	Igimo-Sociedade Imobiliária,S.A.
Continente Hipermercados, S.A.	Iginha-Sociedade Imobiliária,S.A.
Contry Club da Maia-Imobiliaria,S.A.	IM Impregnation Management GmbH
Cronosaúde - Gestão Hospitalar, S.A.	Impaper Europe GmbH & Co. KG
Cumulativa - Sociedade Imobiliária, S.A.	Imoareia - Invest. Turísticos, SGPS, S.A.
Darbo S.A.S	Imobiliária da Cacela, S.A.
Developpement & Partenariat Assurances, S.A.	Imoclub-Serviços Imobiliários,S.A.
Difusão-Sociedade Imobiliária,S.A.	Imoconti- Soc.Imobiliária,S.A.
Distrifin-Comercio y Prest.Servicios,S.A.	Imodivor - Sociedade Imobiliária, S.A.
DMJB, SGPS, S.A.	Imoestrutura-Soc.Imobiliária,S.A.
Dortmund Tower GmbH	Imoferro-Soc.Imobiliária,S.A.
Dos Mares - Shopping Centre B.V.	Imohotel-Emp.Turist.Imobiliários,S.A.
Dos Mares-Shopping Centre, S.A.	Imomuro-Sociedade Imobiliária,S.A.
Ecociclo - Energia e Ambiente, S.A.	Imopeninsula - Sociedade Imobiliária, S.A.
Ecociclo II - Energias, S.A.	Imoplamac Gestão de Imóveis,S.A.
Efanor Investimentos, SGPS, S.A.	Imoponte-Soc.Imobiliaria,S.A.
Efanor Serviços de Apoio à Gestão, S.A.	Imoresort - Sociedade Imobiliária, S.A.
Efanor-Design e Serviços,S.A.	Imoresultado-Soc.Imobiliaria,S.A.
Efanor-Indústria de Fios,S.A.	Imosedas-Imobiliária e Seviços,S.A.
El RoS.A.I Shopping, S.A.	Imosistema-Sociedade Imobiliária,S.A.
Empreend.Imob.Quinta da Azenha,S.A.	Imosonae II
Equador & Mendes,Lda	Implantação - Imobiliária, S.A.
Espimaia -Sociedade Imobiliária,S.A.	Infocfield-Informática,S.A.
Estação Oriente-Gest.de Galerias Com.,S.A.	Inparsa - Gestão Galeria Comercial, S.A.
Estação Viana- Centro Comercial, S.A.	Inparvi SGPS, S.A.

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

<p>Modelo Continente Hipermercados,S.A. Modelo Continente, SGPS,S.A. Modelo Hipermercados Trading, S.A. Modelo Hiper Imobiliária,S.A. Modelo.com-Vendas p/Correspond.,S.A. Monselice Centre Srl Movelpartes-Comp.para Ind.Mobiliária,S.A. Mundo Vip - Operadores Turisticos, S.A. NAB, Sociedade Imobiliária,S.A. NA-Comércio de Artigos de Desporto, S.A. NA-Equipamentos para o Lar, S.A. Net Mall SGPS, S.A. Norscut - Concessionária de Scut Interior Norte, S.A. Norte Shop. Retail and Leisure Centre BV Norteshopping-Centro Comercial, S.A. Nova Equador Internacional,Ag.Viag.T,Ld Nova Equador P.C.O. e Eventos Novobord (PTY) Ltd. Oeste Retail Park - Gestão G.Comerc., S.A. Operscut - Operação e Manutenção de Auto-estradas, S.A. Pátio Campinas Shopping Ltda Pátio Goiânia Shopping Ltda Pátio Londrina Empreend. e Particip. Ltda Project 4, Srl Proj.Sierra Portugal IV-C.Comerc.,S.A. Proj.Sierra Portugal V-C.Comercial,S.A. Proj.Sierra Portugal VI-C.Comercial,S.A. Proj.Sierra Portugal VII - C. Comerc.,S.A. Proj.Sierra Portugal VIII - C.Comerc.,S.A. Project SC 1 BV Project SC 2 BV Project Sierra 1 B.V. Project Sierra 2 B.V. Project Sierra 3 BV Project Sierra 4 BV Project Sierra 5 BV Project Sierra 6 BV Project Sierra 7 BV</p>	<p>Porturbe-Edifícios e Urbanizações,S.A. Praedium II-Imobiliária,S.A. Praedium III-Serviços Imobiliários,S.A. Praedium SGPS, S.A. Predicomercial-Promoção Imobiliária,S.A. Prédios Privados Imobiliária,S.A. Predisedas-Predial das Sedas,S.A. Pridelease Investments, Ltd Profimetrics - Software Solutions, S.A. Proj. Sierra Germany 1 - Shop.C. GmbH Proj. Sierra Germany 4 (four)-Sh.C.GmbH Proj. Sierra Italy 2 - Dev.of Sh.C. Srl Proj.Sierra 1 - Shopping Centre GmbH Project Sierra Germany Shop. Center 1 BV Project Sierra Germany Shop. Center 2 BV Proj.Sierra Germany 2 (two)-Sh.C.GmbH Proj.Sierra Germany 3 (three)-Sh.C.GmbH Proj.Sierra Hold. Portugal V, SGPS,S.A. Proj.Sierra Italy 1 -Shop.Centre Srl Proj.Sierra Italy 2 -Dev. Of Sh.C.Srl Proj.Sierra Italy 3 - Shop. Centre Srl Project Sierra Italy 5 Srl Project Sierra One Srl Project Sierra Srl Proj.Sierra Portugal I- C.Comerc., S.A. Proj.Sierra Portugal II-C.Comerc.,S.A. Proj.Sierra Portugal III-C.Comerc.,S.A. Sic Indoor - Gestão de Suportes Publicitários, S.A. Sierra Asset Management-Gest. Activos,S.A. Sierra Asset Management Luxemburg, Sarl Sierra Brazil 1 B.V. Sierra Charagionis Develop.Sh. Centre S.A. Sierra Charagionis Propert.Management S.A. Sierra Corporate Services- Ap.Gestão, S.A. Sierra Corporate Services Holland, BV Sierra Develop.Iberia 1, Prom.Imob.,S.A. Sierra Developments Germany Holding B.V. Sierra Development Greece, S.A.</p>
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<p>Project Sierra Brazil 1 B.V. Project Sierra Charagionis 1 S.A. Project Sierra Spain 1 B.V. Project Sierra Spain 2 B.V. Project Sierra Spain 2-Centro Comer. S.A. Project Sierra Spain 3 B.V. Project Sierra Spain 3-Centro Comer. S.A. Project Sierra Spain 5 BV Project Sierra Two Srl Project Sierra Three Srl Promessa Sociedade Imobiliária, S.A. Promosedas-Prom.Imobiliária,S.A. Prosa-Produtos e serviços agrícolas,S.A. Publimeios-Soc.Gestora Part. Finan.,S.A. Racionaliz. y Manufact.Florestales,S.A. Resoflex-Mob.e Equipamentos Gestão,S.A. Resolução, SGPS, S.A. Rio Sul - Centro Comercial, S.A. River Plaza Mall, Srl Project Sierra Srl S. C. Setler Mina Srl S.C. Microcom Doi Srl Rochester Real Estate,Limited Saúde Atlântica - Gestão Hospitalar, S.A. SC Aegean B.V. SC Insurance Risks Services, SGPS, S.A. SC Mediterraneum Cosmos B.V. SC-Consultadoria,S.A. SC-Eng. e promoção imobiliária,SGPS,S.A. SCS Beheer,BV Selfrio,SGPS,S.A. Selfrio-Engenharia do Frio,S.A. Selifa-Empreendimentos Imobiliários,S.A. Sempre à Mão - Sociedade Imobiliária,S.A. Sempre a Postos - Produtos Alimentares e Utilidades , Lda Serra Shopping - Centro Comercial, S.A. Sesagest-Proj.Gestão Imobiliária,S.A. Sete e Meio - Invest. Consultadoria, S.A.</p>	<p>Sierra Developments Germany GmbH Sierra Developments Holding B.V. Sierra Developments Italy S.r.l. Sierra Developments Spain-Prom.C.Com.SL Sierra Developments, SGPS, S.A. Sierra Developments Services Srl Sierra Developments-Serv. Prom.Imob., S.A. Sierra Enplanta Ltda Sierra European R.R.E. Assets Hold. B.V. Sierra GP Limited Sierra Investimentos Brasil Ltda Sierra Investments (Holland) 1 B.V. Sierra Investments (Holland) 2 B.V. Sierra Investments Holding B.V. Sierra Investments SGPS, S.A. Sierra Italy Holding B.V. Sierra Man.New Tech.Bus.-Serv.Comu.CC,S.A. Sierra Management Germany GmbH Sierra Management II-Gestão de C.C. S.A. Sierra Management Italy S.r.l. Sierra Management Portugal-Gest. CC,S.A. Sierra Management Spain-Gestión C.Com.S.A. Sierra Management, SGPS, S.A. Sierra Management Hellas SA Sierra Property Management, Srl Sierra Portugal Fund, Sarl SII - Soberana Invest. Imobiliários, S.A. SIRS - Sociedade Independente de Radiodifusão Sonora, S.A. Sistavac-Sist.Aquecimento,V.Ar C.,S.A. SKK-Central de Distr.,S.A. SKKFOR - Ser. For. e Desen. de Recursos SM Empreendimentos Imobiliários, Ltda SMP-Serv. de Manutenção Planeamento Soc.Inic.Aproveit.Florest.-Energias,S.A. Sociedade de Construções do Chile, S.A. Sociedade Imobiliária Troia - B3, S.A. Société de Tranchage Isoroy S.A.S. Sonae Turismo Gestão e Serviços,S.A.</p>
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<p>Sete e Meio Herdades-Inv. Agr. e Tur.,S.A. Shopping Centre Colombo Holding, BV Shopping Centre Parque Principado B.V. Shopping Penha B.V. Siaf-Soc.Iniciat.Aprov.Florestais,S.A. Sol Retail Park - Gestão G.Comerc., S.A. Solaris Supermercados, S.A. Solinca III-Desporto e S.A.úde,S.A. Solinca-Investimentos Turísticos,S.A. Solinfitness - Club Malaga, S.L. Soltroia-Imob.de Urb.Turismo de Tróia,S.A. Somit Imobiliária,S.A. Somit-Soc.Mad.Ind.Transformadas,S.A. Sonae Capital Brasil, Lda Sonae Capital,SGPS,S.A. Sonae Financial Participations BV Sonae Ind., Prod. e Com.Deriv.Madeira,S.A. Sonae Indústria Brasil, Ltda Sonae Industria de Revestimentos,S.A. Sonae Indústria-SGPS,S.A. Sonae International, Ltd Sonae Investments,BV Sonae Novobord (PTY) Ltd Sonae RE, S.A. Sonae Retalho Espana-Servicios Gen.,S.A. Sonae SGPS, S.A. Sonae Serviços de Gestão, S.A. Sonae Sierra Brasil Ltda Sonae Sierra Brazil B.V. Sonae Sierra, SGPS, S.A. Sonae Tafibra (UK),Ltd Sonae Tafibra Benelux, BV Taiber,Tableros Aglomerados Ibéricos,SL Tarkett Agepan Laminate Flooring SCS Tavapan,S.A. Tecmasa Reciclados de Andalucia, SL Teconologias del Medio Ambiente,S.A. Textil do Marco,S.A. Tlantic Sistemas de Informação Ltdª Tlantic Portugal-Sist. de Informação, SA</p>	<p>Sonae Turismo-SGPS,S.A. Sonae UK,Ltd. Sonaegest-Soc.Gest.Fundos Investimentos Sondis Imobiliária,S.A. Sontaria-Empreend.Imobiliários,S.A. Sontel Bv Sontur BV Sonvecap BV Sopair, S.A. Sótaqua - Soc. de Empreendimentos Turist Spanboard Products,Ltd Modelo Cont. Seguros-Soc. De Mediação, Lda Spinarq,S.A. Spinveste - Promoção Imobiliária, S.A. Spinveste-Gestão Imobiliária SGII,S.A. Sport Zone-Comércio Art.Desporto,S.A. Société des Essences Fines Isoroy Société Industrielle et Financère Isoroy Socijofra-Sociedade Imobiliária,S.A. Sociloures-Soc.Imobiliária,S.A. Soconstrução BV SodeS.A., S.A. Soflorin,BV Soira-Soc.Imobiliária de Ramalde,S.A. SRP-Parque Comercial de Setúbal, S.A. SRP Development, SA Star-Viagens e Turismo,S.A. Tableros Tradema,S.L. Tafiber,Tableros de Fibras Ibéricas,SL Tafibras Participações, S.A. TafiS.A. Brasil, S.A. TafiS.A. Canadá Societé en Commandite TafiS.A. France, S.A. TafiS.A. UK,Ltd TafiS.A.-Tableros de Fibras, S.A. Troiaverde-Expl.Hoteleira Imob.,S.A. Tulipamar-Expl.Hoteleira Imob.,S.A. Unipress - Centro Gráfico, Lda Unishopping Administradora Ltda. Unishopping Consultoria Imob. Ltda.</p>
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Todos os Dias-Com.Ret.Expl.C.Comer.,S.A.	Vastgoed One - Sociedade Imobiliária, S.A.
Tool GmbH	Vastgoed Sun - Sociedade Imobiliária, S.A.
Torre Colombo Ocidente-Imobiliária,S.A.	Venda Aluga-Sociedade Imobiliária,S.A.
Torre Colombo Oriente-Imobiliária,S.A.	Via Catarina- Centro Comercial, S.A.
Torre São Gabriel-Imobiliária,S.A.	World Trade Center Porto, S.A.
TP - Sociedade Térmica, S.A.	Worten-Equipamento para o Lar,S.A.
Troiaresort-Investimentos Turísticos, S.A.	Worten España, S.A.
Urbisedas-Imobiliária das Sedas,S.A.	Zubiarte Inversiones Inmob,S.A.
Valecenter Srl	
Valor N, S.A.	

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

5.3 Sonaecom individual financial statements

SONAECOM, S.G.P.S., S.A.

BALANCE SHEETS AT 31 DECEMBER 2007 AND 31 DECEMBER 2006 AND BALANCE SHEET "PRO-FORMA" AT 31 DECEMBER 2006

(Amounts expressed in Euro)

ASSETS	Notes	December 2007	December 2006 "Pro-forma"	December 2006 POC
NON CURRENT ASSETS:				
Tangible assets	1.a), 1.e) and 2	181,562	141,032	233,064
Intangible assets	1.b) and 3	71,121	92,811	779
Investments in group companies	1.c) and 5	920,727,475	852,656,668	852,656,668
Other non current assets	1. c), 1.J), 1.m), 4, 6 and 21	492,695,948	352,053,002	352,018,202
Total non current assets		1,413,676,106	1,204,943,513	1,204,908,713
CURRENT ASSETS:				
Other current debtors	1.d), 1.f), 4 and 8	9,022,179	110,737,578	110,737,577
Other current assets	1.J), 1.m) and 9	3,766,451	1,353,113	4,678,538
Investments recorded at fair value through profit or loss	1.d), 4 and 10	-	849,375	675,000
Cash and cash equivalents	1.g), 4 and 11	145,779,175	90,973,527	90,973,527
Total current assets		158,567,805	203,913,593	207,064,642
Total assets		1,572,243,911	1,408,857,106	1,411,973,355
SHAREHOLDERS' FUNDS AND LIABILITIES				
SHAREHOLDERS' FUNDS:				
Share capital	12 and 13	366,246,868	366,246,868	366,246,868
Own shares	1.n), 1.o) and 14	(8,938,165)	-	-
Reserves	1.n) and 13	794,137,940	784,407,241	784,407,239
Net income/(loss) for the year		(15,334,817)	9,121,625	8,864,185
Total Shareholders' Funds		1,136,111,826	1,159,775,734	1,159,518,292
LIABILITIES:				
NON CURRENT LIABILITIES:				
Medium and long-term loans - net of short-term portion	1.h), 4 and 15.a)	373,680,136	146,626,307	150,000,000
Provisions for other liabilities and charges	1.j) and 16	23,706	31,979	31,979
Other non current liabilities	1.J), 1.m), 1.r) 17	129,379	639,405	-
Total non current liabilities		373,833,221	147,297,691	150,031,979
CURRENT LIABILITIES:				
Short-term loans and other loans	1.h), 4, and 15.b)	17,860,473	86,750,000	86,750,000
Other creditors	4 and 18	41,292,121	4,078,027	4,078,025
Other current liabilities	1.J), 1.m), 1.r) and 19	3,146,270	10,955,654	11,595,059
Total current liabilities		62,298,864	101,783,681	102,423,084
Total Shareholders' Funds and liabilities		1,572,243,911	1,408,857,106	1,411,973,355

The notes are an integral part of the financial statements at 31 December 2007 and "pro-forma" at 31 December 2006.

The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho Paupério

Luís Filipe Campos Dias de Castro Reis

George Christopher Lawrie

Miguel Nuno Santos Almeida

Maria Cláudia Teixeira de Azevedo

António Sampaio e Mello

Gervais Gille Pellissier

David Charles Denholm Hobley

Jean-François René Pontal

SONAECOM, S.G.P.S., S.A.
 PROFIT AND LOSS ACCOUNT BY NATURE
 FOR THE YEAR AND THE QUARTER ENDED AT 31 DECEMBER 2007 AND "PRO-FORMA" FOR THE YEAR AND QUARTER ENDED AT 31 DECEMBER 2006 AND
 FOR THE YEAR ENDED AT 31 DECEMBER 2006

(Amounts expressed in Euro)

Notes	September to December 2007		September to December 2006 "Pro-forma"		December 2006 POC	
	December 2007	(Not audited)	December 2006 "Pro-forma"	(Not audited)		
Services rendered	20	6,776,984	2,228,281	6,197,055	1,255,818	6,197,055
Other operating revenues	20	24,183,266	551,723	245,910	80,805	245,908
		<u>30,960,250</u>	<u>2,780,004</u>	<u>6,442,965</u>	<u>1,336,623</u>	<u>6,442,963</u>
External supplies and services	21	(4,658,695)	(914,294)	(2,940,845)	(684,360)	(24,994,941)
Staff expenses	29 and 30	(5,170,239)	(1,495,266)	(4,704,238)	(1,449,431)	(4,708,633)
Depreciation and amortisation	1.a), 1.b), 1.q), 2 and 3	(72,718)	(19,685)	(71,351)	(17,226)	(71,351)
Provisions and impairment losses	1.j), 1.q) and 16	-	-	(706)	(706)	(706)
Other operating costs		(76,530)	(15,273)	(104,582)	(55,278)	(80,994)
		<u>(9,978,182)</u>	<u>(2,444,518)</u>	<u>(7,821,722)</u>	<u>(2,207,001)</u>	<u>(29,856,625)</u>
Tender Offer costs	22	-	-	(22,387,200)	(22,387,200)	-
		<u>(9,978,182)</u>	<u>(2,444,518)</u>	<u>(30,208,922)</u>	<u>(24,594,201)</u>	<u>(29,856,625)</u>
Gains and losses on group companies	23	(43,481,386)	(43,481,386)	33,000,000	33,000,000	33,000,000
Other financial expenses	1.d), 1.h), 1.q), 15 and 23	(13,283,729)	(4,201,866)	(8,709,010)	(2,431,070)	(9,129,146)
Other financial income	1.d), 15 and 23	20,460,321	(31,303,621)	8,603,364	2,355,111	8,128,938
Current Income/(loss)		(15,322,726)	(78,651,387)	9,128,397	9,666,463	8,586,130
Extraordinary results		-	-	-	-	285,705
Income taxation	1.k) and 7	(12,091)	368,259	(6,772)	(1,912)	(7,650)
Net Income/(loss)		(15,334,817)	(78,283,128)	9,121,625	9,664,552	8,864,185
Earnings per share	26					
Including discontinued operations						
Basic		(0.04)	(0.21)	0.03	0.03	0.03
Diluted		(0.04)	(0.21)	0.03	0.03	0.03
Excluding discontinued operations						
Basic		(0.04)	(0.21)	0.03	0.03	0.03
Diluted		(0.04)	(0.21)	0.03	0.03	0.03

The notes are an integral part of the financial statements at 31 December 2007 and "pro- forma" at 31 December 2006.

The Chief Accountant

Patricia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo

Ángelo Gabriel Ribeiro Paupério

Luis Filipe Campos Dias de Castro Reis

George Christopher Lawrie

Miguel Nuno Santos Almeida

Maria Cláudia Teixeira de Azevedo

António Sampaio e Mello

Gervais Gille Pellissier

David Charles Denholm Hobley

Jean-François René Pontal

SONAECOM, S.G.P.S., S.A.
 MOVEMENTS IN SHAREHOLDERS' FUNDS
 FOR THE YEAR ENDED AT 31 DECEMBER 2007 AND "PRO-FORMA" FOR THE YEAR ENDED AT 31 DECEMBER 2006
 (Amounts expressed in Euro)

	2007										
	Reserves										
	Share capital	Own Shares (Note 14)	Share premium	Legal reserves	Reserves Medium Term Incentive Plans (Note 27)	Own Shares reserves	Hedging reserves	Other Reserves	Total reserves	Net income/(loss)	Total
Balance at 31 December 2006	366,246,868	-	775,290,377	559,078	108,132	-	-	8,449,654	784,407,241	9,121,625	1,159,775,734
Appropriation of result of 2006	-	-	-	443,209	-	-	-	8,678,416	9,121,625	(9,121,625)	-
Net income/(loss) for the year ended 31 December 2007	-	-	-	-	-	-	-	-	-	(15,334,817)	(15,334,817)
Acquisition of own shares	-	(8,938,165)	-	-	-	8,938,165	-	(8,938,165)	-	-	(8,938,165)
Fair value reserves	-	-	-	-	-	-	412,910	-	412,910	-	412,910
Medium Term Incentive Plans recognition	-	-	-	-	196,164	-	-	-	196,164	-	196,164
Balance at 31 December 2007	366,246,868	(8,938,165)	775,290,377	1,002,287	304,296	8,938,165	412,910	8,189,905	794,137,940	(15,334,817)	1,136,111,826
	2006										
	Reserves										
	Share capital	Own Shares	Share premium	Legal reserves	Reserves Medium Term Incentive Plans	Own Shares reserves	Hedging reserves	Other Reserves	Total reserves	Net income/(loss)	Total
Balance at 31 December 2005	296,526,868	-	499,633,160	114,360	-	-	-	(30,226)	499,717,294	8,924,598	805,168,760
Appropriation of result of 2005	-	-	-	444,718	-	-	-	8,479,880	8,924,598	(8,924,598)	-
Net income/(loss) for the year ended 31 December 2006	-	-	-	-	-	-	-	-	-	9,121,625	9,121,625
Fair value reserves	-	-	-	-	108,132	-	-	-	108,132	-	108,132
Others	69,720,000	-	275,657,217	-	-	-	-	-	275,657,217	-	345,377,217
Balance at 31 December 2006	366,246,868	-	775,290,377	559,078	108,132	-	-	8,449,654	784,407,241	9,121,625	1,159,775,734

The notes are an integral part of the financial statements at 31 December 2007, and pro-forma at 31 December 2006.

SONAECOM, S.G.P.S., S.A.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED AT 31 DECEMBER 2007 AND "PRO-FORMA" FOR THE YEAR ENDED AT 31 DECEMBER 2006

(Amounts expressed in Euro)

	<u>31 December 2007</u>	<u>31 December 2006</u>
Operating activities		
Payments to employees	(4,637,963)	(4,752,892)
Cash flows from operating activities	(4,637,963)	(4,752,892)
Payments/receipts relating to income taxes, net	(492,261)	(111,353)
Other payments/receipts relating to operating activities, net	17,136,161	(6,861,140)
Cash flows from operating activities (1)	12,005,937	(11,725,385)
Investing activities		
Receipts from:		
Investments	273,470,063	49,414,847
Tangible assets	5,762	-
Interest and similar income	13,179,899	7,983,956
Dividends	38,592,872	33,000,000
Payments for:		
Investments	(104,947,682)	(134,032,871)
Tangible assets	(92,082)	(10,458)
Intangible assets	(2,503)	(14,817)
Loans granted	(313,314,109)	(41,447,021)
Cash flows from investing activities (2)	(93,107,780)	(85,106,364)
Financing activities		
Receipts from:		
Loans obtained	225,000,000	-
Payments for:		
Interest and similar expenses	(11,264,818)	(7,711,158)
Own Shares	(8,938,165)	-
Loans obtained	(68,993,000)	19,125,001
Cash flows from financing activities (3)	135,804,017	11,413,843
Net cash Flows (4)=(1)+(2)+(3)	54,702,174	(85,417,906)
Effect of the foreign exchanges	-	-
Cash and cash equivalents at the beginning of the year	90,973,527	176,391,433
Cash and cash equivalents at end of the year	145,675,702	90,973,527

The notes are an integral part of the financial statements at 31 December 2007 and "Pro-forma" at 31 December 2006.

Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho Paupério

Luís Filipe Campos Dias de Castro Reis

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Gervais Gille Pellissier

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SONAECOM, S.G.P.S., S.A.

NOTES TO THE CASH FLOW STATEMENTS

FOR THE YEAR ENDED AT 31 DECEMBER 2007 AND "PRO-FORMA" FOR THE YEAR ENDED AT 31 DECEMBER 2006

(Amounts expressed in Euro)

	2007	2006
1 - Acquisition or sale of subsidiaries or other businesses		
a) Amount of other assets and liabilities acquired		
Sonae Indústria, S.G.P.S., S.A. shares	-	414,842
Sonae BV share capital subscription	-	20,000
Coverage of losses in Miauger - Organização e Gestão de Leilões Electrónicos, S.A.	-	110,000
Coverage of losses in Sonae Matrix Multimédia S.G.P.S., S.A.	61,344,670	-
Delivery of supplementary capital to Sonaecom - Serviços de Comunicações, S.A. (ex - Novis Telecom, S.A.)	-	27,500,000
Portugal Telecom, S.G.P.S., S.A. shares	-	105,988,029
Telemóvelo Telecomunicações - Sociedade Unipessoal, Lda.	14,553,012	-
Sonae BV - Serviços de Comunicações, S.A.	29,000,000	-
Optimus Artis - Concepção, Construção e Gestão de Redes de Comunicações, S.A.	50,000	-
	104,947,682	134,032,871
b) Sales		
Sonae Indústria, S.G.P.S., S.A. shares	-	247,275
Delivery of Sonae S.G.P.S., S.A. shares	385,980	268,845
Delivery of Sonae Indústria, S.G.P.S., S.A. shares	-	81,725
Portugal Telecom, S.G.P.S., S.A. shares	106,253,492	-
Liquidation of Sonae Matrix Multimédia S.G.P.S., S.A.	20,000,000	-
	126,639,472	597,845
c) Other Business activities		
Reimburse of supplementary capital from Sonae Telecom S.G.P.S., S.A.	76,450,000	23,493,501
Reimburse of supplementary capital from Sonae Matrix S.G.P.S., S.A.	70,380,591	1,880,000
Reimburse of supplementary capital from Optimus Telecomunicações S.A.	-	23,443,501
	146,830,591	48,817,002
2 - Details of cash and cash equivalents		
Cash in hand	9,674	10,940
Cash at bank	38,951	27,583
Treasury applications	145,730,550	90,935,004
Overdrafts	(103,473)	-
Cash and cash equivalents	145,675,702	90,973,527
Overdrafts	103,473	-
Cash assets	145,779,175	90,973,527
3 - Description of non monetary financing activities		
a) Bank credit granted and not used	100,000,000	90,000,000
b) Purchase of company through the issue of shares	Not applicable	Not applicable
c) Conversion of loans into shares	Not applicable	Not applicable

The notes are an integral part of the financial statements at 31 December 2007 and "Pro-forma" at 31 December 2006.

Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo

Ángelo Gabriel Ribeiro Paupério

Luís Filipe Campos Dias de Castro Reis

George Christopher Lawrie

Miguel Nuno Santos Almeida

Maria Cláudia Teixeira de Azevedo

António Sampaio e Mello

Gervais Gille Pellissier

David Charles Denholm Hobley

Jean-François René Pontal

5.4 Notes to the Sonaecom individual financial statements

**Notes to the financial statements
at 31 December 2007 and Pro-forma financial statements at 31 December 2006**

(Amounts expressed in Euro)

SONAECOM, S.G.P.S., S.A., (hereinafter referred to as “the Company” or “Sonaecom”) was incorporated 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.

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

On 3 November 1999, the Company's share capital was increased and its articles of association modified, which led to the change of its corporate name 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. The nominal value of its share capital was changed to Euro and its share capital was composed of one hundred and fifty million shares with a nominal value of 1 Euro each.

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

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

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

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

On 30 April 2003, by public deed the corporate name was changed 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 in Euro 70,276,868, from Euro 226,250,000 to Euro 296,526,868, by the issuance of 70,276,868 new shares of 1 Euro each and with a share premium of Euro 242,455,195, fully subscribed by France Telecom. The corresponding public deed was executed on 15 November 2005.

By decision of the Shareholders General Meeting held on 18 September 2006, Sonaecom's share capital was increased in Euro 69,720,000, 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 financial statements are presented in Euro, rounded at unit.

1. Basis of presentation

The financial statements have been prepared on a going concern basis from the Company's accounting records in accordance with International Financial Reporting Standards (“IAS/IFRS”) as adopted by the European Union (“EU”).

The adoption of the International Financial Reporting Standards (“IFRS”) as adopted by the European Union occurred for the first time in 2007 and as defined by IFRS1 - “First time adoption

of International Financial Reporting Standards", 1 January 2006 was the date of transition from generally accepted accounting principles in Portugal to those standards.

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

The reconciliation between shareholders' funds at 31 December 2006 and the Net results for the year then ended, in accordance with generally accepted accounting principles in Portugal (POC) and in accordance with International Financial Reporting Standards (IAS/IFRS), is disclosed in Note 13.

Sonaecom applied IFRS 7 - "Financial instruments: disclosures", mandatory for periods beginning on or after 1 January 2007 and revised IAS 1- "Presentation of Financial Statements". These applications resulted in increased of disclosures regarding the financial instruments used by the Company.

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". Additionally, in 2007, were also issued, five interpretations: (i) IFRIC 7 - "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies", (ii) IFRIC 8 - "Scope of IFRS 2 ", (iii) IFRIC 9 - "Reassessment of Embedded Derivatives", (iv) IFRIC 10 - " Interim Financial Reporting and Impairment ", and (v) IFRIC 11 -" IFRS 2 - Group and Treasury Share Transactions". Application of these interpretations did not have a significant effect on the financial statements as of 31 December 2007.

Finally, at the time of issuing these financial statements, the following standards and interpretations had been issued, application of which was not mandatory or which had not yet been endorsed by the European Union:

- Review of IFRS 3 - "Business concentration" - (mandatory at 1 July 2009);
- IFRS 8 - "Operating Segments" - (mandatory at 1 January 2009);
- IFRIC 12 - "Service Concession Arrangements" - (mandatory at 1 January 2008);
- IFRIC 13 - "Customer Loyalty Programmes" - (mandatory at 1 July 2008);
- IFRIC 14 - "IAS 19 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" - (mandatory at 1 January 2008).

These standards and interpretations will not have a significant effect on the Company's financial statements.

Main accounting policies

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

a) 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 necessary condition to operate as intended by the management, by a corresponding charge to the statement of profit and loss caption 'Depreciation and amortisation'.

Impairment losses detected in the realisation 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	10 - 20
Plant and machinery	6
Tools	2
Fixtures and fittings	3- 10

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.

b) Intangible assets

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

Intangible assets correspond, essentially, to software and industrial property.

Amortisation is provided on a straight-line monthly basis, over the estimated useful life of the assets (three years) as from the month in which the corresponding expenses are incurred.

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

c) Investments in Group companies and other non current assets

Investments in companies in which the Company 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 are recorded under the caption 'Investments in Group companies', at their acquisition cost, in accordance with IAS 27, as Sonaecom presents, separately, consolidated financial statements in accordance with those standards.

Loans and supplementary capital granted to affiliated companies with maturities, estimated or defined contractually, greater than one year, are recorded, at their nominal value, under the caption 'Other non current assets'.

Investments and loans granted to Group companies are evaluated whenever an event or change of circumstances indicates that the recorded amount may not be recoverable or impairment losses recorded in previous years no longer exist.

Impairment losses estimated for investments and loans granted to Group companies are recorded, in the year that they are estimated, under the caption 'Other financial costs' in the statement of profit and loss.

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

d) Investments

The Company 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 it is acquired principally for the purpose of selling in the short term or if the adoption of this method allows reducing or eliminating 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 Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are recorded at amortised cost using the effective interest rate method less any impairment.

Loans and receivables are recorded as current assets, except when its maturity is greater than twelve months from the balance sheet date, situation when they are classified as non-current assets. Loans and receivables are included in the caption '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 with fixed maturities that the Company'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 in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Company 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 or losses from investment securities.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company 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 determined based on the closing Euronext share price at the balance sheet date.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In case of equity securities classified as available for sale, a significant or prolonged decline (decrease of over 25% in two consecutive quarters) in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

e) Financial and operational leases

The lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the detention 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 detention 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 liability are recorded in accordance with the contractual financial

plan at fair value or, if less, at the present value of payments. 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.

f) Other current debtors

'Other current debtors' are recorded at their net realisable value, and do not include interests, as the discount effect is not considered to be significant.

These financial investments arise when the Company lends money or renders services directly to a debtor without the intention of trading the receivable.

'Other current debtors' are stated net of any impairment losses. Future recovery of impairment losses recognised earlier is credited to the statement of profit and loss caption 'Other operating revenues'.

g) 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 cash flow statement has been prepared in accordance with IAS 7, using the direct method. The Company 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 caption 'Short-term loans and other loans'.

The cash flow statement is classified by operating, financing and investing activities. Operating activities include 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.

All amounts included under this caption are able to be realised in the short term and are not subject to any onus or guarantee.

h) 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. The interests incurred but not yet due are added to the amount of the loans until they are liquidated.

i) Derivatives

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

The cash flow hedges used by the Company 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 similar 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 a corresponding entry under the caption 'Hedging reserves' in shareholders' funds.

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

j) Provisions and contingencies

Provisions are recognised when, and only when, the Company 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 Company has a detailed plan and if that plan was already communicated to the parties involved.

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

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

k) Income tax

Income tax for the year is determined based on the taxable results in accordance with the tax regulations in force, taking into consideration deferred taxation.

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 7).

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.

l) 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.

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' or 'Other financial income'.

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

m) 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 7 and 16).

n) Reserves

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.

Share premium

Share premium relates to premiums obtained on the issuance of capital or in capital increases. In accordance with Portuguese legislation, the amounts included in this caption are subject to the rules applicable to the 'Legal reserves', that is they are not distributable, except in case of liquidation of the Company, but can be used to absorb losses, after the other reserves have been exhausted or to increase capital.

Reserves Medium Term Incentive Plans

In accordance with IFRS 2, the liability for equity settled plans is recognised in the caption 'Reserves Medium Term Incentive Plans', and cannot be distributed or used to absorb losses.

Hedging reserve

The Hedging reserve reflects the changes in fair value of "cash flow" hedging derivatives that are considered as effective (Note 1.i) and is not distributable or can be used to absorb losses.

Own Shares reserve

The own shares reserve reflects the cost of the own shares and is subject to the same requirements as the 'Legal reserve'.

Under Portuguese legislation, the distributable amount of reserves is determined based on the individual financial statements of the Company, presented in accordance with IAS/IFRS. Therefore, Sonaecom, SGPS, SA's only distributable reserves are its other reserves, which amount to Euro 8,189,905.

o) Own shares

Own shares are accounted based on the acquisition cost as a deduction of shareholders funds. Gains or losses related to the sale of own shares are recorded under the heading "Other Reserves".

p) 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 profit and loss statement of the year, in financial results.

The following rates were used for the translation into Euro:

	2007		2006	
	31.12.2007	Average	31.12.2006	Average
Pounds Sterling	1.36361	1.46209	1.4892	1.46704
American Dollar	0.6793	0.7308	0.7593	0.79717
Brazilian Real	-	-	0.35564	0.36658

q) 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 a transaction within the capability of the parties involved, less the costs directly related to the sale. The value of use is the present value of the estimated future cash flows expected to result from the continued use of the asset and its sale at the end of its useful life. The recoverable value is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

For Financial investments, the recoverable amount is determined based on business plans duly approved by the Board of Directors of the Company and corroborated by reports prepared by independent entities.

Evidence of the existence of impairment in accounts receivables exists when:

- the counterparty is in significant financial difficulty;
- there are significant delays by the counterparty in the payment of interest and other major payments;
- it is probable that the debtor will go into liquidation or financial restructuring.

r) 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 Company 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 amount payable to third parties is 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 plans to be liquidated through the delivery of 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 Company signed a hedging contract under which, through the establishment of the payment of a fixed amount, it transferred its liability relating to the Sonaecom share plan to an entity outside the Sonaecom Group. At 31 December 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 plan 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 relation to the plans which will be liquidated through the delivery of shares of the parent company, the Company 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, proportionally to the period of time elapsed since the award date till the date it is recorded.

s) 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 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 financial statements.

t) Judgements and estimates

The most significant accounting estimates reflected in the financial statements as at 31 December 2007 and pro-forma at 31 December 2006, include mainly impairment analysis of assets, particularly financial investments in Group companies.

Estimates used are based on the best information available during the preparation of financial statements and are based on the best knowledge of past and present events. Although future events, are not controlled by the Company 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 approval of these 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 financial statements are disclosed in the correspondent notes.

u) Financial risk management

The Company'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 Company 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. i)).

Market risk

a. Foreign exchange risk

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

Whenever possible, the Company uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such procedure is not possible, the Company adopts other derivatives financial hedging instruments.

Considering the reduced values of assets and liabilities in foreign currency, the impact of a change in exchange rate will not have significant impacts in the financial statements.

b. Price risk

The Company, during 2006, was exposed to the risk of price variations on investments recorded at fair value through profit and loss and part of investments available for sale. In the first case, that caption is made up of Sonae S.G.P.S., S.A. shares, acquired to hedge the Company's liability under the Medium Term Incentive Plans granted to its employees (Note 1. r) and 27) and therefore the variation in the price of those shares was compensated by the variation in the liability of the respective plan. In the case of the investments available for sale, the amount registered in that heading was mostly comprised by Portugal Telecom S.G.P.S., S.A. shares, which were sold to a subsidiary before 31 December 2006.

During 2007, the Sonae S.G.P.S., S.A. shares were sold (Note 10), the Medium Term Incentive Plans relating to Sonae SGPS SA shares now being hedged through contracts with an external entity.

c. Interest rate risk

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility on the Company's income and shareholders' funds is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility of using interest rate hedging derivative instruments, as explained below; (iii) possible correlation between the market interest rate levels and economic growth, the latter having a positive effect on other lines of the Company's results (particularly operational), thus partially offsetting the increased financial costs ("natural hedge"); and (iv) the availability of liquidity, also remunerated at variable rates.

The Company 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 equalize 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 changes in market interest rates, so that the resulting rates are within the cost of the funds considered in the Company's business plan.

As all Sonaecom's borrowings (Note 15) 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, being the Company's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions. In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

In determining the fair value of hedging operations, the Company 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 the derivatives contracted, that are considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions 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.

Sonaecom's Board of Directors approves the terms and conditions of the funding with significant impact on the Company, based on the analysis of the debt structure, the inherent risks and the different options in the market, particularly as regards the type of interest rate (fixed /variable). Under this policy, the Executive Committee is responsible for decisions regarding the contracting of occasional interest rate hedging derivative financial instruments, through monitoring the conditions and alternatives existing in the market.

d. Liquidity risk

The existence of liquidity in the Company requires the definition of some parameters for the efficient and secure management of the liquidity, enabling maximisation of the return obtained and minimisation of the opportunity costs relating to the liquidity.

Liquidity risk management has a threefold objective: (i) Liquidity, that is to ensure permanent access in the most efficient way to sufficient funds to cover current payments on the respective maturity dates, as well as any unexpected requests for funds; (ii) Safety, that is minimisation of the probability of default in the repayment of any application of funds; and (iii) Financial Efficiency, that is ensuring that the Company maximises the value / minimise the opportunity cost of holding excess liquidity in the short term.

The main parameters underlying such a policy correspond to the type of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparty and the maximum periods for investments.

The Company's liquidity should be applied as follows, by order of priority:

- i. Repayment of short term debt- after comparing the opportunity cost of repayment and the opportunity cost related to alternative investments;
- ii. Consolidated management of liquidity - the existing liquidity in Group companies should preferably be applied in Group companies, so as to minimise the use of bank debt on a consolidated basis;
- iii. Applications in the market.

Application in the market is limited to eligible counterparties, that comply with ratings previously established by the Board, limited to maximum amounts established by counterparty.

Definition of maximum amounts by counterparty is intended to ensure that liquidity is applied prudently considering the principles of management of banking relationships.

The maturity of the applications should coincide with the projected payments (or be sufficiently liquid, in the case of investments, to enable urgent unexpected payments to be made), including a margin to cover possible forecasting errors. The required margin of error depends on the reliability of the treasury forecasts and should be determined by the business. The reliability of the treasury forecasts is a determinant variable in quantifying the amounts and maturity of the funds obtained/applied in the market.

A maturity analysis of each financial liability instrument is presented in Notes 15 and 20, considering amounts not discounted and the worst case scenario. that is the shortest period that the liability can become due).

e. Credit risks

The Company's exposure to credit risk is mainly associated with the accounts receivable related to current operational activities. The credit risk on financial operations is mitigated by the fact that the Company only negotiate with high credit quality entities.

The management of this risk seeks to guarantee that the amounts owing are effectively collected within the periods negotiated without impacting the financial health of the Company.

The amounts of other debtors in financial statements, which is net from impairment losses, represents the maximum exposure of the Company to credit risk.

2. Tangible Assets

The movement in Tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended 31 December 2007 and 2006 was as follows:

2007							
	Buildings and other construction	Plant and machinery	Vehicles	Tools	Fixtures and Other tangibl fittings	assets	Total
GROSS ASSETS							
Balance at 31.12.2006	313,312	4,365	-	-	157,283	2	474,962
Additions	8,551	21,079	902	171	60,084	103	90,890
Disposals	-	-	(902)	-	(5,678)	-	(6,580)
Transfers and write-offs	-	-	-	-	-	(2)	(2)
Balance at 31.12.2007	321,863	25,444	-	171	211,689	103	559,270
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:							
Balance at 31.12.2006	196,720	1,098	-	-	136,111	2	333,931
Depreciation for the year	31,167	1,232	-	7	16,110	9	48,525
Disposals	-	-	-	-	(4,748)	-	(4,748)
Balance at 31.12.2007	227,887	2,330	-	7	147,473	11	377,707
Net value	93,976	23,114	-	164	64,216	92	181,563

2006							
	Buildings and other construction	Plant and machinery	Vehicles	Tools	Fixtures and Other tangibl fittings	assets	Total
GROSS ASSETS							
Balance at 31.12.2005	300,139	4,100	-	-	155,147	2	459,388
Additions	13,173	265	-	-	5,049	-	18,487
Transfers and write-offs	-	-	-	-	(2,913)	-	(2,913)
Balance at 31.12.2006	313,312	4,365	-	-	157,283	2	474,962
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:							
Balance at 31.12.2005	166,104	273	-	-	125,306	2	291,685
Depreciation for the year	30,616	825	-	-	13,712	-	45,153
Transfers and write-offs	-	-	-	-	(2,908)	-	(2,908)
Balance at 31.12.2006	196,720	1,098	-	-	136,110	2	333,930
Net value	116,592	3,267	-	-	21,173	-	141,032

3. Intangible Assets

In the years ended 31 December 2007 and 2006, the movement in Intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

2007				
	Brands and patents and other rights	Software	Intangible assets in progress	Total
GROSS ASSETS:				
Balance at 31.12.2006	4,982	167,051	13,917	185,950
Additions	1,527	976	-	2,503
Balance at 31.12.2007	6,509	168,027	13,917	188,453
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:				
Balance at 31.12.2006	4,203	88,936	-	93,139
Amortisation for the year	641	23,552	-	24,193
Balance at 31.12.2007	4,844	112,488	-	117,332
Net value	1,665	55,539	13,917	71,121
2006				
	Brands and patents and other rights	Software	Intangible assets in progress	Total
GROSS ASSETS:				
Balance at 31.12.2005	4,439	166,693	-	171,132
Additions	543	358	13,917	14,818
Balance at 31.12.2006	4,982	167,051	13,917	185,950
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:				
Balance at 31.12.2005	3,595	63,346	-	66,941
Amortisation for the year	608	25,590	-	26,198
Balance at 31.12.2006	4,203	88,936	-	93,139
Net value	779	78,115	13,917	92,811

The intangible assets in progress were mainly composed by software development.

4. Classes of Financial Instruments

At 31 December 2007 and 2006, the classes of financial instruments were as follows:

2007							
	Investments recorded at fair value through profit and loss	Loans and receivables	Investments held to maturity	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
Non current Assets							
Other non current assets	-	492,695,948	-	-	492,695,948	-	492,695,948
	-	492,695,948	-	-	492,695,948	-	492,695,948
Current Assets							
Other trade debtors	-	8,004,994	-	-	8,004,994	1,017,185	9,022,179
Cash and cash equivalents	-	145,779,175	-	-	145,779,175	-	145,779,175
	-	153,784,169	-	-	153,784,169	1,017,185	154,801,354
2006							
	Investments recorded at fair value through profit and loss	Loans and receivables	Investments held to maturity	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
Non current Assets							
Other non current assets	-	352,053,002	-	-	352,053,002	-	352,053,002
	-	352,053,002	-	-	352,053,002	-	352,053,002
Current Assets							
Other trade debtors	-	107,716,264	-	-	107,716,264	3,021,314	110,737,578
Investments recorded at fair value through profit and loss	849,375	-	-	-	849,375	-	849,375
Cash and cash equivalents	-	90,973,527	-	-	90,973,527	-	90,973,527
	849,375	198,689,791	-	-	199,539,166	3,021,314	202,560,480
2007							
	Liabilities recorded at fair value through profit and loss	Derivatives	Liabilities recorded at amortized cost	Other Financial Liabilities	Subtotal	Others not covered by IFRS 7	Total
Non current liabilities							
Medium and long-term loans - net of short-term portion	-	(412,910)	374,093,046	-	373,680,136	-	373,680,136
	-	(412,910)	374,093,046	-	373,680,136	-	373,680,136
Current Liabilities							
Short-term loans and other loans	-	-	17,860,473	-	17,860,473	-	17,860,473
Other creditors	-	-	-	40,662,700	40,662,700	629,421	41,292,121
	-	-	17,860,473	40,662,700	58,523,173	629,421	59,152,594
2006							
	Liabilities recorded at fair value through profit and loss	Derivatives	Liabilities recorded at amortized cost	Other Financial Liabilities	Subtotal	Others not covered by IFRS 7	Total
Non current liabilities							
Medium and long-term loans - net of short-term portion	-	-	146,626,307	-	146,626,307	-	146,626,307
	-	-	146,626,307	-	146,626,307	-	146,626,307
Current Liabilities							
Short-term loans and other loans	-	-	86,750,000	-	86,750,000	-	86,750,000
Other creditors	-	-	-	3,808,616	3,808,616	269,411	4,078,027
	-	-	86,750,000	3,808,616	90,558,616	269,411	90,828,027

Considering the nature of the amounts payable and receivable to/from the State and other public entities they were considered not to be covered by IFRS 7. Also, the captions of 'Other current

assets' and 'Other current liabilities' were not included in this note, as the amounts are not covered by IFRS 7.

5. Investments in Group Companies

At 31 December 2007 and 2006, this caption included the following investments in Group companies:

Company	2007	2006
Sonaecom Serviços de Comunicações, S.A. ("Sonaecom SC", ex Novis Telecom, S.A.)	749,628,393	141,872,487
Optimus Telecomunicações S.A. ("Optimus")	-	551,255,906
Sonae Telecom, S.G.P.S., S.A. ("Sonae Telecom")	105,799,987	105,799,987
Sonaetelecom BV	44,209,902	4,209,902
Sonae Matrix Multimédia, S.G.P.S., S.A. ("Sonae Matrix")	-	40,782,208
Sonae.com – Sistemas de Informação, S.G.P.S., S.A. ("Sonae.com SI")	26,641,587	26,641,587
Miauger – Organização e Gestão de Leilões Electrónicos, S.A. ("Miauger")	4,568,100	4,568,100
Telemilénio, Telecomunicações, Sociedade Unipessoal, Lda. ("Tele 2")	178,409	-
Sonaecom BV	100,000	100,000
Optimus Artis – Conceção, Construção e Gestão de Redes de Comunicações, S.A. ("Optimus Artis")	50,000	-
	931,176,378	875,230,177
Impairment losses (Note 16)	(10,448,903)	(22,573,509)
Total investments in Group companies	920,727,475	852,656,668

The movements occurred in investments in Group companies, during the years ended 31 December 2007 and 2006 were as follows:

Company	Balance at		Transfers and		Balance at
	31.12.2006	Additions	Disposals	writte-offs	
Sonaecom SC	693,128,393	29,000,000	-	27,500,000	749,628,393
Sonae Telecom	105,799,987	-	-	-	105,799,987
Sonaetelecom BV	4,209,902	40,000,000	-	-	44,209,902
Sonae Matrix	40,782,208	-	(40,782,208)	-	-
Sonae.com SI	26,641,587	-	-	-	26,641,587
Miauger	4,568,100	-	-	-	4,568,100
Tele 2	-	178,409	-	-	178,409
Sonaecom BV	100,000	-	-	-	100,000
Optimus Artis	-	50,000	-	-	50,000
	875,230,177	69,228,409	(40,782,208)	27,500,000	931,176,378
Impairment losses	(22,573,509)	-	-	12,124,606	(10,448,903)
	852,656,668	69,228,409	(40,782,208)	39,624,606	920,727,475

Company	Balance at			Transfers and write-offs	Balance at 31.12.2006
	31.12.2005	Additions	Disposals		
Sonaecom SC	20,092,718	-	-	121,779,769	141,872,487
Optimus	219,944,790	331,311,116	-	-	551,255,906
Sonae Telecom	105,799,987	-	-	-	105,799,987
Sonaetelecom BV	4,209,902	-	-	-	4,209,902
Sonae Matrix	22,620,000	-	-	18,162,208	40,782,208
Sonae.com SI	1,220,000	-	-	25,421,587	26,641,587
Miauger	1	110,000	-	4,458,099	4,568,100
Sonaecom BV	-	100,000	-	-	100,000
	<u>373,887,398</u>	<u>331,521,116</u>	<u>-</u>	<u>169,821,663</u>	<u>875,230,177</u>
Impairment losses	(22,573,509)	-	-	-	(22,573,509)
	<u><u>351,313,889</u></u>	<u><u>331,521,116</u></u>	<u><u>-</u></u>	<u><u>169,821,663</u></u>	<u><u>852,656,668</u></u>

The merger of Optimus Telecomunicações, S.A. into Novis Telecom, S.A. was completed in 2007. After the merger, Novis changed its corporate name to Sonaecom - Serviços de Comunicações, S.A..

Before the merger, Novis used 'Supplementary capital' contributions of Euro 27,500,000 to cover accumulated losses and to reinforce 'Legal reserves'. Additionally, the Company acquired 2.21% of Sonaecom SC from the subsidiary Sonae Matrix, for the amount of Euro 29,000,000.

During 2007, the increase of Euro 40,000,000 in Sonaetelecom BV related to an increase in 'Shareholders' funds'.

During 2007, the increase of Euro 178,409 relates to the acquisition of Tele 2, a company acquired for an amount of 13,944,624, of which Euro 13,766,215 relates to Supplementary capital (Note 6).

During 2007, the amount reflected corresponds to Sonae Matrix liquidation in December 2007.

During 2007, the amount related to Impairment losses was transferred to 'Other non current assets' (Note 6).

During 2006, the increase of Euro 331,311,116 relates to the acquisition of 5.04% in Optimus from Parpública - Participações Públicas, SGPS, S.A. (Parpública) and 25.72% from 093X - Telecomunicações Celulares, S.A. (EDP), through the exchange of the shares of that subsidiary by participations in Sonaecom of 3.118% to Parpública and of 15.918% to EDP.

The column 'Transfers and Write-off' includes the conversion of Supplementary capital contributions into share capital in Group companies in an amount of Euro 169,821,663.

The Company presents separate consolidated financial statements at 31 December 2007, in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union, which presents total consolidated assets of Euro 1,758,611,602 total consolidated liabilities of Euro 823,190,172, consolidated operational revenues of Euro 899,114,867 and Consolidated Shareholders' funds of Euro 935,421,430, including a consolidated net profit (attributable to the shareholders of the parent company - Sonaecom, S.G.P.S., S.A.) of Euro 36,777,780.

At 31 December 2007 and 2006, the main financial information regarding the owned subsidiaries is as follows (values in accordance with IAS/IFRS):

Company	Head Office	2007			2006		
		% holding	Shareholders' funds	Net profit/(loss)	% holding	Shareholders' funds	Net profit/(loss)
Sonaecom SC (ex Novis)							
Telecom, S.A.)	Maia	53.54%	530,109,469	115,966,397	58.33%	22,688,952	(26,312,670)
Optimus	Maia	-	-	-	50.94%	399,036,412	34,181,090
Sonae Telecom	Maia	100%	175,004,793	72,667,381	100%	212,787,412	(10,816)
Sonae Matrix	-	-	-	-	100%	90,368,597	40,625
Sonaecom SI	Maia	100%	46,796,086	13,151,148	100%	33,644,938	20,751
Miauger	Maia	100%	448,781	234,950	100%	213,831	186,647
Sonaetelecom BV	Amsterdam	100%	3,568,002	(43,811,459)	100%	7,379,461	26,546,170
Tele2	Lisbon	100%	(2,101,150)	(14,741,900)	-	-	-
Sonaecom BV	Amsterdam	100%	(11,931,959)	(3,469,512)	100%	(3,608,035)	(8,562,447)
Optimus Artis	Maia	100%	(4,295,170)	(4,345,170)	-	-	-

In 2007, Sonaecom owned, indirectly, through Sonae Telecom and Sonaecom BV, an additional shareholding of 37.94% and 8.52% in Sonaecom - Serviços de Comunicações, respectively.

In 2006, the Company owned an indirect stake of 41.67% in Novis, through Sonae Matrix, and an additional shareholding of 49.06% in Optimus, through Sonae Telecom.

6. Other non current assets

At 31 December 2007 and 2006 this caption was made up as follows:

	2007	2006
FINANCIAL ASSETS:		
Medium and long-term loans granted to Group companies		
Sonaecom SC (ex Novis)	262,795,000	71,900,000
Sonaecom BV	120,660,000	-
Sonaetelecom BV	70,175,000	69,767,673
Sonae.com SI	390,000	-
Tele 2	961,782	-
	<u>454,981,782</u>	<u>141,667,673</u>
Supplementary capital:		
Sonae.com SI	33,574,187	33,574,187
Sonae Telecom SGPS	30,964,467	107,414,467
Tele 2 (Note 5)	13,766,215	-
Sonae Matrix	-	70,327,971
Sonaecom SC (ex Novis)	-	27,500,000
	<u>78,304,869</u>	<u>238,816,625</u>
Accumulated impairment losses (Note 16)	<u>(40,590,703)</u>	<u>(28,466,097)</u>
NON FINANCIAL ASSETS:		
Medium Term Incentive Plans (Notes 1.r) and 27)	-	34,801
	-	<u>34,801</u>
	<u>492,695,948</u>	<u>352,053,002</u>

During 2007 and 2006, the loans granted to Group companies bore interest at market rates, with an average interest rate of 5.0875% and 4.629%, respectively. Supplementary capital is non interest bearing.

The increase in Loans granted to Sonaecom SC results from the fact that the Sonaecom Group's external funding has been concentrated in the Company, the funding being transferred to the subsidiaries through shareholders' loans.

During the year ended 31 December 2007, the impairment losses were transferred from the caption of Investments in Group companies.

As the loans granted to group companies and the Supplementary capital do not have a defined maturity, no information about the aging is presented.

7. Deferred tax assets

The detail of deferred tax assets by nature at 31 December 2007 were as follows:

Year which were originated	Tax losses	Adjustments to IAS/IFRS	Provisions not acceptable for tax purposes	Total	Deferred tax assets
2001	-	-	3,463,000	3,463,000	917,695
2002	28,183,484	-	11,431,819	39,615,303	10,075,303
2003	-	-	31,154,781	31,154,781	8,256,017
2004	-	-	9,662,981	9,662,981	2,560,690
2005	2,176,736	-	(3,033,899)	(857,163)	(259,799)
2006	24,341,554	(257,437)	(149,858)	23,934,259	5,977,455
2007	54,308,569	81,031	(433,114)	53,956,486	13,483,841
	<u>109,010,343</u>	<u>(176,406)</u>	<u>52,095,710</u>	<u>160,929,647</u>	<u>41,011,202</u>

Following a conservative approach and because its recovery is uncertain, the Company did not recognise the deferred tax assets related to the tax losses carried forward, as well as the deferred tax assets related to temporary differences in the total amount of Euro 41,011,202.

The rate used at 31 December 2007 to calculate the deferred tax assets relating to tax losses carried forward was 25% and to calculate deferred tax assets resulting from temporary differences was 26.5%.

Portuguese Tax Authorities can review the income tax returns of the Company 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. Consequently, tax returns of each year, since the year 2004 (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 accompanying financial statements.

The Board of Directors believes, supported by its lawyers and tax consultants, that there are no significant tax assets or contingencies not provided for in the accounts or that should be disclosed in the Notes to the financial statements as of 31 December 2007.

8. Other debtors

At 31 December 2007 and 2006 this caption was made up as follows:

	2007	2006
Trade debtors	8,005,800	107,717,070
State and other public entities	1,017,185	3,021,314
Accumulated impairment losses on accounts receivables (Note 16)	(806)	(806)
	<u>9,022,179</u>	<u>110,737,578</u>

The amount registered in the caption 'Other debtors' corresponds mainly to debit notes issued in December 2007 and 2006 relating to interest receivable from subsidiaries on shareholders' loans, interest on treasury applications and services rendered. The amount at 31 December 2006 also includes Euro 106,253,492 relating to the sale of a 1% participation in Portugal Telecom, S.A. to the subsidiary Sonaecom BV.

The amount included in the caption 'State and other public entities' at 31 December 2007 and 2006 corresponds to payments on account of income tax, amounts withheld by third parties tax recoverable.

At 31 December 2007 and 2006, the aging of Trade debtors was as follows:

2007									
	Due without impairment					Due and with impairment			
	Total	Not due	Till 30 days	From 30 to 90 days	More than 90 days	Till 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
Trade debtors	8,005,800	7,482,232	(260,808)	147,661	634,950	-	-	-	1,764
	<u>8,005,800</u>	<u>7,482,232</u>	<u>(260,808)</u>	<u>147,661</u>	<u>634,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,764</u>
2006									
	Due without impairment					Due and with impairment			
	Total	Not due	Till 30 days	From 30 to 90 days	More than 90 days	Till 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
Trade debtors	107,717,070	1,463,515	106,251,548	-	2,007	-	-	-	-
	<u>107,717,070</u>	<u>1,463,515</u>	<u>106,251,548</u>	<u>-</u>	<u>2,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The balances with the 'State and other public entities' are not financial assets and therefore they have not been detailed above.

9. Other current assets

At 31 December 2007 and 2006 this caption was made up as follows:

	2007	2006
Accrued income		
Interest receivable	3,333,843	903,133
Invoices to be issued	338,654	126,646
Other accrued income	1,398	2,826
	<u>3,673,895</u>	<u>1,032,605</u>
Deferred costs		
Insurance	40,936	69,065
Medium Term Incentive Plans (Note 1.r))	-	177,795
Rents	1,620	18,264
Other deferred costs	50,000	55,384
	<u>92,556</u>	<u>320,508</u>
	<u>3,766,451</u>	<u>1,353,113</u>

10. Investments recorded at fair value through profit and loss

During the years ended at 31 December 2007 and 2006, the movements in this heading were as follows:

	2007	2006
Opening balance	849,375	1,321,690
Acquisitions	-	414,842
Sales	(1,128,864)	(1,237,987)
Changes in fair value (Note 23)	279,489	350,830
	<u>-</u>	<u>849,375</u>

At 31 December 2007, 'Investments recorded at fair value through profit and loss' refers to 562,500 shares of Sonae, S.G.P.S., S.A., acquired to fulfil future obligations under the Medium Term Incentive Plans and which were recorded based on the closing share price of Euronext at the balance sheet date. In 2007, 369,317 shares were issued to employees and 193,183 shares were sold, generating a capital gain of Euro 154,160.

These shares were classified, as 'Investments recorded at fair value through profit and loss' as from their date of acquisition, because they were acquired to hedge the liability under the Medium Term Incentive Plans.

At 31 December 2007, these plans were hedged through contracts with an external entity.

11. Cash and cash equivalents

At 31 December 2007 and 2006, the detail of cash and cash equivalents was as follows:

	2007	2006
Cash	9,674	10,940
Bank deposits repayable on demand	38,951	27,583
Treasury applications	145,730,550	90,935,004
	<u>145,779,175</u>	<u>90,973,527</u>

At 31 December 2007 and 2006, the heading 'Treasury applications' had the following breakdown:

	2007	2006
Funds placed in Sonae		90,000,004
Short term applications		
Banco Espírito Santo	77,620,000	-
Sonaecom - Serviços de Comunicações (ex Novis)	55,467,900	-
Wedo	10,629,650	-
Público	1,893,000	935,000
Banco BPI	120,000	-
	<u>145,730,550</u>	<u>90,935,004</u>

During the year ended at 31 December 2007, the above referred Treasury applications bear interests at an average rate of 5.225% (3.394% in 2006).

12. Share capital

At 31 December 2007 and 2006 the share capital of Sonaecom consisted of 366,246,868 ordinary dematerialised bearer shares of 1 Euro each. At those dates, the shareholder structure was as follows:

	2007		2006	
	Number of Shares	%	Number of Shares	%
Sontel BV	184,052,872	50.25%	-	-
Shares traded in the stock market	80,848,153	22.07%	76,649,353	20.92%
Wirefree Services Belgium, S.A.	70,276,868	19.19%	70,276,868	19.19%
O93X (EDP)	29,150,000	7.96%	29,150,000	7.96%
Sonaecom (Own shares)	1,894,326	0.52%	-	-
Sonae, S.G.P.S., S.A.	23,649	0.01%	46,572,998	12.72%
Efanor Investimentos, S.G.P.S., S.A.	1,000	0.00%	1,000	0.00%
Sonae Investments BV	-	-	143,596,649	39.21%
	<u>366,246,868</u>	<u>100.00%</u>	<u>366,246,868</u>	<u>100.00%</u>

The Company's capital Structure is analysed in the Management Report.

All shares have the same rights and each share corresponds to one vote. During 2007, Sonaecom acquired 1,894,326 own shares to hedge the responsibilities under the Medium Term Incentive Plans.

13. Reconciliation between shareholders' funds at 31 December 2006 between the Generally Accepted Accounting Principles in Portugal ("POC") and IAS/IFRS and Net income for the year ended 31 December 2006, obtained according to Generally Accepted Accounting Principles in Portugal ("POC") and IAS/IFRS.

The adjustments between shareholders funds at 31 December 2006 and the Net results of the year ended at 31 December 2006 in accordance with Generally Accepted Accounting Principles in Portugal ("POC"), and in accordance with International Financial Reporting Standards ("IFRS"), are as follows:

	Initial adjustments to IAS/FRS	Net Result	Total
Adjustments made on the conversion to IAS/IFRS for the opening balance of 2006 (1 January 2006):	-	-	-
Adjustments made on the conversion to IAS/IFRS for the net result of 2006:			
Charges related with loans obtained, recorded using the amortised cost	-	83,065	83,065
Fair value on the investments recorded at fair value through profit and loss	-	174,375	174,375
Total adjustments made on the conversion to IAS, reported at 31 December 2006	-	257,440	257,440

The adjustments made on the conversion to IAS/IFRS with impact in Shareholders' funds and in the Net results, as set out above, relate mainly to the recording of Sonae SGPS shares acquired to hedge the liability under the Medium Term Incentive Plans at fair value.

14. Own shares

During the year ended 31 December 2007, Sonaecom acquired a total of 1,894,326 own shares, representative of 0.52% of its share capital, at an average acquisition price of Euro 4.72, to hedge the responsibilities associated with Medium Term Incentive Plans.

15. Loans

At 31 December 2007 and 2006, the heading Loans had the following breakdown:

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

Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
				2007	2006
"Obrigações Sonaecom SGPS 2005"	150,000,000	Jun-13	Final	150,000,000	150,000,000
Costs associated with setting-up the financing	-	-	-	(2,879,021)	(3,373,693)
Interests incurred but not yet due	-	-	-	260,883	-
Fair value of swaps	-	-	-	56,194	-
				<u>147,438,056</u>	<u>146,626,307</u>
Commercial paper	250,000,000	Jul-12	-	225,000,000	-
Costs associated with setting-up the financing	-	-	-	(79,359)	-
Interests incurred but not yet due	-	-	-	1,790,543	-
Fair value of swaps	-	-	-	(469,104)	-
				<u>226,242,080</u>	<u>-</u>
				<u>373,680,136</u>	<u>146,626,307</u>

In July 2007, Sonaecom contracted a Program of Commercial Paper 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 syndicate is composed by the following institutions: Banco Santander Totta, Caixa Geral de Depósitos, Banco BPI, Banco Bilbao Vizcaya Argentina (Portugal), Banco Comercial Português and BNP Paribas (in Portugal).

The facility contracted by Sonaecom enabled Optimus to repay the loan of approximately Euro 324 million from the European Investment Bank (EIB), enabling the Group to significantly extend the maturity dates contracted and eliminate a series of contractual, financial and operating restrictions imposed under Optimus' previous syndicated loan, under more favourable market conditions and manage consolidated liquidity more efficiently.

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 the fair value of those loans does not differ significantly from their market value.

The spread on the medium and long term loans is established 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 company respective cash flows.

At 31 December 2007 and 2006, the repayment schedule of medium and long term loans and of interests, as well for the bonds and commercial paper was as follows:

2007						
	N+1	N+2	N+3	N+4	N+5	After N+5
Bond Loan						
Reimbursements	-	-	-	-	-	150,000,000
Interests	7,873,575	7,873,575	7,873,575	7,873,575	7,873,575	7,873,575
Commercial paper						
Reimbursements	-	-	-	75,000,000	150,000,000	-
Interests	8,149,750	8,149,750	8,149,750	7,837,250	7,602,875	-
	<u>16,023,325</u>	<u>16,023,325</u>	<u>16,023,325</u>	<u>90,710,825</u>	<u>165,476,450</u>	<u>157,873,575</u>

2006						
	N+1	N+2	N+3	N+4	N+5	After N+5
Bond Loan						
Reimbursements	-	-	-	-	-	150,000,000
Interests	6,116,775	6,116,775	6,116,775	6,116,775	6,116,775	6,116,775
	<u>6,116,775</u>	<u>6,116,775</u>	<u>6,116,775</u>	<u>6,116,775</u>	<u>6,116,775</u>	<u>156,116,775</u>

Although the commercial paper issues mature in six months, the counterparties have assumed the commitment to place and maintain these limits for a period of five years.

At 31 December 2007 and 2006, the available credit lines were:

2007					
Credit	Limit	Amount outstanding	Amount available	Maturity	
				Until 12 months	More than 12 months
Commercial paper	250,000,000	225,000,000	25,000,000		x
Commercial paper	70,000,000	-	70,000,000		x
Overdarfts facilities	5,000,000	-	5,000,000	x	
Bond Loan	150,000,000	150,000,000	-		x
	<u>475,000,000</u>	<u>375,000,000</u>	<u>100,000,000</u>		

2006					
Credit	Limit	Amount outstanding	Amount available	Maturity	
				Until 12 months	More than 12 months
Bond Loan	150,000,000	150,000,000	-		x
Commercial paper	70,000,000	-	70,000,000	x	
Overdarfts facilities	20,000,000	-	20,000,000		x
	<u>240,000,000</u>	<u>150,000,000</u>	<u>90,000,000</u>		

The following interest rate hedging instruments were outstanding at 31 December 2007 and 2006:

Hedged loan	Notional amount	Due date	Base rate	Fixed rate contracted	Fair value of the derivative instruments
Commercial paper	110,000,000	Mar-09	Euribor 6m	4.365%	(469,104)
Bond Loan	75,000,000	Jun-09	Euribor 6m	4.565%	56,194
					(412,910)

In September 2007, Sonaecom contracted an interest rate swap, with a notional amount of Euro 110 million, for a period of 18 months re-fixed half yearly, to fully cover the interest rate risk of one commercial paper lot issued on 13 September 2007, for the same amount and the same period. This lot will be renewed for the same amount and for the same period until at least 13 March 2009, the maturity date of this new interest rate swap.

In December 2007 Sonaecom contracted an interest rate swap, with a notional amount of Euro 75 millions, for a period of 18 months re-fixed half yearly, to cover 50% of the interest rate risk on the bonds issued by Sonaecom in June 2005, in the amount of Euro 150 million for the period of eight years, re-fixed half yearly. Interest on the bonds and swap is paid simultaneously, the latter being paid net.

The changes in the fair value of the swaps relating to the Commercial Paper Program in the amount of Euro 469,104 and bonds in the amount of 56,194 Euros were recorded in reserves as the hedges were considered to be effective in accordance with IAS 39.

As a result of contracting these derivative financial instruments, at 31 December 2007 approximately 49% of gross indebtedness was indirectly subject to fixed interest rates. The remaining 51% of gross indebtedness was exposed to changes in the interest rates.

Based on gross indebtedness exposed to variable interest rates at 31 December 2007, including the finance lease liability, less the applications and bank balances at that date, if interest rates increase (decrease) an average of 75 bp in 2008, the interest cost for that year would be increased (decreased) by approximately Euro 1 million. However, considering that under the contractual terms interest rates are fixed until the re-fixing dates, the impact in 2008 would only be of around Euro 0.5 million. In addition, considering the loans to Group companies that bear interest at market rates, if interest rates increase (decrease) an average of 75 bp in 2008 interest income net of interest cost for the year would be increased (decreased) by approximately Euro 3 million.

b. Short-term loans and other loans

The caption 'Short-term loans and other loans', at 31 December 2007 and 2006, include an amount of Euro 17,860,473 and Euro 86,750,000, respectively, related to Treasury applications received from subsidiaries and overdrafts, and was composed as follows:

	2007	2006
Optimus Towering - Gestão de Torres de Telecomunicações, S.A. ("Optimus Towering")	6,570,000	-
Tele 2	4,177,000	-
Digitmarket - Sistemas de Informação, S.A. ("Digitmarket")	2,095,000	1,820,000
Sonae.com SI	2,900,000	100,000
Mainroad - Serviços em Tecnologias de Informação, S.A. ("Mainroad")	1,500,000	-
Miauger	515,000	270,000
Optimus	-	68,910,000
WeDo	-	8,050,000
Sonaecom SC (ex Novis)	-	7,600,000
	<u>17,757,000</u>	<u>86,750,000</u>

Funding Entity	Type	Amount outstanding	
		2007	2006
Banco BPI	Overdrafts	103,473	-
		<u>103,473</u>	<u>-</u>

The Treasury applications received from Group companies are payable in less than three months and earn interests at marketable rate. During the years ended at 31 December 2007 and 2006, the Treasury applications bore interests at rates between 3.559% to 4.784% and 2.340% to 3.544%, respectively.

16. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2007 and 2006 were as follows:

2007						
Heading	Opening balance	Increases	Transfers	Utilisations	Decreases	Closing balance
Accumulated impairment losses on accounts receivables (Note 8)	806	-	-	-	-	806
Accumulated impairment losses on investments in Group companies (Note 5)	22,573,509	-	(12,124,606)	-	-	10,448,903
Accumulates impairment losses on other non current assets (Note 6)	28,466,097	-	12,124,606	-	-	40,590,703
Provisions for other liabilities and charges	31,979	-	-	-	(8,273)	23,706
	<u>51,072,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,273)</u>	<u>51,064,118</u>
2006						
Heading	Opening balance	Increases	Transfers	Utilisations	Decreases	Closing balance
Accumulated impairment losses on accounts receivables (Note 8)	806	-	-	-	-	806
Accumulated impairment losses on investments in Group companies (Note 5)	22,573,509	-	-	-	-	22,573,509
Accumulates impairment losses on other non current assets (Note 6)	28,466,097	-	-	-	-	28,466,097
Provisions for other liabilities and charges	54,772	706	-	(23,499)	-	31,979
	<u>51,095,184</u>	<u>706</u>	<u>-</u>	<u>(23,499)</u>	<u>-</u>	<u>51,072,391</u>

17. Other non-current liabilities

This caption, in the amounts of Euro 129,379 and Euro 639,405, at 31 December 2007 and 2006, respectively, corresponds to the medium and long term amounts associated with the Medium Term Incentive Plans.

18. Other creditors

At 31 December 2007 and 2006 this caption was made up as follows:

	2007	2006
Capital subscribed	40,000,000	-
State and other public entities	629,421	269,411
Interests payable	492,350	699,472
Other creditors	170,350	3,109,144
	<u>41,292,121</u>	<u>4,078,027</u>

The amount of Capital subscribed relates to Supplementary capital granted to Sonaetelecom BV, and was realised on 2 January 2008.

The other creditors, excluding 'State and other public entities' had the following maturity plan:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
2007	40,662,700	40,662,700	-	-
2006	3,808,616	3,808,616	-	-

19. Other current liabilities

At 31 December 2007 and 2006 this caption was made up as follows:

	2007	2006
Accrued costs		
Staff costs to be paid	1,222,205	1,256,664
Medium Term Incentive Plans	535,579	727,316
Other external supplies and services	242,572	154,982
Interest payable	194,697	439,181
Consultancy	5,109	7,669,688
Insurance	4,743	4,180
Other accrued costs	828,575	281,143
	<u>3,033,480</u>	<u>10,533,154</u>
Deferred income		
Invoices to be issued	112,500	162,500
Other deferred income	290	260,000
	<u>112,790</u>	<u>422,500</u>
	<u>3,146,269</u>	<u>10,955,654</u>

20. Sales and services rendered and other operating revenues

Sales and services rendered for the years ended 31 December 2007 and 2006 correspond to management fees charged to subsidiaries.

At 31 December 2007 and 2006 the caption 'Other operating revenues' was made up as follows:

	2007	2006
Recharge of consultancy costs	23,519,585	-
Recharge of spaces and facilities	326,697	170,684
Recharge of personnel	53,078	-
Reversal of provisions	8,273	-
Disposals of fixed assets	3,931	-
Other operating income	271,702	75,226
	<u>24,183,266</u>	<u>245,910</u>

The recharge of consultancy costs is related to the consultancy cost incurred by Sonaecom during the tender offer on Portugal Telecom, in 2007 and 2006, which were recharged to subsidiaries Optimus and Sonaecom - Serviços de Comunicações (ex Novis).

21. External supplies and services

At 31 December 2007 and 2006 this caption was made up as follows:

	2007	2006
Specialized work	2,686,194	968,609
Fees	392,925	434,405
Travel and accommodation	320,761	322,910
Rents and traveling expenses	312,141	407,927
Electricity	293,428	33,511
Other external supplies and services	653,246	773,483
	4,658,695	2,940,845

22. Tender Offer costs

At 31 December 2006, this caption includes all the costs incurred (invoiced and not invoiced but which legal obligation was generated during 2006) with the public tender offers for the acquisition of the shares of Portugal Telecom S.G.P.S., S.A. and of PT - Multimédia - Serviços de Telecomunicações, S.G.P.S., S.A.. These costs were recorded in 'Other non current assets' because, until that date, the probability of success of the offers was high and the costs incurred would be considered as part of the cost of acquiring those financial investments. After the end of the offers, those costs were fully recognised in the statement of profit and loss accounts in last quarter of 2006.

23. Financial results

Net financial results for the years ended 31 December 2007 and 2006 are made up as follows:

	2007	2006
Gains and losses on investments in Group companies		
Losses related to Group companies	(82,074,258)	-
Gains related to Group companies	38,592,872	33,000,000
	<u>(43,481,386)</u>	<u>33,000,000</u>
Other financial expenses:		
Interest expenses		
Bank loans	(2,391,116)	(182,669)
Other loans	(10,280,462)	(7,924,482)
Overdrafts and others	(33,547)	(413)
	<u>(12,705,125)</u>	<u>(8,107,564)</u>
Foreign currency exchange losses	(13)	(28)
Other financial expenses		
Charges of setting-up the financing	(444,862)	(529,687)
Others	(133,729)	(71,731)
	<u>(578,591)</u>	<u>(601,418)</u>
	<u>(13,283,729)</u>	<u>(8,709,010)</u>
Other financial income:		
Interest income	20,157,603	7,935,287
Foreign currency exchange gains	23,229	15,952
Fair value adjustments of investments recorded at fair value through profit and loss (Note 10)	279,489	350,830
Other financial income	-	301,295
	<u>20,460,321</u>	<u>8,603,364</u>

At 31 December 2007 the caption 'Losses related to Group companies' were related to the loss with Matrix liquidation. This loss did not result from previous years Sonae Matrix impairment loss. This loss is a consequence of the merge between Optimus and Novis, which resulted in the attribution to the previous shareholders of Optimus and Novis (including Sonae Matrix) of Sonaecom Serviços de Comunicações' shares, based on the proportion of the shareholder's funds of each company at the date of the merger, instead the proportion of the market value of each one.

At 31 December 2007, the caption 'Gains related to Group companies' were comprised by dividends received from Sonae Telecom and Optimus (Euro 34,000,000 and Euro 4,592,872, respectively). At 31 December 2006 this caption was comprised by dividends received from Sonaetelecom BV.

24. Related parties

The most significant balances and transactions with related parties at 31 December 2007 and 2006 were as follows:

Balances at 31 December 2007					
	Accounts receivable	Accounts payable	Treasury applications	Accruals	Loans granted/ (obtained)
Sonaecom Serviços de Comunicações (ex Novis)	4,743,144	(238,453)	55,467,900	2,038,954	262,795,000
Sonaecom BV	1,625,857	(80,000)	-	606,162	120,660,000
Sonaetelecom BV	868,083	(40,000,000)	-	329,350	70,175,000
Wedo	52,498	-	10,629,650	109,983	-
Público	32,702	(2,405)	1,893,000	249,813	-
Tele 2	9,473	-	-	(17,914)	(3,215,218)
Miauger	5,899	(12,761)	-	(753)	(515,000)
Saphety	5,088	-	-	-	-
Optimus Towering	4,400	-	-	(101,383)	(6,570,000)
Digitmarket	3,292	(74,316)	-	(2,221)	(2,095,000)
Stelecom SGPS	2,229	(374,973)	-	-	-
M3G	120	-	-	-	-
SonaecomSI	(187)	(27,278)	-	(353)	(2,510,000)
Permar	(450)	-	-	-	-
Mainroad	(5,153)	(10,932)	-	(2,317)	(1,500,000)
	<u>7,346,995</u>	<u>(40,821,118)</u>	<u>67,990,550</u>	<u>3,209,321</u>	<u>437,224,782</u>
Balances at 31 December 2006					
	Accounts receivable	Accounts payable	Treasury applications	Accruals	Loans granted/ (obtained)
Sonaecom BV	106,253,492	(80,000)	-	-	-
Sonaecom Serviços de Comunicações (ex Novis)	1,050,534	(376)	-	214,640	64,300,000
Sonaetelecom BV	263,286	-	-	119,152	69,767,673
Optimus Towering	34,241	-	-	122	-
Enabler	33,896	-	-	-	-
SonaecomSI	19,637	(17,238)	-	(3,266)	(100,000)
Mainroad	17,099	(1,641)	-	281	-
Miauger	16,142	(2,691)	-	(314)	(270,000)
Optimus	14,102	(895,453)	-	(83,749)	(68,910,000)
Sonae Matrix	6,673	-	-	38,848	-
Stelecom SGPS	4,694	-	-	26	-
Digitmarket	901	(32,865)	-	(2,093)	(1,820,000)
Retailbox BV	241	-	-	-	-
Wedo	226	(91,971)	-	12,980	(8,050,000)
M3G	207	-	-	18	-
Público	89	(160)	935,000	340,261	-
Permar	(157)	-	-	41	-
	<u>107,715,303</u>	<u>(1,122,393)</u>	<u>935,000</u>	<u>636,947</u>	<u>54,917,673</u>

Transactions at 31 December 2007				
	Sales and services rendered	Supplies and services received	Interest and similar income/ (expense)	Supplementary income
Optimus	3,541,667	891,335	(327,114)	10,601,955
Sonaecom Serviços de Comunicações (ex Novis)	2,883,820	87,451	6,365,083	13,462,499
Público	174,512	45,136	273,848	5,838
Wedo	116,537	(3,061)	(123,310)	4,615
Miauger	19,923	-	(15,371)	6,374
Mainroad	8,996	18,060	(13,419)	4,089
Stelecom SGPS	6,649	-	(441,145)	20
Optimus Towering	6,440	(27,276)	(164,348)	64,032
Digitmarket	5,328	3,793	(86,924)	2,423
SonaecomSI	4,981	42,595	(16,671)	136
Saphety	4,205	-	-	1,110
Sonae Matrix	1,748	-	28,032	-
SIRS	1,512	-	-	346
M3G	548	-	-	69
Net Mall	107	-	-	-
Permar	12	-	-	-
Sonae SGPS	-	(15,455)	2,091,718	860
Sonaecom BV	-	-	6,149,108	-
Sonaetelecom BV	-	-	3,157,899	-
Tele 2	-	-	(6,769)	-
Equador	-	213,681	-	-
Sontária	-	27,133	-	-
Efanor	-	21,000	-	-
MDS	-	1,723	-	-
SC-Consultadoria,SA	-	8,574	-	-
Solinca	-	2,631	-	-
Sonae Turismo	-	817	-	-
	<u>6,776,984</u>	<u>1,318,137</u>	<u>16,870,617</u>	<u>24,154,366</u>

Transactions at 31 December 2006

	Sales and services rendered	Supplies and services received	Interest and similar income/ (expense)	Supplementary income
Optimus	4,214,206	944,725	(1,844,702)	90,742
Sonaecom Serviços de Comunicações (ex Novis)	1,524,058	(142,893)	3,254,579	86,234
Público	252,084	(1,201)	308,582	-
Wedo	92,307	(3,060)	(183,623)	(2,952)
Miauger	42,709	-	(3,561)	22,548
SonaecomSI	30,659	41,601	(8,762)	-
Enabler	28,013	-	-	-
Mainroad	17,203	13,642	-	3,667
Stelecom SGPS	4,138	-	-	-
SIRS	3,038	-	-	-
Optimus Towering	2,406	(27,508)	-	44,420
Net Mall	2,145	-	-	-
Digitmarket	2,051	3,188	(37,488)	-
Sonae Matrix	1,375	4,074	57,509	-
Retailbox BV	601	-	-	-
M3G	385	-	-	-
Permar	330	-	-	-
Sonae SGPS	-	-	2,851,126	-
Sonaetelecom BV	-	-	1,483,841	-
MCH	-	-	-	1,250
Equador	-	234,817	-	-
Solinca	-	2,712	-	-
Sontária	-	29,980	-	-
Sonae Indústria	-	(626)	-	-
Exit	-	5,116	-	-
MDS	-	925	-	-
Investimento Directo	(3,289)	-	-	-
	<u>6,214,419</u>	<u>1,105,492</u>	<u>5,877,501</u>	<u>245,909</u>

25. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 2007 and 2006 were as follows:

Beneficiary	Description	2007	2006
BBVA – Portugal, ING Belgium Portugal e Millennium BCP	Commercial paper	320,000,000	70,000,000
Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT Reimbursements	6,064,286	-
		<u>326,064,286</u>	<u>70,000,000</u>

26. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the net income of the year (Euro 15,334,817 negative in 2007 and Euro 9,121,625 in 2006) by the average number of shares outstanding during the years ended at 31 December 2007 and 2006, net of own shares (364,668,263 in 2007 and 313,956,868 in 2006).

27. Medium Term Incentive Plans

In June 2000, the Company 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 Company. In some annual plans, beneficiaries can choose between options or shares. Options are valued using the Black Scholes options pricing Model.

The Sonaecom plans outstanding at 31 December 2007 can be summarized as follows:

	Share price at award date *	Vesting period		Exercise period		31- Dec-2007	
		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	-	-	-	-
2004 Plan	3.96	31-Mar-05	10-Mar-08	-	-	18	105,455
2005 Plan	4.093	10-Mar-06	09-Mar-09	-	-	21	90,796
2006 Plan	4.697	09-Mar-07	08-Mar-10	-	-	20	116,911
Sonae SGPS shares							
2003 Plan	0.93	31-Mar-04	09-Mar-07	-	-	-	-
2004 Plan	1.17	31-Mar-05	10-Mar-08	-	-	4	132,843
2005 Plan	1.34	10-Mar-06	09-Mar-09	-	-	4	79,712
2006 Plan	1.68	09-Mar-07	08-Mar-10	-	-	4	100,907

* Average share price in the month prior to the award date, for Sonaecom shares and the lower of the average share price for the month prior to the Annual General Meeting and the share price on the day after the Annual General Meeting, for Sonae SGPS shares. However, for the 2006 Plans the share price was: Sonaecom shares - the average share price between 3rd March and 5th April 2007; Sonae SGPS shares - the average share price between 13rd February and 26th March 2007. This exception was due to the timing of the end of the Portugal Telecom bid and was approved by the Board Nomination and Remuneration Committee.

Sonaecom signed agreements to cover the execution and hedging of its Medium Term Incentive Plans and related obligations and acquired Sonaecom SGPS shares with the same purpose. The agreement means that Sonaecom's liabilities are limited to a maximum of Euro 969,254.

For the Sonaecom's share plans attributed in 2006 and in 2007, the Company acquired own shares in order to cover the execution and share price variation. The total responsibility calculated with the share price at award date is Euro 304,296 and was recorded in 'Reserves for Medium Term Incentive Plans'. For the Sonaecom, S.G.P.S. shares plan awarded in 2005, and for the Sonae S.G.P.S. shares the Company entered into hedging contracts with external entities, and the liability is calculated on the price agreed and recorded under the headings of 'Other current liabilities' and 'Other non current liabilities'.

During the year ended at 31 December 2007, the movements occurred in the number of options and shares related to Medium Term Incentive Plans were as follows:

	Sonaecom Options		Sonaecom shares		Sonaecom SGPS shares	
	Aggregate number of participants	Number of options	Aggregate number of participants	Number of shares	Aggregate number of participants	Number of shares
Outstanding at 31.12.2006						
Exercisable	-	-	-	-	-	-
Unvested	-	-	57	431,027	15	646,866
Total	-	-	57	431,027	-	-
Movements in year						
Awarded	-	-	21	159,347	5	178,594
Vested	-	-	(16)	(163,717)	(5)	(254,062)
Advance vested	-	-	(3)	(111,500)	(3)	(269,616)
Exercisable	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Cancelled/Lapsed*	-	-	-	(1,995)	-	11,680
Outstanding at 31.12.2007						
Exercisable	-	-	-	-	-	-
Unvested	-	-	59	313,162	12	313,462
Total	-	-	59	313,162	12	313,462

* The adjustments are made for dividends paid and for share capital changes.

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 year ended at 31 December 2007, are as follows:

	2007	2006
Costs recognised in previous years	2,728,759	2,080,001
Costs recognised in the year	450,324	648,758
Costs of plans vested on previous years	(1,466,501)	(510,879)
Costs of plans vested in the year	(772,809)	(955,622)
Deffered costs not recognised	29,481	212,595
	969,254	1,474,85
Reserves	304,296	108,132
Accrued costs	664,958	1,366,721

29. Remuneration attributed to the key management personnel

The remuneration of directors and other members of key management during the years ended 31 December 2007 and 2006 were as follows:

	2007	2006
Short term employee benefits	2,222,639	2,257,286
Share based payments	2,255,325	1,588,385
	4,477,964	3,845,671

The values above relate to short term employee benefits, were calculated on an accruals basis and include Fixed Remuneration and Performance Bonus. The Share based payments for 2007 and 2006 corresponds to the value of the Medium Term Incentive Plan awarded in 2004, in respect of performance during 2003 (and the Medium Term Incentive Plan awarded in 2003 in respect of performance during 2002, for the 2006 values), whose shares, or the cash equivalent, were delivered on March 2007 and March 2006, and valued based on the share price of the delivery date (9 March 2007 and 10 March 2006, respectively). This amount also includes cash paid in 2007, corresponding to the early settlement of Plans awarded in 2005, 2006 and 2007, attributed to the Chairman of the Executive Board, following changes in the composition of the Board of Directors during the year, as explained in the Management Report.

30. Average number of employees

During the years ended at 31 December 2007 and 2006 the Company had an average of 41 and 39 employees, respectively. As of 31 December 2007 the Company had 40 employees.

31. Others matters

(i) In the Arbitration Court proceeding imposed to resolve the conflict between Maxistar and the other shareholders of Sonaecom - Serviços de Comunicações, S.A. (Optimus in that date) - 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 Lisbon Court (Tribunal da Relação de Lisboa) rejected the appeal lodged by Maxistar, confirming the sentence appealed against.

Maxistar can still appeal against the ruling but Management continues to believe that the chances of any appeal are low.

These financial statements were approved and authorized for publication by the Board of Directors on 28 February 2008.

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.

APPENDIX

As at 31 December 2007, the related parties of Sonaecom, S.G.P.S, are as follows:

Key management personnel	
Álvaro Carmona e Costa Portela	Jean François Pontal
Álvaro Cuervo García	Luís Filipe Campos Dias Castro Reis
Angélo 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 Trígoso Jordão
Duarte Paulo Teixeira de Azevedo	Nuno Miguel Teixeira Azevedo
George Christopher Lawrie	Paulo Jorge Henriques Pereira
Gervais Pellissier	Pedro Miguel Freitas Ramalho Carlos

Sonaecom Group Companies	
Optimus Artis-Conc.,Const.G.Redes Com,SA	Praesidium Services Limited
Cape Technologies (Patents) Limited	Praesidium Technologies Limited
Cape AsiaPac PTY Limited	Público - Comunicação Social, S.A.
Cape Technologies (Holdings) Limited	Saphety Level - Trusted Services, S.A.
Cape Poland Sp. Z.o.o.	Sonae.com - Sist. Infor., S.G.P.S., S.A.
Cape Technologies (UK) Limited	VIPU ACE
Cape Technologies Americas, Inc	Optimus Towering -Ges.Torres Telecom, SA
Clixgest - Internet e Conteúdos, S.A.	SIRS-Soc.Ind.RadiodifusãoSonoraSA
Digitmarket - Sistemas de Informação, SA	SonaeCom, S.G.P.S., S.A.
M3G - Edições Digitais, S.A.	Sonaecom, B.V.
Mainroad - Serviços Tec. Informação, S.A	Sonae Telecom BV
Sonae Matrix Multimédia, S.G.P.S., S.A.	Sonae Telecom , S.G.P.S., S.A.
Miauger - Org. Gest. Leilões Elect., S.A	Tecnológica Telecomunicações LTDA.
Sonaecom - Serviços de Comunicações, S.A	Telemilénio-Telecomun.Soc.Unipessoal,Lda
Optimus - Telecomunicações, S.A.	WeDo Consulting - Sist. Informação, S.A.
Permar - Sociedade de Construções, S.A.	WeDo do Brasil - Soluções Infor., Ltda
Praesidium Holdings Limited	XS-Informação, comunicação e lazer,S.A

Sona e Group Companies	
3DO Holding GmbH	Aserraderos de Cuellar,S.A.
3DO Shopping Centre GmbH	Atlantic Ferries-Tráf.Loc,Flu.e Marit,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 Laminat Park GmbH Co. KG	Best Offer-Prest. Inf. p/Internet,S.A.
Aglom Investimentos, Sgps, S.A.	Bikini, Portal de Mulheres,S.A.
Aglom-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,Urbân.,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
Citorres-Sociedade Imobiliária,S.A.	Glunz UK Holdings Ltd
Clérigoshopping- Gestão do C.Comerc.,S.A.	Glunz Uka GmbH
Coimbrashopping- Centro Comercial, S.A.	Golf Time-Golfe e Invest. Turísticos, S.A.
Colombo Towers Holding, BV	Guerin – Rent a Car (Dois), Lda.
Contacto Concessões, SGPS, S.A.	Guimarãeshopping- Centro Comercial, S.A.
Contacto-SGPS,S.A.	Hornitex Polska Sp z.o.o
Contacto-Sociedade de Construções,S.A.	Iberian Assets, S.A.
Contibomba-Comérc.Distr.Combustíveis,S.A.	IGI-Investimento Imobiliário,S.A.
Contimobe-Imobil.Castelo Paiva,S.A.	Igimo-Sociedade Imobiliária,S.A.
Continente Hipermercados, S.A.	Iginha-Sociedade Imobiliária,S.A.
Contry Club da Maia-Imobiliária,S.A.	IM Impregnation Management GmbH
Cronosaúde - Gestão Hospitalar, S.A.	Impaper Europe GmbH & Co. KG
Cumulativa - Sociedade Imobiliária, S.A.	Imoarea - Invest. Turísticos, SGPS, S.A.
Darbo S.A.S	Imobiliária da Cacela, S.A.
Developpement & Partenariat Assurances, S.A.	Imoclub-Serviços Imobiliários,S.A.
Difusão-Sociedade Imobiliária,S.A.	Imoconti- Soc.Imobiliária,S.A.
Distrifin-Comercio y Prest.Servicios,S.A.	Imodivor - Sociedade Imobiliária, S.A.
DMJB, SGPS, S.A.	Imoestrutura-Soc.Imobiliária,S.A.
Dortmund Tower GmbH	Imoferro-Soc.Imobiliária,S.A.
Dos Mares - Shopping Centre B.V.	Imohotel-Emp.Turist.Imobiliários,S.A.
Dos Mares-Shopping Centre, S.A.	Imomuro-Sociedade Imobiliária,S.A.
Ecociclo - Energia e Ambiente, S.A.	Imopeninsula - Sociedade Imobiliária, S.A.
Ecociclo II - Energias, S.A.	Imoplamac Gestão de Imóveis,S.A.
Efanor Investimentos, SGPS, S.A.	Imoponte-Soc.Imobiliária,S.A.
Efanor Serviços de Apoio à Gestão, S.A.	Imoresort - Sociedade Imobiliária, S.A.
Efanor-Design e Serviços,S.A.	Imoresultado-Soc.Imobiliária,S.A.
Efanor-Indústria de Fios,S.A.	Imosedas-Imobiliária e Seviços,S.A.
Ei RoS.A.I Shopping, S.A.	Imosistema-Sociedade Imobiliária,S.A.
Empreend.Imob.Quinta da Azenha,S.A.	Imosona e II
Equador & Mendes,Lda	Implantação - Imobiliária, S.A.
Espimaia -Sociedade Imobiliária,S.A.	Infocfield-Informática,S.A.
Estação Oriente-Gest.de Galerias Com.,S.A.	Inparsi - Gestão Galeria Comercial, S.A.
Estação Viana- Centro Comercial, S.A.	Inparvi SGPS, S.A.

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

Modelo Continente Hipermercados,S.A.	Porturbe-Edifícios e Urbanizações,S.A.
Modelo Continente, SGPS,S.A.	Praedium II-Imobiliária,S.A.
Modelo Hipermercados Trading, S.A.	Praedium III-Serviços Imobiliários,S.A.
Modelo Hiper Imobiliária,S.A.	Praedium SGPS, S.A.
Modelo.com-Vendas p/Correspond.,S.A.	Predicomercial-Promoção Imobiliária,S.A.
Monselice Centre Srl	Prédios Privados Imobiliária,S.A.
Movelpartes-Comp.para Ind.Mobiliária,S.A.	Predisedas-Predial das Sedas,S.A.
Mundo Vip - Operadores Turísticos, S.A.	Pridelease Investments, Ltd
NAB, Sociedade Imobiliária,S.A.	Profimetrics - Software Solutions, S.A.
NA-Comércio de Artigos de Desporto, S.A.	Proj. Sierra Germany 1 - Shop.C. GmbH
NA-Equipamentos para o Lar, S.A.	Proj. Sierra Germany 4 (four)-Sh.C.GmbH
Net Mall SGPS, S.A.	Proj. Sierra Italy 2 - Dev.of Sh.C. Srl
Norscut - Concessionária de Scut Interior Norte, S.A.	Proj.Sierra 1 - Shopping Centre GmbH
Norte Shop. Retail and Leisure Centre BV	Project Sierra Germany Shop. Center 1 BV
Norteshopping-Centro Comercial, S.A.	Project Sierra Germany Shop. Center 2 BV
Nova Equador Internacional,Ag.Viag.T,Ld	Proj.Sierra Germany 2 (two)-Sh.C.GmbH
Nova Equador P.C.O. e Eventos	Proj.Sierra Germany 3 (three)-Sh.C.GmbH
Novobord (PTY) Ltd.	Proj.Sierra Hold. Portugal V, SGPS,S.A.
Oeste Retail Park - Gestão G.Comerc., S.A.	Proj.Sierra Italy 1 -Shop.Centre Srl
Operscut - Operação e Manutenção de Auto-estradas, S.A.	Proj.Sierra Italy 2 -Dev. Of Sh.C.Srl
Pátio Campinas Shopping Ltda	Proj.Sierra Italy 3 - Shop. Centre Srl
Pátio Goiânia Shopping Ltda	Project Sierra Italy 5 Srl
Pátio Londrina Empreend. e Particip. Ltda	Project Sierra One Srl
Project 4, Srl	Project Sierra Srl
Proj.Sierra Portugal IV-C.Comerc.,S.A.	Proj.Sierra Portugal I- C.Comerc., S.A.
Proj.Sierra Portugal V-C.Comercial,S.A.	Proj.Sierra Portugal II-C.Comerc.,S.A.
Proj.Sierra Portugal VI-C.Comercial,S.A.	Proj.Sierra Portugal III-C.Comerc.,S.A.
Proj.Sierra Portugal VII - C. Comerc.,S.A.	Sic Indoor - Gestão de Suportes Publicitários, S.A.
Proj.Sierra Portugal VIII - C.Comerc.,S.A.	Sierra Asset Management-Gest. Activos,S.A.
Project SC 1 BV	Sierra Asset Management Luxemburg, Sarl
Project SC 2 BV	Sierra Brazil 1 B.V.
Project Sierra 1 B.V.	Sierra Charagionis Develop.Sh. Centre S.A.
Project Sierra 2 B.V.	Sierra Charagionis Propert.Management S.A.
Project Sierra 3 BV	Sierra Corporate Services- Ap.Gestão, S.A.
Project Sierra 4 BV	Sierra Corporate Services Holland, BV
Project Sierra 5 BV	Sierra Develop.Iberia 1, Prom.Imob.,S.A.
Project Sierra 6 BV	Sierra Developments Germany Holding B.V.
Project Sierra 7 BV	Sierra Development Greece, S.A.

Project Sierra Brazil 1 B.V.	Sierra Developments Germany GmbH
Project Sierra Charagonis 1 S.A.	Sierra Developments Holding B.V.
Project Sierra Spain 1 B.V.	Sierra Developments Italy S.r.l.
Project Sierra Spain 2 B.V.	Sierra Developments Spain-Prom.C.Com.SL
Project Sierra Spain 2-Centro Comer. S.A.	Sierra Developments, SGPS, S.A.
Project Sierra Spain 3 B.V.	Sierra Developments Services Srl
Project Sierra Spain 3-Centro Comer. S.A.	Sierra Developments-Serv. Prom.Imob., S.A.
Project Sierra Spain 5 BV	Sierra Enplanta Ltda
Project Sierra Two Srl	Sierra European R.R.E. Assets Hold. B.V.
Project Sierra Three Srl	Sierra GP Limited
Promessa Sociedade Imobiliária, S.A.	Sierra Investimentos Brasil Ltda
Promosedas-Prom.Imobiliária,S.A.	Sierra Investments (Holland) 1 B.V.
Prosa-Produtos e serviços agrícolas,S.A.	Sierra Investments (Holland) 2 B.V.
Publimeios-Soc.Gestora Part. Finan.,S.A.	Sierra Investments Holding B.V.
Racionaliz. y Manufact.Florestales,S.A.	Sierra Investments SGPS, S.A.
Resoflex-Mob.e Equipamentos Gestão,S.A.	Sierra Italy Holding B.V.
Resolução, SGPS, S.A.	Sierra Man.New Tech.Bus.-Serv.Comu.CC,S.A.
Rio Sul - Centro Comercial, S.A.	Sierra Management Germany GmbH
River Plaza Mall, Srl	Sierra Management II-Gestão de C.C. S.A.
Project Sierra Srl	Sierra Management Italy S.r.l.
S. C. Setler Mina Srl	Sierra Management Portugal-Gest. CC,S.A.
S.C. Microcom Doi Srl	Sierra Management Spain-Gestión C.Com.S.A.
Rochester Real Estate,Limited	Sierra Management, SGPS, S.A.
Saúde Atlântica - Gestão Hospitalar, S.A.	Sierra Management Hellas SA
SC Aegean B.V.	Sierra Property Management, Srl
SC Insurance Risks Services, SGPS, S.A.	Sierra Portugal Fund, Sarl
SC Mediterraneum Cosmos B.V.	SII - Soberana Invest. Imobiliários, S.A.
SC-Consultadoria,S.A.	SIRS - Sociedade Independente de Radiodifusão Sonora, S.A.
SC-Eng. e promoção imobiliária,SGPS,S.A.	Sistavac-Sist.Aquecimento,V.Ar C.,S.A.
SCS Beheer,BV	SKK-Central de Distr.,S.A.
Selfrio,SGPS,S.A.	SKKFOR - Ser. For. e Desen. de Recursos
Selfrio-Engenharia do Frio,S.A.	SM Empreendimentos Imobiliários, Ltda
Selifa-Empreendimentos Imobiliários,S.A.	SMP-Serv. de Manutenção Planeamento
Sempre à Mão - Sociedade Imobiliária,S.A.	Soc.Inic.Aproveit.Florest.-Energias,S.A.
Sempre a Postos - Produtos Alimentares e Utilidades, Lda	Sociedade de Construções do Chile, S.A.
Serra Shopping - Centro Comercial, S.A.	Sociedade Imobiliária Troia - B3, S.A.
Sesagest-Proj.Gestão Imobiliária,S.A.	Société de Tranchage Isoroy S.A.S.
Sete e Meio - Invest. Consultadoria, S.A.	Sonae Turismo Gestão e Serviços,S.A.

<p>Sete e Meio Herdades-Inv. Agr. e Tur.,S.A. Shopping Centre Colombo Holding, BV Shopping Centre Parque Principado B.V. Shopping Penha B.V. Siaf-Soc.Iniciat.Aprov.Florestais,S.A. Sol Retail Park - Gestão G.Comerc., S.A. Solaris Supermercados, S.A. Solinca III-Desporto e S.A.úde,S.A. Solinca-Investimentos Turísticos,S.A. Solinfitness - Club Malaga, S.L. Soltroia-Imob.de Urb.Turismo de Tróia,S.A. Somit Imobiliária,S.A. Somit-Soc.Mad.Ind.Transformadas,S.A. Sonae Capital Brasil, Lda Sonae Capital,SGPS,S.A. Sonae Financial Participations BV Sonae Ind., Prod. e Com.Deriv.Madeira,S.A. Sonae Indústria Brasil, Ltda Sonae Industria de Revestimentos,S.A. Sonae Indústria-SGPS,S.A. Sonae International, Ltd Sonae Investments,BV Sonae Novobord (PTY) Ltd Sonae RE, S.A. Sonae Retalho Espana-Servicios Gen.,S.A. Sonae SGPS, S.A. Sonae Serviços de Gestão, S.A. Sonae Sierra Brasil Ltda Sonae Sierra Brazil B.V. Sonae Sierra, SGPS, S.A. Sonae Tafibra (UK),Ltd Sonae Tafibra Benelux, BV Taiber,Tableros Aglomerados Ibéricos,SL Tarkett Agepan Laminate Flooring SCS Tavapan,S.A. Tecmasa Recicladados de Andalucia, SL Teconologias del Medio Ambiente,S.A. Textil do Marco,S.A. Tlantic Sistemas de Informação Ltd^o Tlantic Portugal-Sist. de Informação, SA Todos os Dias-Com.Ret.Expl.C.Comer.,S.A. Tool GmbH Torre Colombo Ocidente-Imobiliária,S.A. Torre Colombo Oriente-Imobiliária,S.A. Torre São Gabriel-Imobiliária,S.A. TP - Sociedade Térmica, S.A. Troiaresort-Investimentos Turísticos, S.A. Urbisedas-Imobiliária das Sedas,S.A. Valecenter Srl Valor N, S.A.</p>	<p>Sonae Turismo-SGPS,S.A. Sonae UK,Ltd. Sonaegest-Soc.Gest.Fundos Investimentos Sondis Imobiliária,S.A. Sontaria-Empreend.Imobiliários,S.A. Sontel Bv Sontur BV Sonvecap BV Sopair, S.A. Sótaqua - Soc. de Empreendimentos Turist Spanboard Products,Ltd Modelo Cont. Seguros-Soc. De Mediação, Lda Spinarq,S.A. Spinveste - Promoção Imobiliária, S.A. Spinveste-Gestão Imobiliária SGII,S.A. Sport Zone-Comércio Art.Desporto,S.A. Société des Essences Fines Isoroy Société Industrielle et Financière Isoroy Socijofra-Sociedade Imobiliária,S.A. Sociloures-Soc.Imobiliária,S.A. Soconstrução BV SodeS.A., S.A. Soflorin,BV Soira-Soc.Imobiliária de Ramalde,S.A. SRP-Parque Comercial de Setúbal, S.A. SRP Development, SA Star-Viagens e Turismo,S.A. Tableros Tradema,S.L. Tafiber,Tableros de Fibras Ibéricas,SL Tafibras Participações, S.A. TafiS.A. Brasil, S.A. TafiS.A. Canadá Societé en Commandite TafiS.A. France, S.A. TafiS.A. UK,Ltd TafiS.A.-Tableros de Fibras, S.A. Troiaverde-Expl.Hoteleira Imob.,S.A. Tulipamar-Expl.Hoteleira Imob.,S.A. Unipress - Centro Gráfico, Lda Unishopping Administradora Ltda. Unishopping Consultoria Imob. Ltda. Vastgoed One - Sociedade Imobiliária, S.A. Vastgoed Sun - Sociedade Imobiliária, S.A. Venda Aluga-Sociedade Imobiliária,S.A. Via Catarina- Centro Comercial, S.A. World Trade Center Porto, S.A. Worten-Equipamento para o Lar,S.A. Worten España, S.A. Zubiarte Inversiones Inmob,S.A.</p>
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FT Group Companies	
France Telecom, S.A.	Wirefree Services Belgium, S.A.

Statement under the terms of Article 245, paragraph 1, c) of the Securities Code

The signatories individually declare that, to their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared meeting the standards of the applicable International Financial Reporting Standards, giving a truthful (fairly) and appropriate image, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of the issuer and that the Management Report faithfully describes the business evolution and position of the issuer and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

The Board of Directors

Duarte Paulo Teixeira de Azevedo
Ângelo Gabriel Ribeirinho Paupério
Luís Filipe Campos Dias de Castro Reis
George Christopher Lawrie
Miguel Nuno Santos Almeida
Maria Cláudia Teixeira de Azevedo
António Sampaio e Mello
Gervais Gille Pellissier
David Charles Denholm Hobley
Jean-François René Pontal

5.5 Legal certification of accounts and audit report

LEGAL CERTIFICATION OF ACCOUNTS AND AUDITOR'S REPORT

(Translation of a report originally issued in Portuguese)

Introduction

1. In compliance with the applicable legislation we hereby present our Legal Certification of Accounts and Auditor's Report on the consolidated and individual financial information contained in the Board of Directors' Report, and on the accompanying consolidated and individual financial statements of SONAECOM, S.G.P.S., S.A. ("Company") for the year ended 31 December 2007 which comprise the consolidated and individual balance sheets as of 31 December 2007 (that present a total of 1,758,611,602 Euros and 1,572,243,911 Euros, respectively, and consolidated and individual shareholder's equity of 935,421,430 Euros and 1,136,111,826 Euros, respectively, including a consolidated net profit attributable to the Company's shareholders of 36,777,870 Euros and an individual net loss of 15,334,817 Euros), the consolidated and individual statements of profit and loss by nature, of cash-flows and of changes in equity for the year then ended and the corresponding notes.

Responsibilities

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

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Member of
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Scope

4. Our examination was performed in accordance with the Technical Review/Audit Standards (“*Normas Técnicas e as Diretrizes de Revisão/Auditoria*”) issued by the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated and individual financial statements are free of material misstatement. Such an examination includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the consolidated and individual financial statements and assessing the estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. Such an examination also includes verifying the consolidation procedures, the application of the equity method and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting principles used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, verifying the adequacy of the overall presentation of the consolidated and individual financial statements and assessing that, in all material respects, the consolidated and individual financial information is complete, true, up-to-date, clear, objective and licit. Our examination also comprises verifying that the financial information contained in the Board of Directors’ Report is in accordance with the other consolidated and individual documents of account. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated and individual financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated and individual financial position of SONAECOM, S.G.P.S., S.A. as of 31 December 2007, the consolidated and individual results of their operations and their consolidated and individual cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union and the information contained therein is, in terms of the definitions included in the technical standards and review recommendations referred to in paragraph 4 above, complete, true, up-to-date, clear, objective and licit.

Emphasis

6. As referred to in Note 1 to the Appendix of the individual financial statements, the Company adopted the International Financial Reporting Standards as adopted by the European Union (IFRS) in the preparation of its individual financial statements for the first time in 2007. In the transition from the previous generally accepted accounting principles (Portuguese Official Chart of Accounts – “POC”) to IFRS, the Company followed the requirements of International Financial Reporting Standard 1 – First Time Adoption of International Financial Reporting Standards, the transition date was set at 1 January 2006. As a result, the financial information as at that date and for the year 2006, previously reported in accordance with POC, was restated under IFRS as adopted by the European Union for comparability purposes. The Company included in Note 13 to the Appendix of the individual financial statements the additional disclosures required in respect with the transition process to International Financial Reporting Standards as adopted by the European Union.

Porto, 28 February 2008

5.6 Report and opinion of the Statutory Audit Board (Translation of a report originally issued in Portuguese)

To the Shareholders of Sonaecom, SGPS, S.A.

1 - Report

1.1 - Introduction

In compliance with applicable legislation and the mandate given to the Statutory Audit Board, we hereby submit our Report and Opinion, which covers the work carried out by the Statutory Audit Board and the consolidated and individual documents of accounts of Sonaecom, SGPS, S.A., for the year ended at 31 December 2007, which are the responsibility of the Company's Board of Directors.

1.2 – Supervisory activities

The Statutory Audit Board has accompanied the evolution of the Company and its main affiliates' business, the timely writing up of their accounting records and their compliance with statutory and legal requirements and the efficiency and integrity of the internal control and management risk systems. The Statutory Audit Board held meetings with the Board of Directors, with the adequate time and the appropriated scope, having obtained from the Board of Directors and personnel of the Company and its main affiliated companies, included in the consolidated accounts, all the information and explanations required, namely for a properly understanding of the main balance sheet and results variation.

In performing its work, the Statutory Audit Board examined the consolidated and individual Balance sheets at 31 December 2007, the consolidated and individual Statements of profit and loss by nature, of changes in equity and of cash flows, for the year ended on that date and the related Notes.

Additionally, the Statutory Audit Board examined the Management report for the year 2007, has supervised the independence and work of the Company's Independent Auditors and Statutory Auditor, and reviewed the Statutory Audit Report and the Auditor's Report issued by the Statutory Auditor, and agreed with its content.

2 - Opinion

Considering the above, the Statutory Audit Board is of the opinion that the consolidated and individual financial statements were prepared in accordance with the applicable accounting standards and give a true and fair view, of the assets and liabilities, financial position and results of Sonaecom, SGPS, SA and the main companies included in consolidation perimeter and that the Management report faithfully describes the business performance and position of the issuer and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

Therefore, the Statutory Audit Board is of the opinion:

a) That the Management report, the consolidated and individual Balance sheets at 31 December 2007, the consolidated and individual Statements of profit and loss by nature, of changes in equity and of cash flows, for the year ended on that date and the related Notes can be approved;

b) That the application of results proposal can be approved.

The Statutory Audit Board wish to thank the Company's Board of Directors and personnel of the Group companies for the assistance provided to the Statutory Audit Board.

Maia, 20 March 2008

The Statutory Audit Board: Arlindo Dias Duarte Silva
 Óscar José Alçada da Quinta
 Armando Luís Vieira de Magalhães

6. Our shares

6.1. Equity capital markets

Sonaecom shares have been listed since June 2000, on the Portuguese Stock Exchange – Euronext Lisbon – with the symbol SNC. The following table provides the main statistics related to Sonaecom's 2007 stock performance.

Sonaecom shares on the stock market	
Stock market	Euronext Lisbon
Ticker	SNC
ISIN	PTSNCOAE0006
Bloomberg Code	SNC PL Equity
Reuters Code	SNC.LS
Number of shares outstanding	366.246.868
Share Capital	366.246.868
Stock Price as of last day December (euros)	3,3
Stock Price - High (euros)	7,5
Stock Price - Low (euros)	3,25
Average Daily Volume - 2007 (euros)	1.008.154
Average Daily Volume - 2006 (euros)	581.726
Market Capitalization as of last day December (euros)	1.208.614.664

6.2. Share price evolution during 2007

Market performance

The European Stock Telecommunications index, DJ Euro Stoxx Telecoms, ended 2007 showing an increase of circa 17%, due mainly to an overall improvement in market sentiment towards the telecommunications sector, particularly in the second half of the year (the index actually ended the first semester of 2007 on the same level registered at the end of 2006). The relative outperformance during the second half, after the “subprime” crisis, was driven mainly by the market perception of telecoms as a non-cyclical sector and comprised large operators with strong balance sheets, thereby well positioned in market downturns and during deteriorated economic expectations.

As regards the Portuguese market, the main local stock index (PSI20) ended 2007 with a gain of circa 16%. The positive evolution of the market in the first half of the year was driven primarily by the two large tender offers launched during 2006 (over PT and BPI), by improved results of listed companies and by signs of some economic recovery. The sentiment in the second half of 2007 deteriorated as the market was clearly influenced by the global financial and liquidity turmoil caused by the “subprime” crisis, although some recovery was achieved in the later part of the year, mainly driven by specific events that influenced the share price of some of the larger companies in terms of market capitalisation.

The Portuguese stock market's (Euronext Lisbon) turnover increased during 2007 by more than 80% to a record level of more than 98 billion euros, driven by M&A speculation, the developments around the two large tender offers and the listing of 3 new companies.

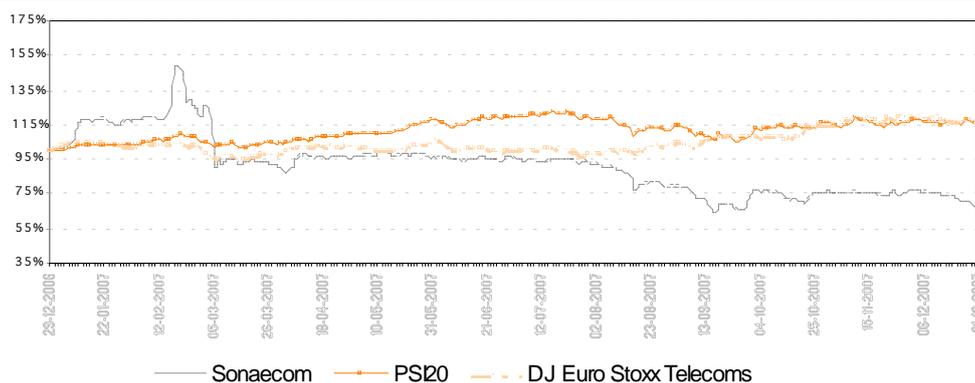
Sonaecom's share performance

During 2007, Sonaecom's share price decreased by circa 34%, down from 5.02 euros per share at the end of 2006, that incorporated high market expectations as a result of our public tender offer for PT, launched in February 2006. Our share price at the end of 2006 naturally incorporated a market expectation in relation to a positive outcome of the outstanding tender offer and the termination of the offer on 2 March 2007 determined an immediate reaction in our share price. This is clearly evidenced by the fact that during March 2007, our share price decreased by circa 30% (from 6.34 at 28 February 2007 to 4.44 at 30 March 2007). In the remainder of the year, Sonaecom shares were basically influenced by the following news flow:

- 26 April 2007: release of the first quarter 2007 consolidated results;

- 17 May 2007: confirmation of on-going negotiations with ONITELECOM - Infocomunicações, S.A. (ONI) for the acquisition of part of the business of that company;
- 19 June 2007: confirmation of on-going negotiations with Tele 2 Europe, S.A. for the acquisition of its business in Portugal;
- 21 June 2007: confirmation of the signature of an agreement between Novis and ONI for the acquisition of its business in the residential and SOHO segment, as well as of a set of assets related thereto owned by that company, for the global amount of 25 million euros;
- 28 June 2007: confirmation of the signature of an agreement between Sonaecom and Tele 2 Europe, S.A. for the acquisition of the total share capital of Telemilénio – Telecomunicações, Sociedade Unipessoal, Lda. (Tele 2 Portugal), for the amount of 16 million euros;
- 26 July 2007: release of the second quarter 2007 consolidated results;
- 6 August 2007: release of information in relation to the refinancing of Sonaecom's debt through a new underwritten Commercial Paper Programme;
- 28 September 2007: confirmation of the signature of an agreement for the acquisition of the total share capital of Cape Technologies Limited for a consideration of 17 million euros plus an additional amount of up to 3 million euros, subject to the accomplishment of certain pre-agreed targets.
- 29 October 2007: release of the third quarter 2007 consolidated results;
- 23 November 2007: announcement in relation to news in the press about a possible analysis of a friendly merger with PT Multimédia, SGPS, S.A..

Sonaecom relative performance in 2007



Sonaecom's shares ended 2007 with a market price of 3.30 euros per share, 34% below the closing price of 5.02 euros per share at 31 December 2006. The share price hit a maximum of 7.5 euros per share on 16 February 2007 and a minimum of 3.25 euros on 17 September 2007.

At the end of 2007, Sonaecom's market capitalization stood at approximately 1,2 billion euros.

It is worth highlighting that the average daily trading volume reached approximately 1,008 thousand shares, an increase of more than 73% compared to 2006 (581 thousand shares). The total number of Sonaecom shares traded during 2007 exceeded 257 million shares, more than 70% of the total share capital of the company, a further indicator of the increased liquidity of our shares. The major reason for this significant increase in trading volumes was the result of higher than normal investor interest in Sonaecom shares as a result of our tender offer for PT and subsequent M&A speculation on alternative consolidation expectations.

6.3. Shareholder Structure

In accordance with the Portuguese Securities Code, shareholdings amounting to or exceeding the thresholds of 2%, 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66% and 90% of the total share capital must be reported to the Portuguese Securities Market Commission

and disclosed to the capital market. Reporting is also required if the shareholdings fall below the same percentages.

During 2007, the following notifications were made to Sonaecom:

Sonaecom Qualified Holdings notifications during 2007

Date	Shareholder	Type of Announcement	Number shares held	% Shareholding at notification date
27 February 2007	Credit Suisse Securities Ltd	Loss of Qualified Participation	6,295,919	1.72%
22 March 2007	C.R. Intrinsic Investment	Qualified Participation	9,335,664	2.55%
3 April 2007	Brahman Capital	Loss of Qualified Participation	0	0.00%
15 June 2007	Norges Bank	Qualified Participation	8,362,372	2.28%
19 July 2007	Norges Bank	Loss of Qualified Participation	-	< 2%
13 December 2007	C.R. Intrinsic Investment	Loss of Qualified Participation	4,663,623	1.27%

Sonaecom's largest shareholders continue to be Sonae SGPS, a Portuguese multinational Group with interests in real estate, retail, shopping centres and tourism, with a shareholding position of circa 50.3%, and France Telecom, one of the biggest telecom operators in the world, with a 19.2% stake in Sonaecom.

The free float (% of shares not held or controlled by the reference shareholders and EDP as at 31 December 2007, excluding own shares) now stands at approximately 22.1%.

During 2007, there were no changes to the number of shares issued by Sonaecom.

6.4. Own shares

Between 5 and 6 March 2007, Sonaecom acquired a total of 1.89 million own shares, representing 0.52% of the share capital, at an average price of 4.71 euros per share. These acquisitions were carried out to cover obligations under Sonaecom's Medium Term Incentive Plan ("MTIP") attributed to employees.

As at 31 December 2007, Sonaecom holds the same number of own shares. These shares will be rendered to the respective employees, in accordance with the terms of the MTIP, annually in March 2009 and March 2010.

7. Glossary of terms

3G	Term used to describe a mobile communication system generation coming after the second generation (2G) GSM cellular network. It is an evolution in communications based on circuit switching to high-speed mobile broadband networks, whereby data is transmitted over packages.
ADSL	Asymmetric Digital Subscriber Line – is the asymmetric transmission technology that became widely used within the xDSL family. An ADSL connection provides a high-speed downstream channel (receiving) (more than 1.5 Mbps) and a lower speed upstream channel (sending) (16 to 640 Kbps), apart from the regular telephone service in the low frequency range. It is a modem technology that converts the existing twisted-pair telephone lines into high-speed digital lines for, for instance, a fast internet access.
B2B	Business-to-Business – a way to describe a market (electronic or otherwise) for transactions between two companies.
Backbone	Set of circuits, mostly high-speed circuits, forming the main segments of a communications network to which the secondary segments are connected.
BSC	Base Station Controller – the BSC is responsible for managing the radio resources of one or several BTS's in all its aspects. The BSC is also the connection between the mobile station and the MSC.
Central Offices	Local phone exchanges (held in Portugal by PT), used to perform local loop unbundling.
Customer churn	Number of customers who discontinue a service during a specified time period.
DTT	Digital Terrestrial Television.
DWDM	Dense Wavelength Division Multiplexing – a fundamental technology for evolution of the current transmission. This system allows combining several wavelengths in a light signal to be transmitted in just one optical fibre.
FWA	Fixed Wireless Access – Radio fixed-access technology allowing operators to supply to their customers direct connection to their telecommunications network through a fixed radio connection from the premises of the latter to the local operator station, instead of a copper wire or optical fibre connection.
Gigabit Ethernet	Data transmission through Ethernet technology with a speed up to 1000 Mbps. Ethernet refers to the type of cable and access mode to a network. It is the most commonly used local network in companies. It supports several communication speeds, according to the used Ethernet standard.
GPRS	General Packet Radio Service – GSM system evolution, based on package switching, allowing for a transmission at a speed up to 115 Kbps.
GPS	Global Positioning System.
GSM	Global Standard for Mobile Communications – standard used in 2G digital mobile communications systems, which specifies how data through the spectrum is codified and transferred.

HSDPA	High-Speed Downlink Packet Access over W-CDMA networks – technology improving UMTS data transfer rate, and therefore also been referred to as the third and a half generation (3.5G).
HSUPA	High-Speed Uplink Packet Access over W-CDMA networks – a technology, similar to HSDPA but relates to the sending of information from the mobile terminal to the network (“upload”), which improves the UMTS data transfer rate. The Uplink transfer rate is expected to be lower than the Downlink one at short-medium term.
IMS	IP Multimedia Subsystem – an architectural framework for delivering internet protocol (IP) multimedia to mobile users. It was originally designed by the wireless standards body 3rd Generation Partnership Project (3GPP), and is part of the vision for evolving mobile networks beyond GSM.
ISP	Internet Service Provider – Internet access supplier.
ITIL Methodologies	Information Technology Infrastructure Library (ITIL) is a set of best practices used to deliver high quality IT services.
Kbps	Digital information transmission speed measuring unit which corresponds to 1024 in thousand of bits per second.
Mega / Mbps	Digital information transmission speed measuring unit which corresponds to 1024 kbps.
MMS	Multimedia Messaging Service – multimedia messaging service combining text, image and sound operating in GPRS and 3G networks.
MPEG	Codification and compression systems approved by the moving picture experts group.
MSC	Mobile Switching Centres – control and switching centres, being the key component of a GSM network, acting as a connection / interconnection node between the cellular network and all the other types of network.
MTRs	Mobile Termination Rates – fees mobile phone companies charge other carriers to terminate calls on their networks.
MVNO	Mobile Virtual Network Operator.
Nodes-B	Base transmission element of an UMTS network.
Network capillarity	Network extension and reach to support telecommunication services.
PCMCIA	Personal Computer Memory Card International Association (or PC Card) – peripheral standard format. There are PCMCIA models that can be used to connect a mobile telephone to a portable computer allowing for data and fax transmission.
PSTN	Public Switched Telephone Network –a set of telecommunications infrastructures allowing analogical connections between terminal points, to support a wide range of telecommunications services, such as telephone and video conference.
SDH	Synchronous Digital Hierarchy – hierarchic specification of high-speed digital signal interfaces transmitted in optical fibre. The allowed synchronic signal allows direct access to its tributaries, avoiding therefore processing by several multiplex levels. One of the main

characteristics of a SDH network is to deliver a wide range of services through information recovery and protection mechanisms.

SHDSL	Symmetric High-Bit-Rate Digital Subscriber Line – allows for a bidirectional communication with speeds from 192 kbits to 2.31 megabits using a twisted pair copper wire (in other words, a common telephone cable), even over great distances.
SMS	Short Messaging Service – service to exchange short messages, common in mobile networks.
Softswitching	Switching terminals, using VoIP technology, allowing not only a greater flexibility in the offer of products but also a greater capacity per cost unit.
Triple Play	Integrated voice, internet and television offer.
SOHO	Small Offices, Home Offices, a segment of the corporate market.
ULL	Unbundling of the Local Loop – choice for access network consisting in unbundling the local loop, allowing other licensed operators to use the local loop pertaining to the incumbent operator, for service rendering.
ULL Reference Offer	Unbundling Local Loop Reference Offer- it regulates the unbundling of the local loop. This offer enables alternative operators to provide direct access offers (voice, Internet broadband and video services) to their customers based on PT Comunicações' copper access network.
UMTS	Universal Mobile Telecommunications System – one of the 3rd generation mobile communication systems used, namely in Europe, integrating a larger family (IMT-2000).
VoIP	Voice over IP – technology allowing converting analogue audio signals into digital signals, subject of being transmitted through the internet and gain converted into analogue signals. The combination, in just one channel, of voice and data, encourages the creation of communication services with possibilities that go far beyond the so called telephony.
Wholesale Line Rental Reference Offer	Regulates the wholesale offer in connection with the creation of a single bill to indirect access customers. It enables any provider of pre-selection services and/or ADSL services to bill and collect PT's monthly fee directly from their customers.
Wi-Fi	A wireless-technology brand owned by the Wi-Fi Alliance, which promotes certain standards with the aim of improving the interoperability of wireless local area network products.

SAFE HARBOUR

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

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

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

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

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