



Management Report and Consolidated Accounts 3rd Quarter 2008

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Note:

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

1. Message from Angelo Paupério, CEO of Sonaecom

Within the context of an extremely competitive market, deteriorating macro-economic conditions and with the negative impacts of the global financial crisis that has further dented consumer and business confidence and thus overall spending, we have made positive progress during 3Q08, in terms of both key operational and financial performance indicators. During the quarter, we achieved **turnover growth of 8.9%** and, importantly, **growth in customer revenues of 6.1%**, while generating an **EBITDA result that was 1.7% above last year**. These results were achieved despite the negative impact of lower roaming in revenues and the additional delays in the introduction of the new MTR programme that became effective on 23 August instead of the originally announced date of 15 July.

Our **mobile business** had a good operational performance, with material y.o.y. growth in customers (+10.8%) and with net additions in the quarter of 76.2 thousand customers, 38.1% above the level registered in the previous quarter. This performance was driven by growth across all our mobile segments.

Our **wireline ULL business** continued to experience significant competitive pressures, with further aggressive promotions and new and lower price points in the voice, broadband and TV segments introduced during 3Q08. The aggressive price competition has led to higher churn, lower ARPUs and, generally, to value destruction for all players in the wireline market. In the light of these circumstances, we have slowed the expansion of our ULL network and thus of our ULL addressable market, focusing instead on managing churn and protecting our customer base, by delivering greater value to existing customers. The performance of our wireline ULL business has also been negatively impacted by weak regulation in specific areas such as SLAs particularly in respect of network breakdowns but also in respect of establishing a fair playing field in respect of equal access to information regarding the quality of the incumbent's copper network, a critical element to be able to commercialise IPTV offers.

SSI again achieved a good operational and financial performance in the quarter, with turnover growing by more than 51% against last year, on the back of material increases both in service revenues (+36%) and equipment sales (+69%), accompanied by improved EBITDA result that was up 7.1%. WeDo's international footprint has been further extended and, in the quarter, approximately 60% of its revenues were generated outside of Portugal.

In our **media business**, Público was able to show growth in both newspaper sales (+2.0%) and associated product sales (+34.7%) against last year, notwithstanding the tough market conditions for generalist newspapers. In terms of financial performance, although still contributing negatively to consolidated EBITDA in the quarter, Público achieved a 19.7% reduction in EBITDA losses, when compared to last year.

The quarter was again a very active one in terms of **commercial initiatives**, implemented across all our businesses. In this respect, I would highlight the following:

- Launch of the iPhone in Portugal (including the introduction of the first pre-paid offer in the world);
- Introduction of pre-paid mobile broadband in our offers;
- The GTB Innovation Award granted to Kanguru in recognition of its pioneering and innovative role;
- Launch of the first fibre commercial offers in Portugal, including the fastest broadband services available in the market;
- Inauguration of our new Optimus 'Concept' store in Porto at the "Casa da Música";
- Further enlargement of our TV offer and increase of Home-Video functionalities;
- WeDo Technologies introduced in the market its new Fraud system, Fraud:RAID, complementing its product line;
- Bizdirect launched "BizGov", a new electronic purchasing platform aimed at the public sector.

During the quarter, progress was also made with our **fibre deployment**. We have now completed the initial phase of our deployment plan having reached our target in terms of homes passed by the end of 3Q08 in the initial coverage zones of Lisbon and Porto, and we are now, after the commercial launch in 3Q08 of our fibre offers, preparing the way for the next phases of deployment. Unfortunately, ANACOM has indicated that the regulatory framework for the deployment of NGN's in Portugal is only likely to be in place at the end of 2009. This framework, in conjunction with other **regulatory decisions** that need to be taken within the short term, among which, changes to wholesale reference offers and the analysis of the broadband market, will be clear determinants of the future success of the wireline sector liberalisation process.

Given the significant turmoil in the financial markets and general concerns regarding companies' balance sheets, it should be noted that Sonaecom maintains an acceptable level of leverage and, thanks to the refinancing carried out in July 2007, we have no scheduled principal repayments of financial debt under utilised facilities until mid-2010 and none of our current debt facilities include any financial covenants. As such, we believe we are in a position to be able to continue implementing our strategy, notwithstanding the constrained financial markets. Naturally, the rate of implementation of our investment plans will be adapted, if need be, considering the impacts that the current financial crisis has over the Portuguese economy in general, over consumer and businesses telecoms spend and, more specifically, on our businesses themselves.

A final note to reiterate that, although for the remainder of 2008 we do not see the competitive landscape improving and anticipate that economic prospects will remain challenging, we believe we will be able to deliver the EBITDA guidance we gave with our 1Q08 results (i.e., flat EBITDA adjusted for MTRs).

2. Quarter highlights

During 3Q08, Sonaecom was able to sustain the high level of growth in customer revenues achieved in the last quarters. This growth was achieved, despite the increased level of competition, supported not only by the planned investment in our brands, network and distribution channels, but also as a result of the continuous launch of new products and services.

OPERATING KPI's	3Q07	3Q08	y.o.y	2Q08	q.o.q	9M07	9M08	y.o.y
Mobile Business								
Customers (EOP) ('000)	2,761.1	3,058.3	10.8%	2,982.1	2.6%	2,761.1	3,058.3	10.8%
Active Customers ⁽¹⁾	2,203.2	2,410.9	9.4%	2,326.3	3.6%	2,154.2	2,342.5	8.7%
Data as % Service Revenues	18.2%	22.7%	4,4pp	21.3%	1,4pp	17.1%	21.5%	4,4pp
MOU ⁽²⁾ (min.)	120.7	134.8	11.7%	129.1	4.4%	117.2	127.4	8.6%
Wireline Business								
Total Accesses (EOP)	758,477	644,457	-15.0%	701,098	-8.1%	758,477	644,457	-15.0%
Direct ⁽³⁾	431,851	476,106	10.2%	482,540	-1.3%	431,851	476,106	10.2%
Indirect	326,626	168,351	-48.5%	218,558	-23.0%	326,626	168,351	-48.5%
Direct access as % Customer Revenues	73.1%	72.6%	-0.5pp	71.4%	1.2pp	75.7%	69.7%	-6pp
Sonaecom								
Total Employees	1,875	1,973	5.2%	1,921	2.7%	1,875	1,973	5.2%
Telecommunications	446	442	-0.9%	419	5.5%	446	442	-0.9%
SSI	378	471	24.6%	453	4.0%	378	471	24.6%
Media	276	273	-1.1%	270	1.1%	276	273	-1.1%
Shared Services ⁽⁴⁾ and Corporate Centre	775	787	1.5%	779	1.0%	775	787	1.5%

(1) Active Customers with Revenues generated during the last 90 days; (2) Minutes of Use per Customer per month; (3) Number of Direct Accesses for periods from 3Q07 until 3Q08 were restated; (4) Shared Services includes, among other functions, Customer Service, Technical, IT/IS, Accounting, Legal and Regulation.

Million euros								
CONSOLIDATED FINANCIAL KPI's	3Q07	3Q08	y.o.y	2Q08	q.o.q	9M07	9M08	y.o.y
Turnover	230.8	251.3	8.9%	237.9	5.6%	644.3	726.9	12.8%
Service Revenues	212.1	221.9	4.6%	215.1	3.2%	589.4	654.0	11.0%
Customer Revenues	156.3	165.8	6.1%	169.0	-1.9%	438.3	506.7	15.6%
Operator Revenues	55.7	56.1	0.6%	46.1	21.7%	151.0	147.3	-2.4%
EBITDA	47.4	48.2	1.7%	34.6	39.3%	120.6	116.9	-3.0%
EBITDA Margin (%)	20.5%	19.2%	-1.3pp	14.6%	4,6pp	18.7%	16.1%	-2,6pp
EBT	3.5	3.3	-6.9%	-9.7	-	1.4	-13.7	-
Net Results - Group Share ⁽¹⁾	7.6	4.1	-46.1%	-6.7	-	2.9	-8.1	-
Operating CAPEX ⁽²⁾	54.2	46.7	-13.8%	35.0	33.4%	110.5	114.4	3.6%
Operating CAPEX as % of Turnover	23.5%	18.6%	-4,9pp	14.7%	3,9pp	17.1%	15.7%	-1,4pp
EBITDA - Operating CAPEX	-6.8	1.5	-	-0.4	-	10.1	2.5	-75.6%
Total CAPEX	89.4	49.4	-44.8%	126.2	-60.9%	159.3	211.0	32.5%
FCF ⁽³⁾	-19.3	-13.4	30.3%	-25.1	46.5%	55.7	-71.2	-

(1) Net Results after Minority Interests; (2) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments; (3) FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs.

- **Customers:** (i) Mobile customers increased by 10.8% to 3.058 million at the end of 3Q08; net additions in the quarter were 76.2 thousand, 38.1% higher than in 2Q08. Data revenues represented 22.7% of service revenues in the quarter, up 4.4pp against 3Q07; (ii) Total wireline direct accesses reached 476.1 thousand, 10.2% above last year. Direct accesses decreased by 1.3% in 3Q08, compared to 2Q08, as a result of competitive pressures that have led us to focus less on ULL customer acquisition at this stage, the material deceleration of the fixed broadband market and the growing use of mobile broadband. It should be noted that we have restated the number of direct accesses since 3Q07, to reflect the final numbers of active accesses effectively acquired from ONI and Tele2, and thus the real starting position, and to incorporate the impact of the new internal dunning procedures, implemented as a result of shorter judicial timeframe to claim overdue invoices. The combined restatement to the 3Q07 direct accesses is 40 thousand.
- **Personnel:** total employees increased by 5.2% compared to 3Q07 mostly due to the integration, at the level of our SSI business, of personnel from Cape Technologies (this acquisition was only effective in the beginning of 4Q07). Total headcount increased by 2.7% compared to the previous quarter.
- **Consolidated Service Revenues** increased by 4.6% against 3Q07, mainly as a result of a 6.1% increase in customer revenues but also due to a stable level of operator revenues, despite the negative impacts of lower roaming-in revenues (-20.7% vs. 3Q07) and the impact of the new MTR levels.
- **Consolidated EBITDA** increased by 1.7% against 3Q07, to 48.2 million euros, driven by the improved contributions from the Wireline and SSI Businesses and the lower level of EBITDA losses at Público. EBITDA margin, as expected, deteriorated by 1.3pp to 19.2% (but improved 4.6pp against the previous quarter) mainly due to: (i) the negative impact of lower roaming-in tariffs; (ii) the significant increase of IT products sales that carry lower margins at SSI; and (iii) increased customer service costs, aimed at improving loyalty and customer satisfaction.

3. Consolidated Results

3.1. Consolidated Income Statement

CONSOL. INCOME STATEMENT	3Q07	3Q08	y.o.y	2Q08	q.o.q	9M07	9M08	y.o.y
Turnover	230.8	251.3	8.9%	237.9	5.6%	644.3	726.9	12.8%
Mobile	161.5	165.5	2.5%	151.5	9.2%	455.0	468.6	3.0%
Wireline	66.9	72.6	8.5%	72.4	0.2%	177.6	220.1	24.0%
Público	7.0	7.1	2.6%	9.4	-24.3%	23.6	24.4	3.2%
SSI	20.6	31.2	51.2%	27.4	13.7%	53.4	85.7	60.4%
Other & Eliminations	-25.1	-25.1	0.1%	-22.9	-9.7%	-65.3	-71.9	-10.0%
Other Revenues	2.2	1.4	-35.0%	2.8	-49.8%	4.2	5.7	35.7%
Operating Costs	182.7	197.7	8.2%	202.3	-2.3%	518.7	601.1	15.9%
COGS	27.2	36.0	32.3%	30.2	19.2%	74.7	92.0	23.1%
Network Costs ⁽¹⁾	77.0	76.7	-0.4%	84.3	-9.1%	215.5	244.7	13.6%
Personnel Costs	22.3	21.8	-2.0%	22.7	-4.0%	69.1	70.6	2.2%
Marketing & Sales	25.6	26.4	3.0%	25.9	1.6%	69.6	78.8	13.2%
Outsourcing Services ⁽²⁾	15.8	19.1	21.2%	21.4	-10.5%	45.8	62.1	35.6%
General & Administrative Expenses	11.8	13.8	17.2%	14.0	-1.2%	34.5	41.6	20.7%
Other Operating Costs	3.1	4.0	26.0%	3.8	5.2%	9.6	11.3	17.3%
Provisions and Impairment Losses	2.9	6.8	135.9%	3.8	80.3%	9.2	14.7	58.9%
EBITDA	47.4	48.2	1.7%	34.6	39.3%	120.6	116.9	-3.0%
EBITDA Margin (%)	20.5%	19.2%	-1.3pp	14.6%	4.6pp	18.7%	16.1%	-2.6pp
Mobile	44.5	43.5	-2.2%	29.0	50.1%	118.2	105.7	-10.6%
Wireline	3.6	4.5	24.6%	1.5	199.9%	4.4	8.5	94.7%
Público	-1.5	-1.2	19.7%	-0.4	-	-3.5	-2.8	20.1%
SSI	1.5	1.6	7.1%	2.8	-41.0%	4.2	5.3	25.6%
Other & Eliminations	-0.7	-0.2	0.7	1.7	-	-2.7	0.2	-
Depreciation & Amortization	34.4	40.4	17.4%	40.5	-0.3%	101.5	118.3	16.5%
EBIT	13.0	7.8	-40.0%	-5.9	-	19.1	-1.4	-
Net Financial Results	-9.4	-4.5	52.4%	-3.7	-19.8%	-17.6	-12.4	29.9%
Financial Income	5.3	1.0	-81.6%	0.8	17.9%	17.2	2.6	-84.9%
Financial Expenses	14.7	5.5	-63.0%	4.6	19.4%	34.8	15.0	-57.1%
EBT	3.5	3.3	-6.9%	-9.7	-	1.4	-13.7	-
Tax results	4.2	0.9	-79.0%	3.1	-71.5%	1.7	5.8	-
Net Results	7.7	4.2	-45.9%	-6.6	-	3.1	-7.9	-
Group Share	7.6	4.1	-46.1%	-6.7	-	2.9	-8.1	-
Attributable to Minority Interests	0.1	0.1	-23.9%	0.1	-51.0%	0.2	0.2	5.3%

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

Turnover

Consolidated turnover totalled 251.3 million euros in 3Q08, 8.9% above 3Q07, as a result of a combination of higher service revenues (+4.6%), driven by a 6.1% improvement in customer revenues, and significantly higher product sales and equipment (+56.8%).

Consolidated service revenues increased to 221.9 million euros, on the back of increased contributions from our Wireline and SSI businesses. The breakdown of this consolidated performance was as follows:

- 8.4% higher service revenues at our Wireline Business;
- 0.6% increase in service revenues at our Mobile Business, despite: (i) the impact, in operator revenues, of lower roaming-in revenues and of the new MTR programme; and (ii) the increased competitiveness in certain segments of the market, that led to a decrease in the average revenue per minute;
- 36.5% higher service revenues at SSI, driven by the positive performance of all its businesses, particularly WeDo, that has grown by 49.5% y.o.y.;
- 7.8% reduction in advertising revenues at Público, as a result of the deterioration of the advertising market conditions.

Importantly, consolidated customer revenues continued to grow at a high pace: 6.1% when compared to 3Q07, driven by strong customer revenue growth at both our Wireline (+14.8%) and SSI (+36.5%).

Operating costs

Total operating costs reached 197.7 million euros in 3Q08, an increase of 8.2% y.o.y.. Total operating costs excluding COGS were only 4.0% higher than in 3Q07, representing 72.9% of service revenues, approximately 0.5pp below the level registered in 3Q07.

The main drivers of the evolution of operating costs, in addition to the contributions from the businesses acquired in 2007, were the following:

- a) **network costs** fell by 0.4% when compared to 3Q07, partly driven by renegotiations carried out with a number of key network suppliers, which have led to substantial discounts on several service cost items and by lower ULL set-up costs, the latter as a result of the lower level of customer acquisition. These factors have more than compensated the 5.4% increase in interconnection and content costs, due to higher level of traffic volumes and to the enlarged ULL customer base, which led to significantly higher ULL monthly fee related costs and despite the new MTRs that became effective on 23 August 2008;
- b) **marketing & sales costs** increased by 3.0% driven mainly by the Telco Business investments in customer acquisition, in the launch of new products and services and on related advertising campaigns;
- c) **general & administrative costs** increased by 2.0 million against 3Q07, mainly as a consequence of: (i) the increased customer base at our Mobile Business and related license costs; and (ii) the significant growth of post-paid mobile customers and larger customer base at our Wireline Business with the consequent billing & support requirements and related expenses; and
- d) **outsourcing costs** increased by 3.3 million, mainly driven by: (i) higher customer service costs, aimed at improving customer satisfaction across our Telco Businesses; and (ii) higher outsourcing costs at SSI, due to requirement to support its material top line growth.

Staff costs decreased by 2.0% against 3Q07, reflecting the higher level of capitalisation of staff costs related with specific network development projects and the gains resulting from the re-evaluation, at market prices, of the cash settled liability associated with the employees' medium term incentive plan.

Importantly, the finalisation of the integration processes of the businesses acquired during 2007 has led to some operational efficiencies, as demonstrated by the 2.3% reduction of total OPEX against the previous quarter.

Provisions and impairment losses increased y.o.y. in 3Q08 by approximately 3.9 million euros as a result of: (i) lower provisions for stock depreciation at our Telco Businesses; and (ii) higher provisions for bad debt, driven by our decision to reinforce such provisions due to the combination of higher sustained level of billing and the deteriorating economic environment.

EBITDA

As a result of the performance detailed above, in terms of revenues and costs, consolidated EBITDA improved by 1.7% to 48.2 million euros in 3Q08 generating a margin of 19.2%, compared to a margin of 20.5% in 3Q07 and 14.6% in 2Q08. The breakdown of EBITDA performance by business was as follows:

- a) EBITDA at our Mobile Business was of 43.5 million euros, down by 2.2% when compared to 3Q07, mainly explained by lower roaming-in revenues, the 6.8% increase in marketing & sales costs in the quarter and by the 19.9% increase in outsourcing costs (including customer service), partially offset-set by the 21% increase registered in Other revenues, which were not compensated by savings achieved in network operating costs and in personnel costs;
- b) The Wireline Business generated an EBITDA of 4.5 million euros (24.6% above 3Q07), reflecting the improved scale benefits resulting from the enlarged direct access business;
- c) EBITDA at SSI increased by 7.1% to 1.64 million euros in 3Q08. The higher service revenues in all SSI companies and the improved EBITDA performance at Mainroad and Bizdirect, were the main contributors to the underlying EBITDA performance at SSI;
- d) Público's EBITDA was negative 1.24 million euros, which nevertheless represented an improvement of 19.7% when compared to 3Q07, with the improved performance in newspaper sales (2.0% above 3Q07) and in associated product sales (+34.7%), partially off-set by the negative performance in advertising revenues.

Net Profit

Net results group share were positive 4.1 million euros in 3Q08, compared to the positive 7.6 million euros result in 3Q07 and a loss of 6.7 million in 2Q08.

Depreciation and amortization charges increased by 6 million euros compared to 3Q07 to 40.4 million euros, driven by the increased asset base resulting from our investments in expanding both our mobile and wireline access networks as well as from the businesses acquired during 2007. It should be noted that, during the quarter we began to depreciate the 89 million euros intangible asset registered as CAPEX in the previous quarter in relation to the obligations assumed under the "e-Initiatives" programme.

When compared to 2Q08, net financial charges increased by 19.8%, to 4.5 million euros in 3Q08, reflecting: (i) higher interest expense, up by 0.5 million euros, due to higher average gross debt in the quarter and to the slight increase in the average cost of debt (from 5.1% in 2Q08 to 5.2% in 3Q08), as a reflection of movements in market rates; (ii) 0.4 million higher foreign exchanges losses in the quarter, mainly associated with the international activities of WeDo; and (iii) an increase of interest income by 0.2 million euros.

The tax line in 3Q08 showed a benefit of 0.9 million euros, compared to a benefit of 4.2 million euros in 3Q07, due to both the lower EBT level and to movements in deferred tax assets at our Telecoms Business, mainly impacting the 3Q07 figure.

3.2. Consolidated Balance Sheet

Million euros	3Q07	3Q08	y.o.y	2Q08	q.o.q
CONSOLIDATED BALANCE SHEET					
Total Net Assets	1,602.7	1,808.3	12.8%	1,795.5	0.7%
Non Current Assets	1,302.4	1,453.1	11.6%	1,443.4	0.7%
Tangible and Intangible Assets	692.8	816.8	17.9%	808.6	1.0%
Goodwill	523.0	525.9	0.5%	525.8	0.0%
Investments	1.9	2.0	1.1%	2.0	0.0%
Deferred Tax Assets	67.4	108.5	61.0%	107.0	1.4%
Others	17.3	0.0	-100.0%	0.0	-
Current Assets	300.3	355.2	18.3%	352.1	0.9%
Trade Debtors	159.1	188.7	18.6%	185.7	1.6%
Liquidity	13.9	3.6	-74.1%	6.9	-48.2%
Others	127.3	162.9	27.9%	159.5	2.1%
Shareholders' Funds	900.7	920.7	2.2%	921.6	-0.1%
Group Share	900.0	919.7	2.2%	920.6	-0.1%
Minority Interests	0.7	1.1	53.5%	1.0	5.2%
Total Liabilities	702.0	887.5	26.4%	873.9	1.6%
Non Current Liabilities	356.7	484.6	35.9%	478.7	1.2%
Bank Loans	307.8	362.3	17.7%	355.1	2.0%
Provisions for Other Liabilities and Charges	30.9	33.6	8.7%	32.5	3.5%
Others	18.0	88.7	-	91.1	-2.6%
Current Liabilities	345.4	402.9	16.7%	395.2	1.9%
Bank Loans	0.2	5.0	-	0.7	-
Trade Creditors	130.4	177.3	36.0%	174.8	1.5%
Others	214.8	220.6	2.7%	219.7	0.4%
Operating CAPEX ⁽¹⁾	54.2	46.7	-13.8%	35.0	33.4%
Operating CAPEX as % of Turnover	23.5%	18.6%	-4,9pp	14.7%	3,9pp
Total CAPEX	89.4	49.4	-44.8%	126.2	-60.9%
EBITDA - Operating CAPEX	-6.8	1.5	-	-0.4	-
Operating Cash Flow ⁽²⁾	33.0	-4.4	-	-20.6	78.6%
FCF ⁽³⁾	-19.3	-13.4	30.3%	-25.1	46.5%
Gross Debt	327.2	386.4	18.1%	374.3	3.2%
Net Debt	313.4	382.9	22.2%	367.4	4.2%
Net Debt/ EBITDA last 12 months	2.0 x	2.4 x	0,4x	2.3 x	0,1x
EBITDA/Interest Expenses ⁽⁴⁾ (last 12 months)	5.4 x	8.5 x	3,1x	8.0 x	0,5x
Debt/Total Funds (Debt + Shareholders' Funds)	26.6%	29.6%	2,9pp	28.9%	0,7pp

(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

Consolidated gross debt continues to be primarily contracted by Sonaecom SGPS and efficient internal cash management is being used to allocate cash between our subsidiaries. At the end of 3Q08, the weighted average maturity of Sonaecom Group credit lines stood at approximately 3.2 years.

Consolidated gross debt totalled 386.4 million euros, 12.1 million euros above the level at the end of 2Q08 and mainly comprised:

- 150 million euros long-term privately placed Bonds, due in 2013;
- 213.5 million euros used under the 250 million euros underwritten committed Commercial Paper Programme contracted in 2007 and with final maturity in 2012;
- 4.9 million euros of short term bank debt, out of a total of approximately 20 million of short term credit facilities; and
- 19.2 million euros of long term financial leases.

In addition to the above identified long credit lines, Sonaecom has another, currently unutilised, underwritten Commercial Paper Programme totalling 70 million euros, which is fully committed for a rolling period of 364 days.

As a result of Interest Rate Swaps negotiated during 2007 (with maturities between March and June 2009), approximately 48% of the consolidated gross debt is currently based on fixed rates.

Consolidated net debt at the end of 3Q08 stood at 382.9 million euros, an increase of 15.5 million euros compared to 2Q08, mainly reflecting the FCF evolution in the quarter.

At the end of 3Q08, Net Debt to annualised EBITDA increased marginally, when compared to 2Q08, to 2.4x, reflecting the increase in net debt registered in the quarter, while 12 months' trailing Interest Cover improved to 8.5x. The ratio of Consolidated Debt to Total Funds also remained approximately stable, having reached 29.6% in 3Q08 (against 28.9% in 2Q08), reflecting the above mentioned movements in gross debt and the 0.9 million euros decrease in Shareholder's Funds. The latter resulted mainly from the acquisition of own shares in the quarter totalling 4.7 million euros, pursuant to the authorisations granted by shareholders at Sonaecom's Shareholders General Meetings held during 2008, which has more than off-set the positive net income generated in the quarter.

At the end of 3Q08, the sum of cash and non-utilized committed credit lines at the Sonaecom Group stood at approximately 125 million euros. As indicated above, of currently utilised facilities, no amortizations of bank loans are scheduled until mid-2010.

CAPEX

Total consolidated CAPEX in the quarter was 49.4 million euros while Operating CAPEX reached 46.7 million euros, 13.8% below 3Q07, and representing 18.6% of turnover.

The decrease in Operating CAPEX in the quarter was mainly driven by the lower level of investments in our Mobile Business (10.7 million euros decrease over 3Q07). It should nevertheless be noted that the level of CAPEX in 3Q07 included 18.6 million euros related to an agreed network equipment swap in relation to part of our network. Excluding this effect, our consolidated and mobile operating CAPEX would have increased by 31.1% and 28.4%, respectively.

Shareholders' Funds

At the end of 3Q08, shareholders' funds totalled 920.7 million euros, compared to 921.6 million euros at the end of 2Q08, reflecting mainly the net profit of 4.2 million euros generated in the quarter, which was more than compensated by the acquisition of own shares with a market value of 4.7 million Euros.

FCF

Million euros

LEVERED FREE CASH FLOW	3Q07	3Q08	y.o.y	2Q08	q.o.q	9M07	9M08	y.o.y
EBITDA-Operating CAPEX	-6.8	1.5	-	-0.4	-	10.1	2.5	-75.6%
Change in WC	21.9	-8.0	-	-20.7	61.5%	-4.2	-60.8	-
Non Cash Items & Other	17.9	2.0	-88.6%	0.4	-	31.3	4.7	-84.9%
Operating Cash Flow	33.0	-4.4	-	-20.6	78.6%	37.2	-53.6	-
Financial Investments	-49.9	0.0	100.0%	0.9	-100.0%	58.1	-0.2	-
Own shares	0.0	-4.7	-	-1.4	-	-8.9	-6.1	32.0%
Public Tender Offer	-0.7	0.0	100.0%	0.0	-	-20.3	-0.1	99.4%
Financial results	-1.6	-4.3	-163.2%	-4.1	-6.1%	-10.0	-11.3	-13.0%
Income taxes	0.0	0.0	-	0.0	-	-0.5	0.0	100.0%
FCF	-19.3	-13.4	30.3%	-25.1	46.5%	55.7	-71.2	-

Consolidated FCF in 3Q08 was negative 13.4 million euros, compared to a negative 19.3 million euros in 3Q07 and to a negative 25.1 million euros in the previous quarter, and comprised the following key elements:

- EBITDA minus Operating Capex of 1.5 million euros;
- Working Capital deterioration of 8.0 million euros, reflecting an increase in stocks and in accounts receivable, lower credit from trade creditors and notwithstanding higher credit from fixed asset suppliers;
- Acquisition of own shares during 3Q08, in the amount of 4.7 million euros; and
- Financial outflows of 4.3 million euros, in line with the previous quarter.

4. Telecommunications

4.1. Mobile Business

As a result of commercial initiatives implemented in 2008 and of the investments made in supporting the brand, improving distribution capacity and customer service, our mobile business continues to enlarge its presence in the market, registering growth across all mobile segments.

4.1.1. Operational data

MOBILE OPERATIONAL KPI's	3Q07	3Q08	y.o.y	2Q08	q.o.q	9M07	9M08	y.o.y
Customers (EOP) ('000)	2,761.1	3,058.3	10.8%	2,982.1	2.6%	2,761.1	3,058.3	10.8%
Net Additions ('000)	87.2	76.2	-12.6%	55.2	38.1%	159.2	164.8	3.5%
% Pre-paid Customers	74.4%	69.9%	-4.4pp	70.5%	-0.6pp	74.4%	69.9%	-4.4pp
Active Customers ⁽¹⁾	2,203.2	2,410.9	9.4%	2,326.3	3.6%	2,154.2	2,342.5	8.7%
Data as % Service Revenues	18.2%	22.7%	4.4pp	21.3%	1.4pp	17.1%	21.5%	4.4pp
Total #SMS/month/user	45.6	54.5	19.6%	57.6	-5.3%	45.2	51.5	14.0%
MOU ⁽²⁾ (min.)	120.7	134.8	11.7%	129.1	4.4%	117.2	127.4	8.6%
ARPU (euros)	19.2	17.4	-9.1%	16.8	3.4%	18.3	17.1	-6.5%
ARPM ⁽³⁾ (euros)	0.16	0.13	-18.6%	0.13	-1.0%	0.16	0.13	-13.9%
SAC&SRC ⁽⁴⁾ (million euros)	35.1	39.0	11.0%	37.3	4.5%	90.3	112.4	24.5%

(1) Active Customers with Revenues generated on last 90 days; (2) Minutes of Use per Customer per month; (3) Average Revenue per Minute; (4) Total Acquisition & Retention Costs.

Customer base

Mobile customer base increased by 10.8% to 3.058 million customers at the end of 3Q08, compared to 2.761 million at the end of 3Q07 and 2.982 million at 2Q08, with net additions surpassing 76 thousand in the quarter, up by 38.1% compared to 2Q08, a demonstration of the continued progress in our growth strategy and the success of the innovative products and services we have launched in the market. Active customers at the end of 3Q08 totalled 2.411 million, as compared to 2.203 million at the end of 3Q07, an increase of 9.4%.

Contract customers continued to increase their weight in the total customer base, having reached, for the first time, more than 30% of the total mobile base. At the end of 3Q08, these customers represented 30.1% of total customers, an increase of 4.4pp against 3Q07 and 0.6pp against 2Q08.

During 3Q08, Mobile customer's ARPU was 17.4 euros, down from 19.2 euros in 3Q07 but up by 3.4% against the previous quarter. Of the 3Q08 ARPU, 13.0 euros related to customer monthly bill and 4.4 euros to operator revenues, compared to 14.2 euros and 5.0 euros respectively, in 3Q07.

Data usage

During 3Q08, we were able to maintain our leading position in retail sales of wireless broadband and again achieved a material growth of data usage, namely through the promotion of our mobile broadband product "Kanguru", based on HSDPA/HSUPA technologies, now offering download speeds of up to 7.2 Mbps and upload speeds of up to 1.4Mbps.

The governmental programme ("e-Initiatives") aimed at the development of the 'Information Society' in Portugal, continues to contribute to maintaining mobile broadband market growth at a high pace and all three mobile operators have been active in contributing to this programme (as part of the agreements reached with the Government to fulfil the obligations under the UMTS licenses).

During the quarter, Optimus received another international award, this time the "Broadband Wireless Service Innovation Award" in a contest promoted by a leading specialised publication (Global Telecoms Business), in recognition for our pioneering role in the development of Mobile Broadband and of innovative role that our Kanguru product has had, since its launch in 2005, in the Portuguese telecoms market.

Data revenues represented 22.7% of service revenues in 3Q08, an improvement of 4.4pp vs. 3Q07 and 1.4pp over 2Q08, as the result of our promotional efforts to increase usage of data services and the success of our wireless broadband solutions. Non-SMS related data services continued to increase their weight in data revenues, accounting for almost 66% of total data revenues in 3Q08, compared to only 49.4% in 3Q07. The revenues from non-SMS data services continue to post significant increases, having grown by more than 72% from 3Q07 to 3Q08.

Mobile access network

During 3Q08, as part of the announced investment plan for the year, we continued to invest in the coverage and capacity of our mobile network, with the deployment of new UMTS sites and with the upgrade of our 3G network with HSDPA. By the end of 3Q08, Optimus' 3G network covered circa 81% of the Portuguese population and of which almost 80% with HSDPA technology, offering bandwidths of up to 7.2 Mbps.

4.1.2. Financial data

Million euros

MOBILE INCOME STATEMENT	3Q07	3Q08	y.o.y.	2Q08	q.o.q.	9M07	9M08	y.o.y.
Turnover	161.5	165.5	2.5%	151.5	9.2%	455.0	468.6	3.0%
Service Revenues	152.3	153.2	0.6%	144.3	6.2%	429.7	441.4	2.7%
Customer Revenues	112.7	114.0	1.1%	112.0	1.8%	324.0	337.8	4.3%
Operator Revenues	39.6	39.2	-1.1%	32.3	21.2%	105.7	103.6	-2.0%
Equipment Sales	9.2	12.4	34.4%	7.2	70.9%	25.3	27.2	7.5%
Other Revenues	10.1	12.2	21.0%	12.5	-2.2%	27.1	34.8	28.6%
Operating Costs	125.3	130.7	4.3%	132.5	-1.3%	358.4	389.3	8.6%
COGS	19.8	21.4	8.0%	17.2	24.3%	52.2	53.9	3.2%
Interconnection & Contents	35.3	35.3	0.2%	35.5	-0.5%	101.4	106.5	5.0%
L.Lines & other Network Operating Costs	13.8	11.9	-13.6%	15.2	-21.4%	42.0	42.0	-0.1%
Personnel Costs	12.2	11.2	-8.9%	13.3	-16.4%	38.3	37.2	-3.0%
Marketing & Sales	20.1	21.5	6.8%	20.4	5.4%	53.6	62.7	17.0%
Outsourcing Services ⁽¹⁾	13.6	16.2	19.9%	17.1	-4.8%	39.0	48.3	24.0%
General & Administrative Expenses	8.0	9.5	20.0%	10.3	-7.0%	23.5	28.2	20.4%
Other Operating Costs	2.6	3.6	39.8%	3.6	2.4%	8.4	10.5	25.1%
Provisions and Impairment Losses	1.7	3.4	100.3%	2.5	40.0%	5.5	8.5	55.2%
Service Margin ⁽²⁾	117.0	117.8	0.7%	108.8	8.3%	328.3	334.9	2.0%
Service Margin (%)	76.9%	76.9%	0.1pp	75.4%	1.5pp	76.4%	75.9%	-0.5pp
EBITDA	44.5	43.5	-2.2%	29.0	50.1%	118.2	105.7	-10.6%
EBITDA Margin (%)	27.6%	26.3%	-1.3pp	19.1%	7.2pp	26.0%	22.5%	-3.4pp
Tender Offer related costs	10.0	0.0	-100.0%	0.0	-	10.0	0.0	-100.0%
Depreciation & Amortization	28.8	32.2	11.8%	32.2	0.0%	85.7	93.4	9.1%
EBIT	5.6	11.3	99.9%	-3.2	-	22.5	12.2	-45.8%
Operating CAPEX ⁽³⁾	46.6	35.9	-22.9%	25.1	43.3%	76.7	86.8	13.2%
Operating CAPEX as % of Turnover	28.8%	21.7%	-7.1pp	16.5%	5.1pp	16.9%	18.5%	1.7pp
EBITDA - Operating CAPEX	-2.1	7.6	-	3.9	93.3%	41.5	18.8	-54.7%
Total CAPEX	47.1	38.6	-18.2%	117.7	-67.2%	87.7	184.9	110.7%

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Service Margin = Service Revenues minus Interconnection & Content Costs; (3) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments.

Turnover

Mobile service revenues increased by 0.6% to 153.2 million euros compared to 152.3 million euros in 3Q07, driven by the 1.1% growth in customer revenues, which more than compensated the 1.1% decrease in operator revenues (driven by the lower level of roaming-in tariffs and the introduction of the new MTRs programme). Total turnover increased y.o.y. by 2.5% as a result of the growth in service revenues as well as in the level of equipment sales (+34.4% against LYSQ).

EBITDA

Mobile EBITDA in 3Q08 reached 43.5 million euros and generated a margin of 26.3%, representing a decrease of 1.3pp, when compared to 3Q07. This decline was primarily the result of the combination of higher Marketing & Sales costs, lower roaming-in revenues and higher outsourcing services (+2.6 million euros) and G&A costs (+1.5 million euros) when compared to 3Q07, partially off-set by a 21% increase in Other revenues, driven by the increased customer base and related license costs; the significant growth of post-paid customers (and related billing requirements) and the increase in customer service costs.

4.2. Wireline Business

Competitive pressures continue to be particularly visible in the wireline segment, with significant price promotions prevailing in the voice, broadband and TV segments. In this market environment, we have continued to focus on protecting the direct access broadband business with particular efforts made to reducing levels of churn, improving loyalty and reinforcing our IPTV and Home Video services (now with almost 100 channels and 800 movie titles), while continuously working to improve customer service.

4.2.1. Operational data

WIRELINE OPERATIONAL KPI's	3Q07	3Q08	y.o.y	2Q08	q.o.q	9M07	9M08	y.o.y
Total Accesses (EOP) ⁽¹⁾	758,477	644,457	-15.0%	701,098	-8.1%	758,477	644,457	-15.0%
Voice	520,197	399,774	-23.1%	446,052	-10.4%	520,197	399,774	-23.1%
Direct	237,658	258,820	8.9%	261,116	-0.9%	237,658	258,820	8.9%
Indirect	282,539	140,954	-50.1%	184,936	-23.8%	282,539	140,954	-50.1%
ADSL	209,651	219,482	4.7%	227,237	-3.4%	209,651	219,482	4.7%
Direct	182,007	197,998	8.8%	202,228	-2.1%	182,007	197,998	8.8%
Indirect	27,644	21,484	-22.3%	25,009	-14.1%	27,644	21,484	-22.3%
Other & Data	28,629	25,201	-12.0%	27,809	-9.4%	28,629	25,201	-12.0%
Direct	12,186	19,288	58.3%	19,196	0.5%	12,186	19,288	58.3%
Indirect	16,443	5,913	-64.0%	8,613	-31.3%	16,443	5,913	-64.0%
Total Direct Accesses	431,851	476,106	10.2%	482,540	-1.3%	431,851	476,106	10.2%
Total Indirect Accesses	326,626	168,351	-48.5%	218,558	-23.0%	326,626	168,351	-48.5%
Unbundled COs with transmission	157	174	10.8%	174	0.0%	157	174	10.8%
Unbundled COs with ADSL2+	148	166	12.2%	166	0.0%	148	166	12.2%
Direct access as % Cust. Revenues	73.1%	72.6%	-0,5pp	71.4%	1,2pp	75.7%	69.7%	-6pp
Average Revenue per Access - Retail ⁽²⁾	22.3	21.6	-3.4%	21.1	2.3%	23.1	21.5	-6.7%

(1) Number of Direct Accesses for periods from 3Q07 until 3Q08 were restated; (2) Excluding Mass Calling services' revenues and recalculated in 3Q08 according to the restated number of accesses

Customer base

It should be noted that in this quarter we have restated the number of direct accesses since 3Q07, to reflect the final numbers of active accesses effectively acquired from ONI and Tele2 and thus the real starting position and to incorporate the impact of the new internal dunning procedures, implemented as a result of the shorter judicial timeframe to claim overdue invoices. The combined restatement to the 3Q07 direct accesses is 40 thousand. This restatement of accesses provides a clearer starting point and allows for a like-for-like comparison and has naturally led to a corresponding adjustment to Average Revenue per Access.

At the end of 3Q08, total accesses reached 644.5 thousand, a decrease of 15.0% compared to 3Q07, with the 10.2% increase in direct accesses not sufficient to compensate the 48.5% reduction in indirect accesses, as a reflection of the expected market evolution of migration of indirect voice customers to direct access (including bundled) offers. Direct accesses represented 72.6% of the Wireline Business total accesses at the end of 3Q08, compared to 71.4% in 2Q08.

Direct net additions in 3Q08 were negative 6 thousand accesses mainly as a result of the deceleration that the total fixed broadband market in Portugal experienced in the last quarters, together with the fact that during the quarter we have not expanded the addressable market for ULL as we have not opened any new CO for ADSL2+ services.

The average Wireline retail revenue per access decreased to 21.6 euros, down by 3.4% against 3Q07, driven mainly by the negative impact of our promotion campaigns carried out in 2008, in response to similar pricing movements launched by our main competitors.

Services

During 3Q08, we also continued to reinforce our IPTV offers by adding new contents, including the introduction of new channels such as “Nat Geo Wild”, “PFC - Premiere Futebol Clube” and “The Style Network” and, most importantly, the launch of our first High-Definition channel (Luxe TV HD). It is important to note that Clix SmarTV is still the only service which includes reference channels such as Fox and Sony Entertainment Television in its base offer. Competitors have been typically including these channels only in their most expensive offers or as *premium* channels, requiring the payment of an extra monthly fee for each of them.

Wireline access network

During 3Q08 we did not unbundle any new CO for SHDSL circuit interconnection. With these circuits (installed at 174 COs), Sonaecom is capable of operating direct connections for most of our mobile access network, thus further reducing the dependency on the incumbents' leased circuits.

We also did not enlarge the addressable market of our ULL offers as, during 3Q08, we did not open any additional COs with ADSL2+. The addressable market of our ULL network continues to correspond to approximately 55% of total fixed lines in Portugal. Of the 166 central offices we have unbundled until 3Q08, approximately 72% are prepared with full triple play capability.

Fibre deployment

As regards our announced FTTH plan, we have now completed the initial phase of our deployment plan having reached our target in terms of homes passed by the end of 3Q08 in the initial coverage zones of Lisbon and Porto, and we are now, after the commercial launch in 3Q08 of our fibre offers, preparing the way for the next phases of deployment. The feedback we are receiving from connected customers is extremely positive, in terms of both their broadband and TV experience.

At the end of 3Q08, on the back of the preparation work carried out during 1H08 in terms of contents, organization and systems, we launched the first fibre commercial offer in Portugal. Under the “Clix Fibre” designation, customers will now have the chance to access to most advanced TV, Broadband, Home-Video and telephony services. With this new offer, fibre customers will have access to the fastest Internet offer in the market, with guaranteed speeds of up to 100 Mbps in the download, which will translate into an unprecedented user-experience. We have made available in our offers a set top box with PVR functionality. Taking advantage of our last generation infrastructure, the new fibre offer is, at this early-stage, available in certain areas of Lisbon (Benfica, Alta de Lisboa and Parque das Nações) and Porto (Carvalhido and Leça da Palmeira).

As a key element of the communication plan with the potential and existing customers, Clix has launched a new website (<http://fibra.clix.pt>) dedicated to this new service. The site presents the new fibre offer to our customers, with all the benefits of the service and available packs.

4.2.2. Financial data

Million euros								
WIRELINE INCOME STATEMENT	3Q07	3Q08	y.o.y	2Q08	q.o.q	9M07	9M08	y.o.y
Turnover	66.9	72.6	8.5%	72.4	0.2%	177.6	220.1	24.0%
Service Revenues	66.7	72.3	8.4%	72.2	0.1%	177.3	219.5	23.8%
Customer Revenues	35.1	40.3	14.8%	44.6	-9.7%	89.8	133.7	48.8%
Direct Access Revenues	25.7	29.3	14.0%	31.8	-8.1%	68.0	93.2	37.0%
Indirect Access Revenues	8.7	10.3	18.3%	11.9	-13.3%	19.6	37.7	92.2%
Other	0.7	0.8	0.5%	0.9	-17.0%	2.2	2.8	26.0%
Operator Revenues	31.6	32.0	1.3%	27.6	15.9%	87.4	85.9	-1.8%
Equipment Sales	0.2	0.3	74.0%	0.2	51.7%	0.3	0.6	86.8%
Other Revenues	0.8	0.4	-44.6%	-0.2	-	2.6	0.8	-68.0%
Operating Costs	63.3	65.2	3.1%	69.4	-6.0%	172.7	206.6	19.6%
COGS	0.3	0.5	64.1%	0.3	74.1%	0.4	1.1	185.0%
Interconnection	35.2	37.6	6.8%	42.8	-12.0%	93.3	115.4	23.6%
L.Lines & other Network Operating Costs	10.2	9.2	-10.2%	7.1	30.0%	27.3	29.9	9.2%
Personnel Costs	2.2	2.1	-2.7%	2.4	-13.3%	6.9	7.1	3.8%
Marketing & Sales	4.6	4.0	-12.4%	4.1	-3.4%	12.8	12.5	-1.9%
Outsourcing Services ⁽¹⁾	8.2	9.9	20.3%	11.2	-11.8%	24.2	33.8	39.5%
General & Administrative Expenses	2.1	1.7	-19.5%	1.3	30.0%	6.5	6.2	-5.7%
Other Operating Costs	0.4	0.2	-57.9%	0.2	14.0%	1.2	0.6	-50.3%
Provisions and Impairment Losses	0.8	3.3	-	1.3	161.6%	3.2	5.9	86.2%
Service Margin ⁽²⁾	31.5	34.6	10.1%	29.4	17.7%	84.0	104.2	24.0%
Service Margin (%)	47.2%	47.9%	0.7pp	40.8%	7.2pp	47.4%	47.4%	0.1pp
EBITDA	3.6	4.5	24.6%	1.5	199.9%	4.4	8.5	94.7%
EBITDA Margin (%)	5.4%	6.2%	0.8pp	2.1%	4.1pp	2.5%	3.9%	1.4pp
Tender Offer related costs	13.3	0.0	-	0.0	-	13.3	0.0	-100.0%
Depreciation & Amortization	5.2	7.8	50.3%	8.0	-2.4%	14.9	23.8	60.0%
EBIT	-14.9	-3.3	77.7%	-6.5	48.9%	-23.8	-15.3	35.6%
Operating CAPEX ⁽³⁾	7.8	10.1	29.9%	9.6	5.0%	33.7	26.4	-21.7%
Operating CAPEX as % of Turnover	11.6%	13.9%	2.3pp	13.3%	0.6pp	19.0%	12.0%	-7pp
EBITDA - Operating CAPEX	-4.2	-5.6	-34.4%	-8.1	30.9%	-29.4	-17.9	39.0%
Total CAPEX	42.4	10.1	-76.3%	10.5	-3.9%	68.9	27.3	-60.4%

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Service Margin = Service Revenues minus Interconnection Costs; (3) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments.

Turnover

Turnover in 3Q08 amounted to 72.6 million euros, an increase of 8.5% over 3Q07, mainly due to the significant increase in customer revenues, up by 14.8%, driven by the growth in both direct access revenues (14% higher than in 3Q07 but 8.1% lower than in the previous quarter) and indirect access revenues that increased y.o.y. by 18.3%, to 10.3 million euros. The expected trend of reduction in indirect access customers has determined another q.o.q. reduction in the corresponding revenue line.

Direct access revenues accounted for 72.6% of customer revenues in the quarter, an increase of 1.2pp compared to the 2Q08, as a result of our continued focus on the direct access business.

EBITDA

Wireline EBITDA was positive 4.5 million euros, representing a 24.6% increase over the 3.6 million euros registered in 3Q07, and generated a margin of 6.2%. The y.o.y. improvement is primarily due to scale benefits arising from both the increased size of the ULL customer base achieved via organic growth and to the contribution from the businesses acquired last year. EBITDA margin increased by 4.1pp against the previous quarter as a result of the benefits of the new MTR programme and of savings achieved in several costs lines, despite the expected lower level of indirect access revenues.

5. Software and Systems Information (SSI)

SSI achieved a good set of operational and financial results with top-line growth driven by the performance of WeDo Technologies that continued to expand its customer base through its leading Revenue Assurance product ("RAID") and by the increased profitability at Mainroad (our IT company focused in IT Management, Security and Business Continuity) and Bizdirect (our Business Process Automation company).

WeDo continued to consolidate its international presence, grow its leading position in the international Revenue Assurance market, expand beyond its traditional telecoms customer base, and expand its product portfolio. Importantly, during 3Q08 WeDo launched its new Fraud Management System ("Fraud:RAID"), which can be implemented individually or as a fully integrated module of its current revenue assurance product. Also in this quarter, WeDo opened a new subsidiary in Mexico and a branch in Malaysia, increasing its presence and allowing for a more cost effective management of those regions.

5.1. Operational data

SSI OPERATIONAL KPI's	3Q07	3Q08	y.o.y	2Q08	q.o.q	9M07	9M08	y.o.y
IT Service Revenues/Employee ⁽¹⁾ ('000 euros)	28.6	30.0	5.0%	29.7	1.2%	83.8	88.0	5.0%
Equipment Sales as % Turnover	44.4%	49.8%	5.4pp	46.1%	3.7pp	40.6%	47.6%	7pp
Equipment Sales/Employee ⁽²⁾ ('000 euros)	711.5	1,125.5	58.2%	975.1	15.4%	1,823.5	3,083.8	69.1%
EBITDA/Employee ⁽³⁾ ('000 euros)	4.0	3.4	-15.1%	3.0	16.2%	11.8	11.3	-3.7%
Employees	378	471	24.6%	453	4.0%	378	471	24.6%

(1) Excluding employees dedicated to Equipment Sales; (2) Bizdirect; (3) 2Q08 EBITDA excluding the EUR 1.4m gain registered in that quarter, in relation to Tecnológica's purchase process.

SSI continues to show a positive trend in productivity levels, that started in 1Q08 (after a fall in 4Q07 due to the integration of the companies acquired in 2007 and their comparatively lower productivity, a natural outcome during integration phases) with IT service revenues per employee again increasing to 30.0 thousand euros in 3Q08 (respectively, 5.0% and 1.2% above the levels registered in 3Q07 and in 2Q08), while equipment sales per employee have increased by more than 58% when compared to 3Q07. Total headcount at the end of 3Q08 increased to 471, 24.6% above 3Q07, mainly due to: (i) the consolidation of the companies acquired by WeDo during 4Q07 (Cape and Praesidium); and (ii) the need for additional internal consultants to support the increased level of activity.

During the quarter, **WeDo** obtained two new key accounts, namely leading telecom operators in Pakistan and in Italy. It is also worth noting that WeDo's costumer orders in the first nine months of the 2008 have increased by 33%, in comparison with the equivalent period in 2007, with YTD orders already overcoming the total amount obtained during FY07. YTD orders arising from international markets totalled approximately 60% of total orders.

Mainroad started during 3Q08 the expansion of its Data Centre in Porto, an investment that will amount to almost 1 million euros, in order to accommodate the growing number of customers and hosting requirements.

Bizdirect obtained a set of new contracts during the quarter, including from the Algarve Metropolitan Region, aimed at implementing electronic purchasing systems in all its 16 municipalities. It should be also highlighted the fact that Bizdirect has launched "BizGov", a new electronic purchasing platform aimed at the public sector, a key target segment for the company.

5.2. Financial data

Million euros								
SSI CONS. INCOME STATEMENT	3Q07	3Q08	y.o.y	2Q08	q.o.q	9M07	9M08	y.o.y
Turnover	20.63	31.18	51.2%	27.42	13.7%	53.41	85.65	60.4%
Service Revenues	11.47	15.66	36.5%	14.79	5.9%	31.73	44.85	41.3%
Equipment Sales	9.16	15.52	69.5%	12.64	22.8%	21.68	40.81	88.2%
Other Revenues	0.07	0.07	2.2%	1.55	-95.2%	0.32	1.69	-
Operating Costs	19.05	29.62	55.5%	26.19	13.1%	49.33	81.99	66.2%
COGS	9.16	15.17	65.7%	12.21	24.2%	21.18	39.86	88.2%
Personnel Costs	5.09	6.72	32.1%	6.70	0.3%	14.98	20.37	36.0%
Marketing & Sales	0.17	0.18	7.2%	0.47	-61.3%	0.75	0.95	26.8%
Outsourcing Services ⁽¹⁾	2.88	4.90	70.1%	4.30	13.9%	7.32	13.39	83.0%
General & Administrative Expenses	1.74	2.55	46.8%	2.48	2.5%	4.92	7.32	49.0%
Other Operating Costs	0.02	0.10	-	0.02	-	0.20	0.11	-43.1%
Provisions and Impairment Losses	0.13	0.00	-	0.01	-	0.19	0.07	-64.7%
EBITDA	1.53	1.64	7.1%	2.78	-41.0%	4.21	5.29	25.6%
EBITDA Margin (%)	7.4%	5.3%	-2.2pp	10.1%	-4.9pp	7.9%	6.2%	-1.7pp
Depreciation & Amortization	0.50	0.51	2.4%	0.48	5.6%	1.20	1.49	24.3%
EBIT	1.03	1.13	9.4%	2.29	-50.8%	3.01	3.80	26.0%
Operating CAPEX ⁽²⁾	0.11	0.67	-	0.29	133.8%	0.36	1.08	-
Operating CAPEX as % of Turnover	0.5%	2.1%	1,6pp	1.0%	1,1pp	0.7%	1.3%	0,6pp
EBITDA - Operating CAPEX	1.42	0.97	-31.7%	2.49	-61.0%	3.85	4.21	9.2%
Total CAPEX	0.16	0.70	-	-2.03	-	3.04	-1.31	-

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments.

Turnover

SSI turnover increased significantly y.o.y and was up 51.2% in 3Q08 to 31.2 million euros, as a result of both higher IT equipment sales, which increased by almost 70% to 15.5 million euros, and higher service revenues, up by 36.5%, mainly driven by the 49.5% increase in service revenues at WeDo. It is also worth noting that all SSI's businesses have posted a y.o.y turnover growth above 10%. WeDo, that grew turnover by 49.5%, accounts for the majority (circa 70%) of SSI's service revenues.

During 3Q08, equipment sales represented 49.8% of turnover, an increase of 5.4pp over the level registered in 3Q07, driven by a positive contribution from the sale of computers at Bizdirect, partly related with the "e-Initiatives" programme launched by the Portuguese Government.

EBITDA

SSI EBITDA was positive 1.64 million euros in 3Q08, an increase of 7.1% against 3Q07, with EBITDA margin decreasing by 2.2pp to 5.3% due to the integration of the new businesses and to the significantly higher level of product sales at Bizdirect that carry lower margins. In relation to the q.o.q. evolution, it should be noted that SSI's EBITDA, in the previous quarter, was partly influenced by a one-off effect related to the recognition of a gain of 1.4 million euros in relation to the final closure of Tecnológica's purchase process. Excluding this effect, SSI's EBITDA would have grown by almost +18.8% in 3Q08, when compared to the previous quarter. It should also be noted that both Mainroad, and particularly, Bizdirect, continued to show a positive y.o.y. evolution at the EBITDA level.

In relation to EBITDA margin, WeDo achieved 8.9% in the quarter, compared to 15.3% in 3Q07, driven by the integration of the acquired businesses, while Mainroad, on an YTD basis, achieved a 13.4% margin, a leading margin for this type of business and representing a growth of 2.6pp, compared to the same period in 2007.

6. Público

Market dynamics continue to be severe for daily paid generalist press with advertising revenues for the sector as a whole, in the first eight months of 2008, decreasing by 1.7%¹ compared to the same period of the previous year (this number refers to advertising space calculated at reference table figures - competitive pressures continue to lead to higher price discounts). During the same period, the free newspapers' advertising revenues is estimated to have increased by approximately 10.1%. Although total circulation numbers for the daily paid generalist press have increased by 8.3%², this was partly explained by circulation campaigns carried out by several players during the first months of 2008.

Among several commercial initiatives implemented in the quarter, it is worth highlighting the introduction of new contents in the weekly Economy supplement and the launch, on 21 September 2008, of a completely new, redesigned Sunday magazine ("Pública"), which now carries a revised content, more focused on the "people behind the news". Público continues to be a clear leader in on-line access among Portuguese newspapers.

6.1. Operational data

PÚBLICO OPERATIONAL KPI's	3Q07	3Q08	y.o.y	2Q08	q.o.q	9M07	9M08	y.o.y
Average Paid Circulation ⁽¹⁾	42.142	41.428	-1,7%	42.055	-1,5%	42.485	42.256	-0,5%
Market Share of Advertising (%) ⁽²⁾	13,0%	10,8%	-2,1pp	13,2%	-2,3pp	13,7%	12,2%	-1,5pp
Audience ⁽³⁾ (%)	n.a.	n.a.	-	4,5%	-	n.a.	n.a.	-
Employees	252	263	4,4%	261	0,8%	252	263	4,4%

(1) Estimated value updated in the following quarter; (2) 3Q08 - until August08; (3) As % of adressable population; Source: Bareme Imprensa 2ª Vaga 2008 (data not gathered in the third quarter)

Until June 2008 (the latest available information), Público's average market share of paid circulation, among daily generalist press, reached 11.6%, approximately 1pp below the comparable period in 2007. In 3Q08, average paid circulation reached 41.4 thousand, a decrease of 1.7% when compared to 3Q07 and 1.5% against the previous quarter. As mentioned above, the paid press market continues to face competitive challenges, with increased competition from 'free' newspapers (which have more than doubled the circulation, partly driven by the launch of three new free titles into the market).

Importantly, recent audience indicators indicated an increase in the total number of readers, with Público ranking third among daily paid generalist press and reaching circa 4.5% of the total population in the 2Q08 (against 4.1% in the previous quarter). Traditionally, this study is not carried-out in the third quarter.

Público's advertising market share continues to be under pressure, reaching an average of 10.8% during 3Q08 (until August, the latest available information), down 2.1pp as compared to 3Q07. The good recent performance shown in terms of audience (to be confirmed when the 4Q analysis is released) may contribute to mitigating the severe market dynamics daily paid newspapers are facing in terms of advertising revenues. In any case, the deteriorating macro-economic environment may lead to further cuts in business spend, in general, with negative impacts over advertising budgets.

¹ Source: Marktest/Media Monitor

² Source: APCT: Jun08 vs Jun07 (latest available data)

6.2. Financial data

Million euros

PÚBLICO CONS. INCOME STATEMENT	3Q07	3Q08	y.o.y	2Q08	q.o.q	9M07	9M08	y.o.y
Turnover	6.96	7.14	2.6%	9.42	-24.3%	23.61	24.37	3.2%
Advertising Sales ⁽¹⁾	2.98	2.75	-7.8%	4.15	-33.7%	10.11	10.06	-0.6%
Newspaper Sales	2.95	3.01	2.0%	3.04	-1.0%	9.05	9.10	0.6%
Associated Product Sales	1.02	1.37	34.7%	2.23	-38.4%	4.44	5.21	17.2%
Other Revenues	0.05	0.16	188.7%	0.04	-	0.17	0.26	56.0%
Operating Costs	8.32	8.49	2.1%	9.78	-13.2%	26.88	27.27	1.4%
COGS	1.45	1.91	32.3%	2.71	-29.5%	6.14	6.76	10.2%
Personnel Costs	2.85	2.81	-1.4%	2.98	-5.9%	8.59	8.69	1.2%
Marketing & Sales	0.82	0.73	-11.1%	1.00	-27.1%	2.31	2.60	12.5%
Outsourcing Services ⁽²⁾	2.53	2.28	-9.8%	2.45	-6.9%	7.72	7.09	-8.1%
General & Administrative Expenses	0.67	0.75	12.0%	0.63	18.6%	2.11	2.10	-0.4%
Other Operating Costs	0.01	0.01	-	0.00	85.1%	0.01	0.02	-
Provisions and Impairment Losses	0.24	0.05	-79.9%	0.04	16.7%	0.36	0.13	-64.5%
EBITDA	-1.55	-1.24	19.7%	-0.36	-	-3.47	-2.77	20.1%
EBITDA Margin (%)	-22.3%	-17.4%	4.8pp	-3.9%	-13.6pp	-14.7%	-11.4%	3.3pp
Depreciation & Amortization	0.17	0.21	23.1%	0.18	15.6%	0.51	0.58	12.4%
EBIT	-1.72	-1.46	15.4%	-0.55	-166.4%	-3.98	-3.35	15.9%
Operating CAPEX ⁽³⁾	0.07	0.11	55.3%	0.60	-81.3%	0.50	0.81	63.8%
Operating CAPEX as % of Turnover	1.0%	1.6%	0.5pp	6.3%	-4.8pp	2.1%	3.3%	1.2pp
EBITDA - Operating CAPEX	-1.62	-1.36	16.4%	-0.96	-41.2%	-3.96	-3.58	9.6%
Total CAPEX	0.07	0.11	55.3%	0.60	-81.3%	0.50	0.81	63.8%

(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.

Turnover

During 3Q08, Público's turnover increased by 2.6% to 7.14 million euros, as a reflection of different trends in its revenue lines: a material growth (+34.7%) in associated product revenues and in newspaper sales (+2.0%), when compared to 3Q07; and a negative evolution in advertising revenues (-7.8%). In terms of quarterly evolution, all revenues lines evolved negatively when compared to 2Q08, a normal outcome for the generalist daily press during the summer season.

Most importantly, on a cumulative basis until September, Público's 2008 turnover is 3.2% above last year, with a positive evolution in all its key revenue lines, with the exception of a marginal decrease (0.6%) in advertising revenues.

In relation to Sexta (the free weekly newspaper launched in 4Q07 and consolidated in Público since November 2007 -proportional consolidation), circulation and advertising indicators in the coming months will enable a better assessment of its impact in the market.

EBITDA

In 3Q08, Público generated a negative EBITDA of 1.24 million euros, which represents a 19.7% improvement over 3Q07. This positive trend resulted not only from the increase in newspaper and associated product revenues but also from reductions achieved in most of its cost lines.

7. Main Regulatory Developments

The following are some of the more relevant regulatory developments during 3Q08:

Mobile Termination Rates (MTRs)

On 22 August 2008, Anacom presented a resolution defending that courts should not accept the injunction filed by TMN and Vodafone, aimed at suspending the introduction of terms of the new Anacom deliberation on MTRs. Accordingly, it is the understanding of Anacom that new MTRs, deliberated in July 2008 and that foresee the introduction of a 20% asymmetry in favour of Sonaecom, would only be applicable from 23 August 2008.

Next Generation Networks

The Portuguese Government released a resolution of the Council of Ministries held on 30 July 2008, defining certain guidelines for the development of Next Generation Networks ("NGNs") in Portugal and defining as a strategic priority for the country the investments in these networks. Within this scope, the Government defined concrete objectives to be achieved in 2010, among which the goal to connect, by 2010, 1 million people to these new networks. It has also asked the regulator to analyse the geographic segmentation of the market and to develop a regulatory framework which, while incentivising the investments in the Portuguese economy, guarantees the sustainability of the market competition. Finally, the government has also announced that it will include, within the scope of the 2009 Public Budget, measures aimed at promoting the investment in NGNs in remote or less populated areas.

New Mobile License (450-470 MHz)

Only one contender has presented, on the last day of the auction (3 October), a bid under the public contest for the granting of the new license for the provision of mobile services in the 450-470 MHz frequency range. The contender is a company called RNT (Rede Nacional de Telecomunicações), 85% held by a British company (Telephony Holding) and 15% by Radiomóvel, a Portuguese *trunking* operator (the terms of the contest limited its participation in the contender to 20%). The jury had 20 days to analyse this proposal.

Proposals to amend the EC Roaming Directive

The European Commission announced during the quarter new proposals to amend the roaming regulation, which included: (i) the extension to Short Messaging Services (with a definition of maximum retail and wholesale services at €0.11 and €0.04 respectively); (ii) increased transparency and regulation over wholesale data services (€1/MB); (iii) the extension until 2012 of the regulation over roaming tariffs (voice services); and (iv) the introduction, from 1 July 2009, of per second billing on roaming calls. These proposals will have to be discussed at the European Parliament and at the EU Council of Ministries and can still be rejected or approved with amendments, as it was the case in the regulation over roaming calls that came into effect on June 2007.

8. Main Corporate Developments

Acquisition of own shares

From 23 June to 7 August 2008, Sonaecom purchased, through the Euronext Lisbon Stock Exchange, a total of 2,900,090 own shares representing approximately 0.79% of its share capital. As at the end of 3Q08, Sonaecom was the holder of 3,868,643 own shares, representing approximately 1.06% of its share capital. In addition, from 8 October to 27 October, Sonaecom purchased, through the Euronext Lisbon Stock Exchange, a total of 1,322,000 own shares representing approximately 0.36% of its share capital. The weighted average price of all the purchases referred above stood at 1.87 euros per share. As at 27 October 2008, Sonaecom was the holder of 5,190,643 own shares, representing approximately 1.42% of its share capital.

Transfer of Qualifying Shareholding

On 1 August 2008, Wirefree Services Belgium, S.A., a fully owned subsidiary of France Télécom, S.A. (FT), communicated that it had sold 70,276,868 Sonaecom shares (approximately 19.188% of the share capital of Sonaecom), and corresponding voting rights, to Atlas Services Belgium, S.A.. Considering that this company is also 100% controlled by FT, as a result of such transfer these shares and voting rights will continue to be attributable to FT, pursuant to article 20/1 (b) of the Portuguese Securities Code.

9. Subsequent Events

Renewal of Strategic Partnership Agreement with FT

On 24 October 2008, Sonaecom reached an agreement with France Télécom, S.A. regarding the extension, for an additional period of three years, of the Strategic Partnership Agreement that binds both groups since 2005.

Such extension has, as its main objective, the enhancement of cooperation between Sonaecom and France Télécom and is the result of the renegotiation of the operational terms of the SPA (that were disclosed by Sonaecom at the time of announcement of the original Agreement in 2005) that was carried out by the parties after the end of the initial term of the Agreement.

10. Consolidated Financial Statements

SONAECON, S.G.P.S., S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS FOR THE PERIODS ENDED AT 30 SEPTEMBER 2008 AND 2007 AND
FOR THE YEAR ENDED AT 31 DECEMBER 2007
(Amounts expressed in Euro)

ASSETS	Notes	September 2008	September 2007	December 2007
NON CURRENT ASSETS:				
Tangible assets	1.d), 1.i) and 6	542,399,484	519,908,968	533,166,510
Intangible assets	1.e), 1.f) and 7	274,383,446	172,916,326	189,436,634
Goodwill	1.g) and 9	525,872,078	523,033,647	528,216,604
Investments in associated companies	1.b) and 4	757,069	735,614	747,614
Investments available for sale	1.h), 8 and 10	1,207,320	1,207,320	1,207,320
Deferred tax assets	1.q) and 11	108,465,057	67,377,137	101,118,096
Other non current assets		-	17,250,000	-
Total non current assets		1,453,084,454	1,302,429,012	1,353,892,778
CURRENT ASSETS:				
Inventories	1.j)	30,460,998	26,512,351	24,036,540
Trade debtors	1.k) and 8	188,730,631	159,136,892	192,029,940
Other current debtors	1.k) and 8	23,102,565	18,994,450	17,704,719
Other current assets	1.s), 1.t) and 1.y)	109,304,667	81,449,819	87,096,013
Investments recorded at fair value through profit or loss	1.h) and 12	-	351,593	-
Cash and cash equivalents	1.l), 8 and 13	3,589,193	13,860,821	83,851,612
Total current assets		355,188,054	300,305,926	404,718,824
Total assets		1,808,272,508	1,602,734,938	1,758,611,602
SHAREHOLDERS' FUNDS AND LIABILITIES				
SHAREHOLDERS' FUNDS:				
Share capital	14	366,246,868	366,246,868	366,246,868
Own shares	1. v) and 15	(10,740,014)	(8,938,165)	(8,938,165)
Reserves	1.u)	572,266,973	539,766,797	540,469,726
Consolidated net income/(loss) for the period		(8,103,761)	2,931,367	36,777,870
		919,670,066	900,006,867	934,556,299
Minority interests		1,074,725	700,433	865,131
Total Shareholders' Funds		920,744,791	900,707,300	935,421,430
LIABILITIES:				
NON CURRENT LIABILITIES:				
Medium and long-term loans - net of short-term portion	1.m), 1.n), 8 and 16	362,288,201	307,786,705	373,213,990
Other non current financial liabilities	1.i), 8 and 17	17,474,517	17,359,650	17,916,038
Provisions for other liabilities and charges	1.p), 1. t) and 18	33,594,099	30,895,343	30,885,378
Deferred tax liabilities	1.q) and 11	597,958	214,885	284,402
Other non current liabilities	1.s), 1.t), 1.y)	70,661,853	413,598	291,147
Total non current liabilities		484,616,628	356,670,181	422,590,955
CURRENT LIABILITIES:				
Short-term loans and other loans	1.m), 1.n), 8, 13 and 16	4,980,085	165,574	624,457
Trade creditors	8	177,336,450	130,359,778	185,332,554
Other current financial liabilities	1.i), 8 and 19	1,711,919	1,899,037	1,926,041
Other creditors	8	13,156,956	21,023,495	18,350,798
Other current liabilities	1.s), 1.t) and 1.y)	205,725,679	191,909,573	194,365,367
Total current liabilities		402,911,089	345,357,457	400,599,217
Total Shareholders' Funds and liabilities		1,808,272,508	1,602,734,938	1,758,611,602

The notes are an integral part of the consolidated financial statements at 30 September 2008 and 2007.

The Chief Accountant

The Board of Directors

SONAE COM, S.G.P.S., S.A. AND SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT BY NATURE
FOR THE QUARTERS AND THE PERIODS ENDED AT 30 SEPTEMBER 2008 AND 2007 AND
FOR THE YEAR ENDED AT 31 DECEMBER 2007

(Amounts expressed in Euro)

Notes	September 2008 (Not audited)	June to September 2008 (Not audited)	September 2007 (Not audited)	June to September 2007 (Not audited)	December 2007
Sales	72,850,677	29,401,935	54,917,954	18,755,029	79,052,510
Services rendered	654,049,981	221,920,223	589,360,076	212,090,959	813,641,181
Other operating revenues	5,742,303	1,407,170	4,232,275	2,164,743	6,421,176
	<u>732,642,961</u>	<u>252,729,328</u>	<u>648,510,305</u>	<u>233,010,731</u>	<u>899,114,867</u>
Cost of sales	(91,999,103)	(36,004,711)	(74,720,019)	(27,208,343)	(108,621,905)
External supplies and services	20 (427,163,962)	(135,923,761)	(365,300,196)	(130,122,125)	(507,530,381)
Staff expenses	(70,630,025)	(21,827,496)	(69,080,013)	(22,268,359)	(95,000,392)
Depreciation and amortisation	1. d), 1. e), 6 and 7 (118,261,461)	(40,442,687)	(101,497,212)	(34,437,553)	(139,982,820)
Provisions and impairment losses	1.p), 1.x) and 18 (14,672,165)	(6,802,361)	(9,232,475)	(2,883,982)	(12,176,960)
Other operating costs	(11,271,352)	(3,951,488)	(9,608,175)	(3,137,173)	(13,791,210)
	<u>(733,998,068)</u>	<u>(244,952,504)</u>	<u>(629,438,090)</u>	<u>(220,057,535)</u>	<u>(877,103,668)</u>
Gains and losses on associated companies	21 9,456	-	(87,573)	-	224,427
Gains and losses on investments available for sale	21 -	-	5,578,307	3,104,862	5,578,307
Other financial expenses	1.n), 1.o), 1.w), 1.x) and 21 (14,963,350)	(5,455,147)	(34,753,351)	(14,735,720)	(39,460,766)
Other financial income	1.o), 1.w) and 21 2,588,471	980,398	11,622,387	2,226,135	12,176,948
Current income/(loss)	(13,720,530)	3,302,075	1,431,985	3,548,473	530,115
Income taxation	1.q), 11 and 22 5,832,612	875,006	1,705,195	4,166,514	36,635,013
Consolidated net income/(loss)	(7,887,918)	4,177,081	3,137,180	7,714,987	37,165,128
Attributed to:					
Shareholders of parent company	26 (8,103,761)	4,123,831	2,931,367	7,644,691	36,777,870
Minority interests	215,843	53,250	205,813	70,296	387,258
Earnings per share					
Including discontinued operations					
Basic	(0.02)	0.01	0.01	0.02	0.10
Diluted	(0.02)	0.01	0.01	0.02	0.10
Excluding discontinued operations					
Basic	(0.02)	0.01	0.01	0.02	0.10
Diluted	(0.02)	0.01	0.01	0.02	0.10

The notes are an integral part of the consolidated financial statements at 30 September 2008 and 2007.

The Chief Accountant

The Board of Directors

SONAECON, S.G.P.S., S.A. AND SUBSIDIARIES
CONSOLIDATED MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE PERIODS ENDED AT 30 SEPTEMBER 2008 AND 2007
(Amounts expressed in Euro)

	2008												
	Reserves												
	Share capital	Own shares (Note 15)	Legal reserves	Share premium	Other reserves	Reserves for Medium Term Incentive Plans	Hedging reserves	Reserves of Own shares	Fair value reserves (Note 10)	Total reserves	Minority Interests	Net income/(loss)	Total
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
Appropriation of the consolidated net result of 2007	-	-	-	-	36,777,870	-	-	-	-	36,777,870	-	(36,777,870)	-
Consolidated net income/(loss) for the nine month period ended at 30 September 2008	-	-	-	-	-	-	-	-	-	-	-	(8,103,761)	(8,103,761)
Delivery of own shares under Medium Term Incentive Plans	-	4,275,838	-	-	2,113,542	-	-	(4,275,838)	-	(2,162,296)	-	-	2,113,542
Acquisition of own shares	-	(6,077,687)	-	-	(6,077,687)	-	-	6,077,687	-	-	-	-	(6,077,687)
Fair value reserves (Note 16)	-	-	-	-	-	-	547,391	-	-	547,391	-	-	547,391
Transfer to liabilities of the reponsabilities associated to the Medium Term Incentive Plans	-	-	-	-	-	(3,186,678)	-	-	-	(3,186,678)	-	-	(3,186,678)
Adjustments in foreign currency translation reserves and others	-	-	-	-	(179,040)	-	-	-	-	(179,040)	-	-	(179,040)
Balance at 30 September 2008	366,246,868	(10,740,014)	1,002,287	775,290,377	(215,726,006)	-	960,301	10,740,014	-	572,266,973	-	(8,103,761)	919,670,066
Minority interests													
Balance at 31 December 2007	-	-	-	-	-	-	-	-	-	-	865,131	-	865,131
Minority interests on results	-	-	-	-	-	-	-	-	-	-	215,843	-	215,843
Other changes	-	-	-	-	-	-	-	-	-	-	(6,249)	-	(6,249)
Balance at 30 September 2008	-	-	-	-	-	-	-	-	-	-	1,074,725	-	1,074,725
Total	366,246,868	(10,740,014)	1,002,287	775,290,377	(215,726,006)	-	960,301	10,740,014	-	572,266,973	1,074,725	(8,103,761)	920,744,791
	2007												
	Reserves												
	Share capital	Own shares (Note 15)	Legal reserves	Share premium	Other reserves	Reserves for Medium Term Incentive Plans	Hedging reserves	Reserves of Own shares	Fair value reserves (Note 10)	Total reserves	Minority Interests	Net income/(loss)	Total
Balance at 31 December 2006	366,246,868	-	559,078	775,290,377	(225,277,495)	952,390	-	-	5,121,876	556,646,226	-	(13,883,168)	909,009,926
Appropriation of the consolidated net result of 2006	-	-	443,209	-	(14,326,377)	-	-	-	-	(13,883,168)	-	13,883,168	-
Consolidated net income/(loss) for the nine month period ended at 30 September 2007	-	-	-	-	-	-	-	-	-	-	-	2,931,367	2,931,367
Acquisition of own shares	-	(8,938,165)	-	-	(8,938,165)	-	-	8,938,165	-	-	-	-	(8,938,165)
Fair value reserves	-	-	-	-	176,657	-	-	-	(5,121,876)	(4,945,219)	-	-	(4,945,219)
Recognition of the Medium Term Incentive Plans	-	-	-	-	-	1,742,509	-	-	-	1,742,509	-	-	1,742,509
Reimbursements of expenses incurred in share capital increases (stamp tax)	-	-	-	-	300,000	-	-	-	-	300,000	-	-	300,000
Adjustments in foreign currency translation reserves and others	-	-	-	-	(93,551)	-	-	-	-	(93,551)	-	-	(93,551)
Balance at 30 September 2007	366,246,868	(8,938,165)	1,002,287	775,290,377	(248,158,931)	2,694,899	-	8,938,165	-	539,766,797	-	2,931,367	900,006,867
Minority interests													
Balance at 31 December 2006	-	-	-	-	-	-	-	-	-	-	471,382	-	471,382
Minority interests on results	-	-	-	-	-	-	-	-	-	-	205,813	-	205,813
Other changes	-	-	-	-	-	-	-	-	-	-	23,238	-	23,238
Balance at 30 September 2007	-	-	-	-	-	-	-	-	-	-	700,433	-	700,433
Total	366,246,868	(8,938,165)	1,002,287	775,290,377	(248,158,931)	2,694,899	-	8,938,165	-	539,766,797	700,433	2,931,367	900,707,300

The notes are an integral part of the consolidated financial statements at 30 September 2008 and 2007.

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIODS ENDED AT 30 SEPTEMBER 2008 AND 2007

(Amounts expressed in Euro)

	<u>30 September 2008</u>		<u>30 September 2007</u>	
Operating activities				
Receipts from trade debtors	716,588,884		636,712,718	
Payments to trade creditors	(556,490,417)		(443,537,640)	
Payments to employees	(80,856,295)		(77,354,117)	
Cash flows from operating activities	79,242,171		115,820,961	
Payments/receipts relating to income taxes, net	(2,588,889)		(2,336,424)	
Other payments/receipts relating to operating activities, net	(6,591,794)		4,618,025	
Cash flows from operating activities (1)	70,061,489	70,061,489	118,102,562	118,102,562
Investing activities				
Receipts from:				
Investments	1,496,920		108,549,264	
Tangible assets	869,502		553,596	
Intangible assets	3,649		14,839	
Interest and similar income	2,308,913	4,678,983	11,174,497	120,292,196
Payments for:				
Loans granted	-		(5,000)	
Investments	(1,977,195)		(32,243,905)	
Tangible assets	(105,705,963)		(86,228,620)	
Intangible assets	(17,479,225)	(125,162,383)	(25,900,401)	(144,377,926)
Cash flows from investing activities (2)	(120,483,400)	(120,483,400)	(24,085,730)	(24,085,730)
Financing activities				
Receipts from:				
Loans obtained	-	-	159,000,000	159,000,000
Payments for:				
Leasings	(1,475,557)		(1,744,757)	
Interest and similar expenses	(15,122,634)		(26,977,133)	
Own shares	(6,077,687)		(8,938,165)	
Loans obtained	(7,350,001)	(30,025,879)	(327,969,546)	(365,629,601)
Cash flows from financing activities (3)	(30,025,879)	(30,025,879)	(206,629,601)	(206,629,601)
Net cash flows (4)=(1)+(2)+(3)	(80,447,790)	(80,447,790)	(112,612,769)	(112,612,769)
Effect of the foreign exchanges	20,256		(126,111)	
Cash and cash equivalents at the beginning of the year	(83,227,155)		(126,181,404)	
Cash and cash equivalents at the end of the semester	2,759,109		13,695,247	

The notes are an integral part of the consolidated financial statements at 30 September 2008 and 2007.

O Técnico Oficial de Contas

O Conselho de Administração

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

APPENDIX TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIODS ENDED AT 30 SEPTEMBER 2008 AND 2007

(Amounts expressed in Euro)

	30 September 2008	30 September 2007		
1 - Acquisition or sale of subsidiaries or other businesses				
a) Acquisitions				
Tecnológica Telecomunicações, Ltda.	-	2,385,552		
Telemilénio Telecomunicações - Sociedade Unipessoal, Lda.	-	14,553,012		
We Do Consulting - Sistemas Informação, S.A.	-	299,779		
Advances under the acquisition of Cape Technologies, Limited	-	17,250,000		
b) Amounts paid from acquisitions of previous years				
Tecnológica Telecomunicações, Ltda.	758,331	2,244,439		
Cape Technologies, Limited	594,390	-		
Praesidium Holdings Limited	624,474	-		
	<u>1,977,195</u>	<u>32,243,904</u>		
c) Amount received from acquisitions of previous years (price adjustments)				
Telemilénio Telecomunicações - Sociedade Unipessoal, Lda.	1,496,920	-		
d) Amount of other assets and liabilities sold				
Portugal Telecom, S.G.P.S., S.A. Shares	-	108,461,474		
Outsystem Software em Rede, S.A.	-	87,790		
	<u>1,496,920</u>	<u>108,549,264</u>		
2 - Details of cash and cash equivalents:				
Cash in hand	318,878	184,687		
Cash at bank	3,023,656	7,611,271		
Treasury applications	246,660	6,064,863		
Overdrafts	(830,085)	(165,574)		
Cash and cash equivalents	<u>2,759,109</u>	<u>13,695,247</u>		
Overdrafts	830,085	165,574		
Cash assets	3,589,193	13,860,821		
3 - Description of non monetary financing activities				
a) Bank credit granted and not used	121,684,216	180,611,398		
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	99,776,313	(117,930,280)	(4,727,545)	(22,881,512)
Multimedia	728,009	301,106	(24,328)	1,004,786
Information Systems	(25,845,247)	(2,477,116)	(97,278)	(28,419,640)
Others	(4,597,586)	(377,110)	(25,176,728)	(30,151,424)
	<u>70,061,489</u>	<u>(120,483,400)</u>	<u>(30,025,879)</u>	<u>(80,447,790)</u>

The notes are an integral part of the consolidated financial statements at 30 September 2007 and 2008.

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11. Notes to the Consolidated Financial Statement

**Notes
to the consolidated financial statements
at 30 September 2008 and 2007**

(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, 3 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.

By decision of the Shareholders General Meeting held on 16 April 2008, bearer shares were converted into registered shares.

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 subsidiaries (from the information systems consultancy segment) operating in Brazil, United Kingdom, Ireland, Poland, Australia, Mexico, Malaysia and United the 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 relate to the consolidated financial statements of the Sonaecom Group and have been prepared on a going concern basis, based on the accounting records of the companies included in the consolidation (Notes 2, 3 and 4) in accordance with the 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, and taking into consideration IAS 34 – "Interim Financial Reporting".

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

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

On 29 March 2007, with mandatory effect as from 1 January 2009, but with earlier adoption allowed, the IASB issued a revised IAS 23 – "Borrowing Costs", which in relation to its previous version, eliminated the possibility of immediate recognition in the profit and loss statement of borrowing costs relating to assets that require a substantial period of time to be ready for use or sale. Sonaecom had already adopted the procedure of capitalizing 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 Group consolidated financial statements.

At 13 October 2008, as a consequence of the instability in the international financial markets, amendments were made in the financial reporting standards (namely, IAS 39 and IFRS 7) and endorsed by the European Union. These changes relate mainly to the possibility of transferring financial assets to other classes of assets and have immediate effects. Retrospective application from 1 July 2008 is allowed, provided that the reclassifications are reported until 1 November

2008. Since these changes have no significant impact on the Group's consolidated financial statements the referred option was not applied.

Additionally, the following standards and interpretations were issued, but their application was not mandatory or the endorsement by the European Union has not yet occurred:

- Amendments to IAS 1, 16, 19, 20, 27, 28, 29, 31, 32, 36, 38, 39, 40, and 41, and also to IFRS 1, 2 and 5, mandatory at 1 January 2009;
- Amendments to IAS 27, 31 and 37, mandatory at 1 July 2009;
- Review of IAS 1 – “Presentation of Financial Statements”, mandatory at 1 January 2009;
- Review of IFRS 3 – “Business Combinations”, mandatory at 1 July 2009;
- IFRS 8 – “Operating Segments” and IFRIC 15 – “Agreements for the Construction of Real Estate”, both mandatory at 1 January 2009;
- IFRIC 12 – “Service Concession Arrangements” and IFRIC 14 – “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”, both mandatory at 1 January 2008, but not yet endorsed in the EU;
- IFRIC 13 – “Customer Loyalty Programmes”, mandatory at 1 July 2008 but not yet endorsed in the EU;
- IFRIC 16 – “Hedges of a Net Investment in a Foreign Operation”, mandatory at 1 October 2008.

At 30 September 2008, the Group already adopted IFRIC 13. The other standards and interpretations will have no significant impact on the Group's consolidated financial statements.

The accounting policies and measurement criteria adopted by the Group at 30 September 2008 are comparable with those used in the preparation of the consolidated financial statements at 31 December 2007.

Main accounting policies

The main accounting policies used in the preparation of the accompanying consolidated financial statements are 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 profit and loss statement, 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 profit and loss statement 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 the 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) Companies jointly controlled

The financial statements of companies jointly controlled have been consolidated in the accompanying financial statements by the proportional method, since their acquisition date. According to this method, assets, liabilities, income and costs of these companies have been included into the accompanying consolidated financial statements, in the proportion attributable 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.

The transactions, balances and dividends distributed among Group companies and jointly controlled companies are eliminated in the proportion attributable to the Group.

The classification of financial investments as jointly controlled is determined, among other things, on the Shareholders' Agreements that govern the jointly controlled companies.

A detail of the companies jointly controlled is disclosed in Note 3.

d) Tangible assets

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

Depreciations are calculated 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 profit and loss statement 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 profit and loss statement.

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
Networks	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 in accordance with the estimated 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 are start operating 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 second half of 2007, based on independent appraisals reports, the Group reassessed, on a prospective basis, the useful life of certain assets recorded under the caption 'Tangible assets'.

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 comprise, essentially, 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 as the costs incurred with the acquisition of customers portfolios (value attributed under the purchase price allocation in business combinations).

Amortisations are calculated 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 licenses are amortised over the estimated period for which they were granted. During the third quarter of 2008, the Group revised, with prospective effects, the useful life of the UMTS license, given the high degree of probability of its renewal and the high degree of probability that such renewal shall be obtained without significant costs. Therefore, the UMTS license is being amortised on a straight-line basis for the period between the commercial launch date and the estimated end date of the license (2030). Additional license costs, namely the ones related to the commitments assumed by the Group under the UMTS license, regarding the contributions to the "Information Society", are being amortised up to the estimated useful life of the license. The amortisation of the customer's portfolios is provided on a straight-line basis over the estimated average retention period of the customers (5 to 6 years).

Internally-generated intangible assets, namely research and development expenditures, are recognised in the profit and losses statement when incurred. Development expenditures can only be recognised 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 period is recorded in the profit and loss statement 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. When the estimated useful life is undetermined, they are not depreciated but are subject to annual impairment tests.

Sonaecom group does not hold any brands or patents with undetermined useful life therefore the second half of the above paragraph does not apply.

g) Goodwill

Differences between the cost of investments in subsidiaries and associated companies and the amount attributed to the fair value of the 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 profit and loss statement. Until 1 January 2004, 'Goodwill' was amortised over the estimated period of recovery of the investments, usually ten years, and the annual amortisation was recorded in the profit and loss statement under the caption 'Depreciation and amortisation'. Since 1 January 2004 and in accordance with the IFRS 3 – "Business Combinations", the Group has ceased the amortisation of the 'Goodwill'. Impairment losses of Goodwill are recorded in the profit and loss statement for the period under the caption 'Depreciation and amortisation'.

In subsequent acquisitions of financial investments already held by the Group, an amount of Goodwill is registered equal to the difference between the 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 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 has been acquired principally with the purpose of selling it 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 carried at amortised cost using the effective interest method, deducted from any impairment losses.

Loans and receivables are recorded as current assets, except when its maturity is greater than twelve months from the balance sheet date, situation in which they are classified as non-current assets. Loans and receivables are included in the captions '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 until their maturity.

d) 'Available-for-sale financial assets'

Available-for-sale financial assets are non-derivative investments that are either designated in this category or not classified in any of the other above referred categories. They are included in non-current assets unless management intends to dispose them 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 all substantial risks and rewards of their ownership have been transferred.

'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 profit and losses 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 profit and losses 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 similar instruments, 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 (decline above 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 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 losses on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and losses statement. Impairment losses recognised in the profit and losses statement on equity securities are not reversed through the profit and losses statement.

i) Financial and operational leases

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 related liability are recorded in accordance with the contractual financial plan at fair value or, if less, at the present value of payments. In addition, interests included in lease payments and the depreciation of the tangible assets are recognised as expenses in the profit and loss statement 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 its estimated net 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 18).

k) Trade and other current debtors

Trade and other current debtors are recorded at their net realisable value and do not include interests, since the discount effect is not significant.

These financial investments arise when the Group provides money, supplies goods or provides services directly to a debtor with no intention of trading the receivable.

The amount of this caption is presented net of any impairment losses. Future reversals of impairment losses are recorded in the profit and loss statement under the 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 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 flows related to operating activities. Cash flows from investing activities include the acquisition and sale of investments in associated and subsidiaries companies, as well 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 likely to be realised in the short term and there are no amounts given or pledged as 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 loans caption until their payment.

n) Financial expenses relating to loans obtained

Financial expenses related to loans obtained are generally recognised as expenses at the time they are incurred. Financial expenses related 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 and are interrupted when the assets are ready to operate, 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 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.

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 has already been communicated to the parties involved.

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes, if the possibility of a cash outflow affecting future economic benefits is not 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’ expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in accordance with IAS 12.

Sonaecom has adopted, since 1 January 2008, the special regime for the taxation of groups of companies, under which, the provision for income tax is determined on the basis of the estimated taxable income of all the companies covered by that regime, in accordance with such rules. The special regime for the taxation of groups of companies covers all subsidiaries on which the Group holds at least 90% of their share capital, with its headquarters located in Portugal and subject to Corporate Income Tax (IRC). The remaining Group companies not covered by the special regime for the taxation of groups of companies are taxed individually based on their respective taxable income, in accordance with the tax rules in force in the location of the headquarters of each 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 shall arise in the future to allow such deferred tax assets to be used. At the end of each period the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are, likely, enabling the recovery of such assets (Note 11).

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

Whenever deferred taxes derive from assets or liabilities directly registered in Shareholders' funds, its recording is also made in Shareholders' funds captions. 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 in which the Group incurs the associated costs and are included in the profit and loss statement as a deduction to such costs.

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

s) Accrual basis and revenue recognition

Expenses and income are recorded in the period 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 latter shall be included by the corresponding amounts 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 into consideration the probability of the redemption of the points, and are recognised, as a deduction to income, at the time the points are granted, by a corresponding entry in the caption 'Other current liabilities'.

The revenues and costs of the consultancy projects developed in the information systems consultancy segment are recognised in each period, according to the percentage of completion method.

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

Dividends are recognised when the shareholders rights to receive such amounts are 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 18).

u) Reserves

Legal reserve

Portuguese commercial legislation requires that at least 5% of the 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 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 premiums

The Share premiums relate to premiums generated in the issuance of capital or in capital increases. According to Portuguese law, Share premiums follow the same requirements of 'Legal reserves', i.e., they are not distributable, except in case of liquidation, but they can be used to absorb losses, after all the other reserves are exhausted or to increase share capital.

Medium Term Incentive Plans Reserves

According to IFRS 2, the responsibility related with the equity settled plans is registered under the heading of Medium Term Incentive Plan Reserves, which are not distributable and which can not be used to absorb losses.

Hedging reserve

Hedging reserve reflects the changes in fair value of "cash-flow" hedges derivatives that are considered effective (Note 1.o) and it is non distributable nor can it be used to absorb losses.

Own shares reserve

The own shares reserve reflects the acquisition value of the own shares and follows the same requirements of legal reserves.

Under Portuguese law, the amount of distributable reserves is determined in accordance with the individual financial statements of the Company, presented in accordance with IAS/IFRS. Therefore, at 30 September 2008, Sonaecom, SGPS, S.A., did not have any reserves which by their nature could be considered distributable.

v) Own shares

Own shares are recorded as a deduction of shareholders funds. Gains or losses arisen from the sale of own shares are recorded under the heading "Other reserves".

w) Foreign currency

All assets and liabilities expressed in foreign currency were translated into Euro using the exchange rates in force at 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 period, 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 at the balance sheet date, while expenses and income in such financial statements are translated into Euro using the average rate of exchange for the period. The resulting exchange differences are recorded in the shareholders' funds caption 'Other reserves'.

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

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

	2008		2007	
	30.09.08	Average	30.09.07	Average
Pounds Sterling	1.26534	1.27950	-	-
Brazilian Real	0.36331	0.39085	0.38278	0.37219
American Dollar	0.69915	0.65803	-	-
Zloti (Poland)	0.29440	0.29209	-	-
Australian Dollar	0.56373	0.59978	-	-

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 profit and loss statement 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 or under the caption 'Provisions and impairment losses', in relation to the other assets. The recoverable amount 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 of its sale at the end of its useful life. The recoverable amount is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

Evidence of the existence of impairment in accounts receivables appears when:

- the counterparty presents significant financial difficulties;
- there are significant delays in interest payments and in other leading payments from the counterparty;
- it is probable that the debtor goes into liquidation or into a financial restructuring.

For certain categories of financial assets for which it is not possible to determine the impairment for each asset individually, the analysis is made for a group of assets. Evidence of an impairment loss in a portfolio of accounts receivable may include past experience in terms of collections, increasing number of delays in collections, as well as changes in national or local economic conditions that are related with the collections capacity.

For Goodwill and Financial investments, the recoverable amount is determined based on business plans duly approved by the the Group's Board of Directors 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'.

For plans settled in cash, the estimated liability is recorded in the balance sheet captions 'Other non current liabilities' and 'Other current liabilities' by a corresponding entry to the profit and losses statement caption 'Staff expenses', for the cost relating to the vesting period that has “elapsed” up to the respective accounting date. 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, recognition is made in the same way as described above, but with the liability being quantified based on the contractually fixed amount.

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 profit and losses 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.

At 30 September 2008, only one of the Sonaecom share plans was covered through own shares. The other two plans were not covered. Therefore the impacts of the share plans of the Medium Term Incentive Plans are registered, in the balance sheet, in the captions 'Other non current liabilities' and 'Other current liabilities'. The cost is recognised in the profit and losses statement caption 'Staff expenses'.

In relation to plans which shall 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, proportionally to the period of time elapsed since the award date until the date of record, in captions 'Other non current liabilities' and 'Other current liabilities'. The cost is recognised in the profit and losses statement caption 'Staff expenses'.

On the second quarter of 2008, the Board of Directors of Sonaecom decided to convert the settlement of its Medium Term Incentive Plans from settlement in shares to settlement in cash, as this option is provided in such plans.

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 of the periods ended at 30 September 2008 and 2007, 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 the 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 such 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

Due to its activities, the Group is exposed to a variety of financial risks such as market risk, liquidity risk and credit risk.

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

Market risk

a. Foreign exchange risk

The Group operates internationally, having subsidiaries that operate in Brazil, United Kingdom, Poland, United States of America, Mexico, Australia and in Malaysia (branch) 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 adopts derivative financial hedging instruments.

The Group's exposure to the foreign exchange rate risk, results essentially from the fact that some of its subsidiaries report in a currency different from Euro, being the risk of operational activity immaterial.

b. 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 in the Group results or in its shareholders' funds is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility to use derivative instruments that hedge the interest rate risk, as mentioned below; (iii) possible correlation between the level of market interest rates and economic growth having the later a positive effect in other lines of the Group's consolidated results (particularly operational), and in this way partially offsetting the increase of financial costs ("natural hedge"); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate.

The Group only uses derivatives or similar transactions to hedge interest rate risks considered significant. Three main principles are followed 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 hedging must equalize the settlement dates defined 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 16) 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), are recognised under borrowings captions and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the period. The fair value of derivatives of cash flow hedge, that are considered effective according to IAS 39, are recognised under borrowing captions and changes in the fair value are recognised in equity.

Sonaecom Board of Directors approves the terms and conditions of the financing with significant impact in the Group, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed /variable). Under the policy defined above, the Executive Committee is responsible for the decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

c. Liquidity risk

The existence of liquidity in the Group requires the definition of some policies for an efficient and secure management of the liquidity, allowing to maximize the profitability and to minimize the opportunity costs related with that liquidity.

The liquidity risk management has a threefold objective: (i) Liquidity, i.e., to ensure the permanent access in the most efficient way to obtain sufficient funds to settle current payments in the respective dates of maturity as well as any eventual not forecasted requests for funds, in the deadlines set for this; (ii) Safety, i.e, to minimize the probability of default in any reimbursement of application of funds; and (iii) Financial Efficiency, i.e., to ensure that the Group maximizes the value / minimizes the opportunity cost of holding excess liquidity in the short term.

The main underlying policies correspond to the variety of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparty and the maximum periods for investments.

The existing liquidity in the Group should be applied to the alternatives and by the order described below:

- i. Amortization of short term debt – after comparing the opportunity cost of amortization and the opportunity cost related to alternative investments;
- ii. Consolidated management of liquidity – the existing liquidity in Group companies, should mainly be applied in Group companies, to reduced the use of bank debt at a consolidated level;
- iii. Applications in the market.

The applications in the market are limited to eligible counterparties, with ratings previously established by the Board and limited to certain maximum amounts by counterparty.

The definition of maximum amounts intends to assure that the application of liquidity in excess is made in a prudent way and taking into consideration the best practices in terms of bank relationships.

The maturity of applications should equalize the forecasted payments (or the applications should be easily convertible, in case of asset investments, to allow urgent and not estimated payments), considering a threshold for eventual deviations on the estimates. The threshold depends on the accuracy level of treasury estimates and would be determined by the business. The accuracy of the estimates is an important variable to quantify the amounts and the maturity of the applications in the market.

The maturity analysis for the loans obtained is presented in the Note 16.

d. Credit Risk

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

The management of this risk seeks to guarantee that the amounts owing are effectively collected within the periods negotiated without affecting 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 amounts included in the financial statements related to trade debtors and other debtors, net from impairment losses, represent 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 30 September 2008 and 2007, are as follows:

Company (Commercial Brand)	Head Office	Main activity	Shareholder	Percentage of share capital held			
				2008		2007	
				Direct	Effective*	Direct	Effective*
<u>Parent company:</u>							
SONAECOM, S.G.P.S., S.A. ("Sonaecom")	Maia	Management of shareholdings.	-	-	-	-	-
<u>Subsidiaries:</u>							
Be Artis - Conceção, Construção e Gestão de Redes de Comunicações, S.A. ("Artis") (a) (b)	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%	-	-
Be Towering – Exploração de Torres de Telecomunicações, S.A. ("Be Towering") (c)	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%
Cape AsiaPac PTY Limited ("Cape Asia") (d)	Sydney	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	-	-
Cape Poland Sp. Z.o.o. ("Cape Poland") (d)	Posnan	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	-	-
Cape Technologies Americas, Inc ("Cape America") (d)	Miami	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	-	-
Cape Technologies Limited ("Cape Technologies") (d)	Dublin	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	-	-
Cape Technologies (UK) Limited ("Cape UK") (d)	Cardiff	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	-	-
Digitmarket – Sistemas de Informação, S.A. ("Digitmarket" – using the brand "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%
<p>* Sonaecom effective participation</p> <p>(a) Company formerly designated as "Optimus Artis - Conceção, Construção e Gestão de Redes de Comunicações, S.A.".</p> <p>(b) Company established in October 2007.</p> <p>(c) Company formerly designated as "Optimus Towering – Exploração de Torres de Telecomunicações, S.A.".</p> <p>(d) Companies acquired in October 2007.</p>							

Company (Commercial Brand)	Head Office	Main activity	Shareholder	Percentage of share capital held			
				2008		2007	
				Direct	Effective*	Direct	Effective*
Miauger – Organização e Gestão de Leilões Electrónicos, S.A. ("Miauger")	Maia	Organisation and management of electronic auctions of products and services on-line.	Sonaecom	100%	100%	100%	100%
M3G – Edições Digitais, S.A. ("M3G")	Lisbon	Digital publishing, electronic publishing and production of Internet contents.	Público	100%	100%	100%	99%
Lugares Virtuais, S.A. ("Lugares Virtuais") (a)	Maia	Organization and management of electronic online portals, content acquisition, management of electronic auctions, acquisition and deployment of products and services electronically and any related activities.	Miauger	100%	100%	-	-
Optimus – Telecomunicações, S.A. ("Optimus")	Maia	Rendering of mobile telecommunications services and the establishment, management and operation of telecommunications networks.	Sonae Telecom			40.06%	40.06%
			Sonaecom BV	(Merged)		9.00%	9.00%
			Sonaecom			50.94%	50.94%
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%
Praesidium Services Limited ("Praesidium Services") (b)	Berkshire	Rendering of consultancy services in the area of information systems.	We Do UK	100%	100%	-	-
Praesidium Technologies Limited ("Praesidium Technologies") (b)	Berkshire	Rendering of consultancy services in the area of information systems.	We Do UK	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%
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%
Sonaecom BV	Amsterdam	Management of shareholdings.	Sonaecom	100%	100%	100%	100%
Sonae.com - Serviços de Comunicações, S.A. ("Novis" and "Optimus")	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 Telecom	37.94%	37.94%	-	-
			Sonaecom BV	8.52%	8.52%	-	-
			Sonae Matrix	-	-	41.67%	41.67%
Sonae.com - Sistemas de Informação, S.G.P.S., S.A. ("Sonae.com Sistemas de Informação")	Maia	Management of shareholdings in the area of corporate ventures and joint ventures.	Sonaecom	100%	100%	100%	100%
Sonae Matrix Multimédia, S.G.P.S., S.A. ("Sonae Matrix")	Maia	Management of shareholdings in the area of multimedia trade.	Sonaecom	(Liquidated)		100%	100%

* Sonaecom effective participation
(a) Company established in June 2008.
(b) Companies acquired in October 2007.

Company (Commercial Brand)	Head Office	Main activity	Shareholder	Percentage of share capital held			
				2008		2007	
				Direct	Effective*	Direct	Effective*
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%
Sonaetelecom BV	Amsterdam	Management of shareholdings.	Sonae.com	100%	100%	100%	100%
Tecnológica Telecomunicações, LTDA. ("Tecnológica") (a)	Rio de Janeiro	Rendering of consultancy and technical assistance in the area of IT systems and telecommunications.	We Do Brasil	99.99%	99.90%	99.99%	99.34%
Telemilénio Telecomunicações - Sociedade Unipessoal, Lda. ("Tele2") (b)	Lisbon	Rendering of mobile telecommunications services, including fixed telecommunications and internet service.	Sonae.com	100%	100%	-	-
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%	100%	99.44%	99.44%
Wedo do Brasil Soluções Informáticas, Ltda. ("We Do Brasil")	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%	99.35%
We Do Technologies BV ("We Do BV") (c)	Amsterdam	Management of shareholdings.	We Do	100%	100%	-	-
We Do Technologies BV - Sucursal Malaysia ("We Do Malaysia") (d)	Kuala Lumpur	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	-	-
We Do Technologies Mexico, S de R.L. ("We Do Mexico") (d)	Mexico City	Rendering of consultancy services in the area of information systems.	Sonae.com BV	5%	5%	-	-
			We Do BV	95%	95%	-	-
We Do Technologies (UK) Limited ("We Do UK") (e)	Berkshire	Management of shareholdings.	We Do	100%	100%	-	-

* Sonae.com effective participation
(a) Company acquired in April 2007.
(b) Company acquired in September 2007.
(c) Company established in June 2008.
(d) Companies established in September 2008.
(e) Company formerly designated as "Praesidium Holdings Limited".

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 30 September 2008, the Group jointly controls and consolidates through the proportional method the following companies:

Company (Commercial Brand)	Head Office	Main activity	Shareholder	Percentage of share capital held			
				2008		2007	
				Direct	Effective*	Direct	Effective*
Vipu Ace ("Sexta") (a)	Lisbon	Optimization of resources for the activity of editing of contents for periodic publications in paper to digital media, video or TV.	Público	50%	50%	-	-

* Sonaecom effective participation

(a) Joint venture established in October 2007

At 30 September 2008, the main contributes from this jointly controlled entity to the consolidated accounts of the Group are as follows (debit/ (credit)):

	2008
Non current assets	12,047
Current assets	149,188
Current liabilities	(157,542)
Net result	530,940
Total Revenues	(295,084)
Total Costs	826,024

4. Investments in associated companies

At 30 September 2008 and 2007, this caption included investments in associated companies, which head offices, main activities, shareholders, percentage of share capital held and book value were as follows:

Company (Commercial brand)	Head Office	Main activity	Shareholder	Percentage of share capital held				Book value	
				2008		2007		2008	2007
				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. Gaia	Trade and industry of graphic design and publishing.	Público	40%	40%	40%	40%	757,069	735,614
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)
								757,069	735,614
* Sonaeacom effective participation									
(a) Investment recorded at a nil book value									

* Sonaecom effective participation

(a) Investment recorded at a nil book value

At 30 September 2008 and 2007 the movement occurred in the caption investments in associated companies refers only to the application of the equity method to 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 adjustments between the accounting policies of the associated companies and the Group accounting policies, since there were no significant differences.

At 30 September of 2008, the assets, liabilities, total revenues and net results of associated companies were as follows:

Company	Assets	Liabilities	Total revenues	Net results
Net Mall, S.G.P.S., S.A.	13,141	21,676	177	(2,818)
Sociedade Independente de Radiodifusão Sonora, S.A.	548,282	491,068	962,006	101,305
Unipress - Centro Gráfico, Lda ⁽¹⁾	9,762,229	7,880,640	3,581,171	53,639

(1) Values at 31.12.2007

5. Changes in the Group

5. a) Acquisitions

During the period ended at 30 September 2008, no changes occurred in the Group as a result of new acquisitions.

In the period ended at 30 September 2007 the following changes occurred in the composition of the Group:

2007				
Purchaser	Subsidiary	Date	% acquired	Current % shareholding
Sonae.com SI	We Do	Jan-07	0.70%	98.36%
Sonae.com SI	We Do	Fev-07	0.66%	99.02%
Sonae.com SI	We Do	Mar-07	0.06%	99.08%
Sonae.com SI	We Do	Abr-07	0.14%	99.22%
We Do Brasil	Tecnológica	Abr-07	99.99%	99.99%
Sonae.com SI	We Do	Mai-07	0.10%	99.32%
Sonae.com SI	We Do	Jul-07	0.09%	99.41%
Sonae.com SI	We Do	Ago-07	0.03%	99.44%
Sonae.com SI	We Do	Set-07	0.00%	99.44%
Sonaecom	Tele2	Set-07	100.00%	100.00%

During the period ended at 30 September 2007 and as a result of the above mentioned acquisitions, additional Goodwill of Euro 16,130,875 was recorded (Note 9).

5. b) Incorporations

During the period ended at 30 September 2008, the group incorporated the following entities:

2008				
Subsidiary	Subsidiary	Date	Share Capital	Current % shareholding
Miauger	Lugares Virtuais	Jun-08	50,000 EUR	100.00%
We Do	We Do BV	Jun-08	18,000 EUR	100.00%
We Do BV e Sonaecom BV	We Do Mexico	Set-08	3,000 MXN	100.00%
We Do BV	We Do Malaysia	Set-08	-	100.00%

5. c) Others

During the period ended at 30 September 2008, the Cape Group's purchase price (acquired at October 2007) was adjusted since the deferred portion of the price, dependent on the fulfilling of a set of pre-established conditions, was not satisfied. Therefore, the purchase price and accordingly the Goodwill decrease in an amount of Euro 2,409,079 (Note 9).

On 1 November 2007, the merger of Optimus into Novis occurred, i.e., the merger of the mobile and fixed telecommunications divisions was completed. This operation represented an internal reorganization and a natural step in the development of the integrated telecommunications strategy which intends to: (i) reinforce the Group's growth strategy both in organic and non organic terms; (ii) position the Group to be able to anticipate and react to market trends that are moving more and more towards Fixed/Mobile convergence; (iii) facilitate the further development of new products and services; and (iv) improve operating efficiencies and reduce costs.

6. Tangible Assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the periods ended at 30 September 2008 and 2007 was as follows:

	Land	Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Tools	Other tangible assets	Work in progress	Total
GROSS ASSETS									
Balance at 31.12.2007	1,391,593	235,216,110	842,983,026	129,546	143,432,036	1,096,920	2,728,382	36,846,800	1,263,824,413
Additions	-	2,243,863	5,036,644	21,029	8,953,380	-	2,134,637	81,990,968	100,380,521
Disposals	-	(68,445)	(162,678)	(25,383)	(223,394)	-	-	(550,000)	(1,029,900)
Transfers and write-offs	-	7,539,201	41,020,428	-	4,062,599	18,027	3,581	(56,515,039)	(3,871,202)
Balance at 30.09.2008	1,391,593	244,930,729	888,877,420	125,193	156,224,621	1,114,947	4,866,600	61,772,729	1,359,303,832
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:									
Balance at 31.12.2007	-	118,050,343	492,489,934	94,160	116,612,257	1,040,128	2,371,081	-	730,657,903
Depreciation for the period	-	9,584,238	64,619,141	20,268	12,237,631	15,713	410,387	-	86,887,378
Disposals	-	(12,208)	(94,077)	(2,702)	(78,449)	-	-	-	(187,436)
Transfers and write-offs	-	60,000	(505,055)	-	(9,880)	-	1,438	-	(453,497)
Balance at 30.09.2008	-	127,682,373	556,509,943	111,726	128,761,559	1,055,841	2,782,906	-	816,904,348
Net value	1,391,593	117,248,356	332,367,477	13,467	27,463,062	59,106	2,083,694	61,772,729	542,399,484

	Land	Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Tools	Other tangible assets	Work in progress	Total
GROSS ASSETS									
Balance at 31.12.2006	1,391,593	223,133,165	744,209,079	53,271	134,075,541	1,087,839	2,567,599	22,560,357	1,129,078,444
New Companies (Nota 4.a))	-	491,711	7,090,488	-	170,889	-	-	-	7,753,088
Additions	-	3,508,708	11,199,725	31,855	1,960,567	2,195	16,219	93,392,835	110,112,103
Disposals	-	(936,413)	(21,080,783)	(43,167)	(1,557,157)	-	-	(28,439)	(23,645,959)
Transfers and write-offs	-	4,977,214	68,643,976	19,321	4,560,002	1,995	135,500	(79,515,172)	(1,177,166)
Balance at 30.09.2007	1,391,593	231,174,385	810,062,484	61,279	139,209,841	1,092,029	2,719,318	36,409,581	1,222,120,510
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:									
Balance at 31.12.2006	-	108,987,153	418,800,773	48,768	103,280,214	1,021,794	2,168,000	-	634,306,702
New Companies (Nota 4.a))	-	478,833	930,227	-	94,118	-	-	-	1,503,177
Depreciation for the period	-	10,033,236	56,740,016	1,692	10,370,301	13,761	140,831	-	77,299,836
Reversal of impairment losses in the semester	-	(8,863)	(120,207)	-	(79,516)	(228)	(16)	-	(208,830)
Disposals	-	(465,355)	(4,058,810)	(1,672)	(950,164)	-	-	-	(5,476,001)
Transfers and write-offs	-	(4,932,786)	(43,056)	(1)	(236,038)	(21)	(1,441)	-	(5,213,342)
Balance at 30.09.2007	-	114,092,217	472,248,943	48,787	112,478,914	1,035,306	2,307,374	-	702,211,542
Net value	1,391,593	117,082,168	337,813,541	12,492	26,730,927	56,723	411,943	36,409,581	519,908,968

The additions during the period included: 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 and FTTH (Fibre-to-the-Home).

The reversals of impairment losses have been recorded under the heading of 'Other operating revenues'.

The acquisition cost of Tangible assets held by the Group under finance lease contracts, amounted to Euro 26,329,587 and Euro 24,147,272 as of 30 September 2008 and 2007, respectively and their net book value as of those dates amounted to Euro 19,989,349 and Euro 21,144,365, respectively.

At 30 September 2008, the heading 'Tangible assets' does not include any asset pledged or given as a guarantee for loans obtained, except for the assets acquired under financial lease contracts.

Tangible assets in progress at 30 September 2008 and 2007 were made up as follows:

	2008	2007
Development of mobile network	42,359,808	23,607,040
Development of fixed network	12,150,407	8,977,165
Information systems	3,799,440	3,361,287
Other projects in progress	3,463,074	464,088
	<u>61,772,729</u>	<u>36,409,581</u>

At 30 September 2008 and 2007, the amounts of commitments to third parties relating to investments to be made were as follows:

	2008	2007
Network	30,206,183	17,090,905
Information systems	5,627,284	3,933,098
	<u>35,833,467</u>	<u>21,024,003</u>

7. Intangible assets

In the periods ended at 30 September 2008 and 2007, 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 31.12.2007	184,616,429	212,851,390	5,011,298	402,479,117
Additions	98,343,174	2,468,866	12,202,309	113,014,349
Disposals	-	(3,648)	-	(3,648)
Transfers and write-offs	3,751,232	3,496,063	(3,481,557)	3,765,738
Balance at 30.09.2008	286,710,835	218,812,671	13,732,050	519,255,556
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:				
Balance at 31.12.2007	48,060,543	164,981,940	-	213,042,483
Amortisation for the period	14,862,998	16,511,085	-	31,374,083
Disposals	-	(229)	-	(229)
Transfers and write-offs	503,138	(47,365)	-	455,773
Balance at 30.09.2008	63,426,679	181,445,431	-	244,872,110
Net value	223,284,156	37,367,240	13,732,050	274,383,446

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

At 30 September 2008, the additions for the period include the amount of Euro 95 million that represent the present value of the estimated responsibilities with the "Initiatives E" project.

Under the agreed terms resulting from the grant of the UMTS License, Sonaecom – Serviços de Comunicações (Optimus at the time) committed to contribute to the promotion and development of an 'Information Society' in Portugal. The total amount of the obligations assumed arose to Euro 274 million which will have to be realised until the end of the license 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, would be realised through own projects eligible as contributions to the 'Information Society' which will be incurred under the normal course of Sonaecom – Serviços de Comunicações, S.A.'s business (investments in network and technology, if not directly related with the accomplishment of other obligations inherent to the attribution of the UMTS License, and activities of research, development and promotion of services, contents and applications). These own projects must be recognized by the MOPTC and by entities created specially for this purpose. At the date of approval of these financial statements, Euro 64 million were already incurred in previous years and were validated by the entities referred above. The remaining amount is currently under evaluation or not yet realised. These charges will be recorded in the attached financial statements at the moment the projects are carried out and the estimated costs are known.

The remaining commitments, up to Euro 116 million, will be realised as agreed between Sonaecom- Serviços de Comunicações and MOPTC, through contributions to the "Initiatives E" project (modem offers, discounts on tariffs, cash contributions, among others, assigned to the widespread use of broadband internet for students and teachers). These contributions are made through an open fund, called 'Fund for the Information Society', established by the three mobile operators with businesses in Portugal. The success of this project, initiated in the end of 2007, was dependent on the beneficiaries' participation to the various initiatives (e-opportunities, e-school and e-teacher) and could have been subject to revision during a period of 12 months, i.e., until June 2008. Due to that fact, it was not possible, at 31 December 2007, to estimate in a reliable way the success of this project, and therefore, at that date it was not possible to produce a secure and reliable estimate of the responsibilities to be recognised.

Taking in consideration the success of the project during the first semester of 2008, Sonaecom considered that conditions to produce a reliable estimate of the total responsibilities associated with "Initiatives E" project were in place. Therefore, such responsibilities were recorded, at 30 June 2008, as an added cost of the UMTS license, against an entry in the caption 'Other non-current liabilities' and 'Other current liabilities'.

During the third quarter of 2008, taking into account important facts occurred in recent months, namely that: incumbent operators weren't allowed to take part in the 4th license tendering process; and current national and international practice of extension and renewal, without costs, of GSM and/or UMTS licenses; the Group's Board of Directors decided to revise the useful life of the UMTS license, extending the amortisation period until 2030, given the high probability of its renewal and the high probability of such renewal being granted without significant costs. Therefore, in accordance with IAS 8, the impacts of the estimated useful life revision were recorded prospectively and amounted to minus 2 million Euros,.

At 30 September 2008 and 2007, the Group kept recorded under the heading 'Intangible assets' the amounts of Euro 199,594,350 and Euro 113,034,255, respectively, that correspond to the investments net of depreciations made in the development of the UMTS network, including: (i) Euro 66,756,410 (amount of Euro 74,257,131 in 2007) related to the license; (ii) Euro 22,305,764 (amount of Euro 24,812,030 in 2007) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal; (iii) Euro 6,850,774 (Euro 7,620,523 in 2007) related to a contribution to the Information Society Fund, established in 2007, under an agreement entered with 'MOPCT' and the three mobile telecommunication operators in Portugal; and (iv) Euro 98,008,317 related with the program "Iniciativas E", these last two associated to the commitments assumed by the Group in relation to the 'Information Society'.

The intangible assets in progress, at 30 September 2008 and 2007, were mainly composed by software development.

Intangible and tangible assets include interest and other financial expenses incurred, directly related to the construction of certain items of work in progress.

At 30 September 2008 and 2007 such expenses amounted to Euro 15,687,386 and Euro 14,000,003, respectively. The amount capitalised on the semesters ended at 30 September 2008 and 2007 were Euro 1,321,626 and Euro 903,493, respectively. An interest capitalization rate of 5.14% was used in 2008 (4.69% in 2007), which corresponds to the average interest rate supported by the Group.

8. Breakdown of financial instruments

At 30 September 2008 and 2007, the breakdown of financial instruments was as follows:

2008							
	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	-	188,730,631	-	-	188,730,631	-	188,730,631
Other current debtors	-	10,245,218	-	-	10,245,218	12,857,347	23,102,565
Cash and cash equivalents	-	3,589,193	-	-	3,589,193	-	3,589,193
	-	202,565,042	-	-	202,565,042	12,857,347	215,422,389
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	-	159,136,892	-	-	159,136,892	-	159,136,892
Other current debtors	-	7,773,589	-	-	7,773,589	11,220,861	18,994,450
Investments recorded at fair value through profit and loss	351,593	-	-	-	351,593	-	351,593
Cash and cash equivalents	-	13,860,821	-	-	13,860,821	-	13,860,821
	351,593	180,771,302	-	-	181,122,895	11,220,861	192,343,756

2008							
	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	-	(960,301)	363,248,502	-	362,288,201	-	362,288,201
Other non current financial liabilities	-	-	-	17,474,517	17,474,517	-	17,474,517
	-	(960,301)	363,248,502	17,474,517	379,762,718	-	379,762,718
Current Liabilities							
Short-term loans and other loans	-	-	4,980,085	-	4,980,085	-	4,980,085
Trade creditors	-	-	-	177,336,450	177,336,450	-	177,336,450
Other current financial liabilities	-	-	-	1,711,919	1,711,919	-	1,711,919
Other creditors	-	-	-	4,772,589	4,772,589	8,384,367	13,156,956
	-	-	4,980,085	183,820,958	188,801,043	8,384,367	197,185,410
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	-	(191,770)	307,978,475	-	307,786,705	-	307,786,705
Other non current financial liabilities	-	-	-	17,359,650	17,359,650	-	17,359,650
	-	(191,770)	307,978,475	17,359,650	325,146,355	-	325,146,355
Current Liabilities							
Short-term loans and other loans	-	-	165,574	-	165,574	-	165,574
Trade creditors	-	-	-	130,359,778	130,359,778	-	130,359,778
Other current financial liabilities	-	-	-	1,899,037	1,899,037	-	1,899,037
Other creditors	-	-	-	4,394,973	4,394,973	16,628,522	21,023,495
	-	-	165,574	136,653,788	136,819,362	16,628,522	153,447,884

Considering the nature of the balances, the amounts to be paid and received from 'State and other public entities' were considered outside the scope of IFRS 7. Also, the captions of 'Other current assets' and 'Other current liabilities' were not included in this note, as the nature of the balances are not within the scope of IFRS 7.

9. Goodwill

For the periods ended at 30 September 2008 and 2007, the movements occurred in goodwill were as follows:

	2008	2007
Opening balance	528,216,604	506,902,772
Increase of participations (Note 5. a))	-	16,130,875
Others	(2,344,527)	-
Closing balance	525,872,078	523,033,647

The caption "Others" includes Euro 2,409,079 associated to the correction of the Cape Group's acquisition cost (Note 5.c.) and the remaining amount relates, mainly, to the exchange rate update of the We Do Group Goodwill.

Goodwill at 30 September 2008 and 2007 was made up as follows:

	2008	2007
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	17,476,354	-
WeDo	1,971,668	1,902,647
Praesidium	1,200,895	-
SIRS	72,820	72,820
Permar	47,253	47,253
Optimus Towering	10,713	10,713
Tele2	-	15,907,839
	<u>525,872,078</u>	<u>523,033,647</u>

The evaluation of the existence of impairment losses in Goodwill was based on business plans, which include projected cash flows for periods of 5 years. The discount rates used were based on the estimated weighted average cost of capital, which depends on the business segment of each subsidiary. In perpetuity, the Group considered a growth rate of circa 3%.

10. Investments available for sale

At 30 September 2008 and 2007, this caption included investments classified as available for sale and was made up as follows:

		2008			2007		
			Accumulated impairment losses (Note 18)	Net amount		Accumulated impairment losses (Note 18)	Net amount
	%	Gross amount			Gross amount		
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.	1.38%	197,344	-	197,344	197,344	-	197,344
Others	-	9,976	-	9,976	9,976	-	9,976
		<u>1,207,320</u>	<u>-</u>	<u>1,207,320</u>	<u>1,207,320</u>	<u>-</u>	<u>1,207,320</u>

At 30 September 2008, these investments correspond to participations of immaterial amount, in unlisted companies in which the Group has no significant influence, and in which the book value of such investments is a reasonable estimation 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):

	Assets	Shareholders fund's	Gross debt	Turnover	Operational results	Net Income
Altitude, SGPS, S.A.	21,566	7,824	4,255	25,724	1,437	949
Lusa – Agência de Notícias de Portugal, S.A.	19,819	7,376	6,485	18,376	1,793	764

Amounts expressed in thousands Euros at 31-12-07

During the periods ended at 30 September 2008 and 2007, the movements in "Investments available for sale" were as follows:

	2008	2007
Opening balance	1,207,320	112,317,225
Fair value adjustments recorded in reserves	-	(5,121,876)
Sales	-	(111,566,336)
Capital gain recorded under profit and loss statement (Note 21)	-	5,578,307
Closing balance	<u>1,207,320</u>	<u>1,207,320</u>

Sales and corresponding capital gains recognised at the period ended at 30 September 2007, regard to the sale of 1% of the share capital of Portugal Telecom, S.G.P.S., S.A..

11. Deferred taxes

Deferred tax assets at 30 September 2008 and 2007, in the amount of Euro 108,465,057 and Euro 67,377,137, respectively, arise, mainly, from tax losses carried forward and timing differences relating to non tax deductible provisions and from differences between the accounting and tax amount of some fixed assets.

The movements in deferred tax assets in the periods ended at 30 September 2008 and 2007 were as follows:

	2008	2007
Opening balance	101,118,096	61,786,654
Impact on results:		
Tax losses carried forward	1,833,104	2,009,863
Adjustments to prior years taxable results	-	143,501
Deferred tax assets not recorded in previous years, as its recovery was not expected (Sonaecom - Serviços de Comunicação, Mainroad, Miauger, Cape and Digitmarket on 2008 and Optimus and Digitmarket on 2007)	2,704,600	4,039,122
Movements in provisions not accepted for tax purposes and tax benefits	-	136,863
Temporary differences between the tax and the accounting value of certain fixed assets	2,815,257	(641,716)
Sub-total effect on results (Note 22)	7,352,961	5,687,633
Others	(6,000)	(97,150)
Closing balance	108,465,057	67,377,137

At 30 September 2008 and 2007, assessments of the deferred taxes to be recognised were made. 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, which are periodically reviewed and updated.

The rate used at 30 September 2008 and 2007 to calculate the deferred tax assets relating to tax losses carried forward, was 25%. The rate used to calculate deferred tax assets resulting from temporary differences, was 26.5%.

In accordance with the tax returns and other information prepared by the companies that have registered deferred tax assets, the detail of such deferred tax assets by nature at 30 September 2008 was as follows:

Nature	Sonaecom Serviços de Comunicações	We Do	Praesidium	Digitmarket	Mainroad	Miauger	Cape	Total
<u>Tax losses:</u>								
To be used until 2008	-	-	-	76,580	-	-	-	76,580
To be used until 2009	-	-	-	447,096	57,314	60,795	-	565,205
To be used until 2010	-	-	-	257,298	392,368	156,991	-	806,657
To be used until 2011	-	2,182	-	210,662	31,676	82,214	-	326,734
To be used until 2012	2,330,399	-	-	-	144,642	-	-	2,475,041
To be used until 2013	-	-	-	-	-	-	-	-
Unlimited Utilization	-	-	107,745	-	-	-	134,000	241,745
	2,330,399	2,182	107,745	991,636	626,000	300,000	134,000	4,491,962
Tax provisions not accepted and other temporary differences	8,361,312	358,298	-	-	-	-	-	8,719,610
Adjustments in the conversion to IAS/ IFRS	42,041,590	2,701	-	-	-	-	-	42,044,291
Differences between the tax and accounting value of certain fixed assets and others	53,209,194	-	-	-	-	-	-	53,209,194
Total	105,942,495	363,181	107,745	991,636	626,000	300,000	134,000	108,465,057

At 30 September 2008 and 2007, the Group has other situations where potential deferred tax assets could be recognised but since it is not expectable that sufficient taxable profits will be generated in the future to cover those losses, such deferred tax assets were not recorded:

	2008	2007
Tax losses	86,263,942	94,855,923
Temporary differences (mainly provisions not accepted for tax purposes)	22,610,230	21,269,982
Adjustments in the conversion to IAS/IFRS	(34,898)	2,037,126
	108,839,274	118,163,031

At 30 September 2008, tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2008
2008	16,382,059
2009	9,913,636
2010	5,300,303
2011	12,549,980
2012	15,414,302
2013	18,554,094
2014	2,218,944
2015	2,280,260
2016	1,204,308
2017	1,604,363
Unlimited	841,692
	86,263,942

The years 2015 and following are applicable to the subsidiaries incorporated in countries in which the reporting period of tax losses is greater than 6 years.

The deferred tax liabilities on 30 September 2008 and 2007, amount to Euro 597,958 and Euro 214,885, respectively, and resulted mainly from consolidation adjustments.

The movements occurred in deferred tax liabilities in the periods ended at 30 September 2008 and 2007 were as follows:

	2008	2007
Opening balance	(284,402)	-
Impact on results		
Consolidation adjustments	(448,784)	(208,940)
Total impact on results (Note 22)	(448,784)	(208,940)
Others	135,228	(5,945)
Closing balance	(597,958)	(214,885)

The reconciliation between the earnings before taxes and the taxes recorded for the periods ended at 30 September 2008 and 2007 is as follows:

	2008	2007
Earnings before taxes	(13,720,530)	1,431,975
Income tax rate (25%)	3,430,133	(357,994)
Deferred tax assets not recognised in the individual accounts and/or resulting from consolidation adjustments and other adjustments to taxable income	(2,668,593)	(1,369,224)
Adjustments to tax base	-	243,947
Deferred tax assets not recognised in previous years	2,704,600	4,039,122
Record of deferred tax liabilities	(448,784)	(208,940)
Movements in the temporary differences between the tax and accounting value of certain fixed assets	2,815,257	(641,716)
Income taxation recorded in the period (Note 22)	5,832,612	1,705,195

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 until 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 believes that any correction that may arise as a result of such review would not produce a significant impact in the accompanying consolidated financial statements.

Supported by the Company's lawyers and Tax consultants, the Board of Directors believes that there are no liabilities not provisioned in the financial statements, associated to probable tax contingencies, that should have been registered or disclosed in the accompanying financial statements, at 30 September 2008.

12. Investments recorded at fair value through profit and loss

During the periods ended at 30 September 2008 and 2007, the movements in this heading were as follows:

	2008	2007
Opening balance	-	849,375
Sales during the period	-	(738,634)
Increases/ reductions to fair value (Note 21)	-	240,852
Closing balance	-	351,593

At 30 September 2007, 'Investments recorded at fair value through profit and loss' refer to 193,183 shares of Sonae, S.G.P.S., S.A., acquired to fulfil future obligations under the Medium Term Incentive Plans which were recorded based on the closing share price of Euronext at the balance sheet date.

13. Cash and cash equivalents

At 30 September 2008 and 2007, the detail of cash and cash equivalents was as follows:

	2008	2007
Cash	318,878	184,687
Bank deposits repayable on demand	3,023,656	7,611,271
Treasury applications	246,660	6,064,863
Cash and cash equivalents	3,589,193	13,860,821
Bank overdrafts (Note 16)	(830,085)	(165,574)
	2,759,109	13,695,247

At 30 September 2008 and 2007, the 'Treasury applications' had the following breakdown:

	2008	2007
Short term treasury applications:		
WeDoBrasil	191,660	639,859
Sexta	55,000	-
Sonaecom	-	4,030,004
Mainroad	-	1,245,000
Sonaecom BV	-	150,000
	246,660	6,064,863

During the period ended at 30 September 2008, the above referred treasury applications bear interests at an average rate of 4.287% (3.842% in 2007).

14. Share Capital

At 30 September 2008 and 2007 the share capital of Sonaecom was comprised by 366,246,868 ordinary registered shares (bearer shares in 2007) of 1 Euro each. At those dates, the shareholder structure was as follows:

	2008		2007	
	Number of shares	%	Number of shares	%
Sontel BV	196,208,851	53.57%	183,847,681	50.20%
Shares traded on the Portuguese Stock Exchange ('Free float')	66,717,857	18.22%	81,053,344	22.13%
Atlas Service Belgium	70,276,868	19.19%	-	0.00%
Wirefree Services Belgium, S.A.	-	0.00%	70,276,868	19.19%
093X (EDP)	29,150,000	7.96%	29,150,000	7.96%
Own Shares	3,868,643	1.06%	1,894,326	0.52%
Sonae	23,649	0.01%	23,649	0.01%
Efanor Investimentos, S.G.P.S., S.A	1,000	0.00%	1,000	0.00%
	<u>366,246,868</u>	<u>100.00%</u>	<u>366,246,868</u>	<u>100.00%</u>

All shares that comprise the share capital of Sonaecom, are authorised, subscribed and paid. All shares have the same rights and each share correspond to one vote.

15. Own shares

During the period ended 30 September 2008, Sonaecom delivered to its employees 925,773 own shares under its Medium Term Incentive Plans.

Additionally, during the period Sonaecom acquired 2,900,090 shares (at an average price of Euro 2.10), holding at the end of the period 3,868,643 own shares, representative of 1.06% of its share capital, with a average price of Euro 2.78.

16. Loans

At 30 September 2008 and 2007, the heading Loans had the following breakdown:

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

Company	Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
					2008	2007
Sonaecom SGPS	"Obrigações Sonaecom SGPS 2005"	150,000,000	Jun-13	Final	150,000,000	150,000,000
	Costs associated with financing set-up	-	-	-	(2,535,192)	(3,005,583)
	Interests incurred but not yet due	-	-	-	2,500,833	2,194,275
	Fair value of swaps	-	-	-	(525,687)	-
					<u>149,439,954</u>	<u>149,188,692</u>
Sonaecom SGPS	Commercial paper	250,000,000	100,000,000 until Jul-10 150,000,000 until Jul-12	-	213,500,000	159,000,000
	Costs associated with financing set-up	-	-	-	(621,830)	(552,084)
	Interests incurred but not yet due	-	-	-	404,691	341,869
	Fair value of swaps	-	-	-	(434,614)	(191,772)
					<u>212,848,247</u>	<u>158,598,013</u>
					<u>362,288,201</u>	<u>307,786,705</u>

b) Short-term loans and other loans:

Company	Lender	Type	Amount outstanding	
			2008	2007
Sonaecom	CGD	Overdraft facility	4,150,000	-
Several	Several	Bank overdrafts	830,085	165,574
			<u>4,980,085</u>	<u>165,574</u>

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

The placing underwriting consortium is composed by the following institutions: Banco Santander Totta, Caixa Geral de Depósitos, Banco BPI, Banco Bilbao Vizcaya Argentaria (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 (EIB), in an amount of Euro 324 million.

With this refinancing, the Group was able to, under the current favorable market conditions, increase the weighted average maturity of contracted debt, extinguish some of the contractual, financial and operational restrictions imposed by the previous Optimus contract and obtain higher efficiency in terms of the consolidated liquidity management.

These loans bear interest at marketable rates, indexed to the Euribor for the respective term, 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 the loans above are unsecured and the fulfillment of the obligations under these loans is exclusively guaranteed by the underlying activities and the companies respective cash flows.

At 30 September 2008 and 2007, the repayment schedule of medium and long term loans and of interests, for both bonds and commercial paper was as follows:

	2008					
	N+1	N+2	N+3	N+4	N+5	After N+5
Bond Loan						
Reimbursements	-	-	-	-	150,000,000	-
Interests	9,003,000	9,003,000	9,003,000	9,027,666	6,511,759	-
Commercial paper						
Reimbursements	-	63,500,000	-	150,000,000	-	-
Interests	10,978,810	10,814,285	7,853,800	7,399,099	-	-
	<u>19,981,810</u>	<u>83,317,285</u>	<u>16,856,800</u>	<u>166,426,765</u>	<u>156,511,759</u>	<u>-</u>
	2007					
	N+1	N+2	N+3	N+4	N+5	After N+5
Bond Loan						
Reimbursements	-	-	-	-	-	150,000,000
Interests	7,765,718	7,744,500	7,744,500	7,744,500	7,765,718	5,601,501
European Investment Bank						
Reimbursements	-	-	9,000,000	-	150,000,000	-
Interests	7,785,191	7,763,920	7,694,770	7,343,260	5,558,521	-
	<u>15,550,909</u>	<u>15,508,420</u>	<u>24,439,270</u>	<u>15,087,760</u>	<u>163,324,238</u>	<u>155,601,501</u>

Although the maturity of commercial paper issuance is six months, the counterparties assumed the placement and the maintenance of those limits for a period of five years.

At 30 September 2008 and 2007, the available credit lines of the Group are as follows:

2008						
Company	Credit	Limit	Amount outstanding	Amount available	Maturity	
					Until 12 months	More than 12 months
Sonaecom	Commercial paper	250,000,000	213,500,000	36,500,000		x
Sonaecom	Commercial paper	70,000,000	-	70,000,000		x
Sonaecom	Overdraft facilities	15,000,000	4,150,000	10,850,000	x	
Sonaecom	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	90,827	-	90,827	x	
		489,334,216	367,650,000	121,684,216		

2007						
Company	Credit	Limit	Amount outstanding	Amount available	Maturity	
					Until 12 months	More than 12 months
Sonaecom	Commercial paper	250,000,000	159,000,000	91,000,000		x
Sonaecom	Commercial paper	70,000,000	-	70,000,000		x
Sonaecom	Overdraft facilities	15,000,000	-	15,000,000	x	
Sonaecom	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	
		489,611,398	309,000,000	180,611,398		

The interest rate hedging instruments outstanding at 30 September 2008 and their correspondent fair value, calculated through the discounted future cash-flows method, were as follows:

Company	Hedged loan	Notional amount	Maturity date	Base rate	Fixed rate contracted	Fair value of the derivative instruments
Sonaecom	Commercial paper	110,000,000	Mar-09	Euribor 6m	4.365%	(434,614)
Sonaecom	Bond loan	75,000,000	Jun-09	Euribor 6m	4.565%	(525,687)
						(960,301)

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

In December 2007, Sonaecom contracted a interest rate swap, with a notional amount of Euro 75 million, for a period of 18 months re-fixed every semester, to hedge 50% of the risk associated to the interest rate of the bond loan issued in June 2005, for the amount of Euro 150 million and for the period of eight years with re-fixations every semester. The payments of interest on the bond loan and on the swap are made simultaneously, by its net amount.

During the period ended at 30 September 2008, the movements occurred in the fair value of the swaps related to the Commercial Paper Programme, in the amount of minus Euro 34,491 and the bonds loans, in the amount of Euro 581,882, were recorded in reserves, as the hedging is effective, in accordance with IAS 39.

Through the execution of these derivative financial instruments, at 30 September 2008, approximately 51% of gross debt is, in an indirect way, subject to fixed interest rates. The remaining 49% of gross debt is exposed to changes in the interest rates.

17. Other non current financial liabilities

At 30 September 2008 and 2007, this caption was made up of accounts payable to fixed assets suppliers related to lease contracts which are due in more than one year in the amount of Euro 17,474,516 and Euro 17,359,650, respectively.

At 30 September 2008 and 2007, the payment of these amounts was due as follows:

	2008		2007	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
2007	-	-	446,350	413,953
2008	730,276	501,560	2,581,220	1,673,348
2009	2,437,279	1,532,286	2,124,929	1,288,374
2010	2,122,595	1,280,017	1,897,316	1,113,435
2011	1,922,515	1,140,772	1,717,831	986,795
2012	1,940,720	1,215,015	1,528,193	1,051,603
2013	1,734,697	1,064,749	1,550,816	968,418
2014 and follows	15,994,816	12,452,037	14,996,915	11,762,761
	26,882,899	19,186,436	26,843,570	19,258,687
Interests	(7,696,464)	-	(7,584,883)	-
	19,186,435	19,186,436	19,258,687	19,258,687
Short term liability (Note 19)	-	(1,711,919)	-	(1,899,037)
	19,186,435	17,474,517	19,258,687	17,359,650

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

The medium and long term agreements made with suppliers of 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 contracts have a 15 to 20 year maturity.

18. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the periods ended at 30 September 2008 and 2007 were as follows:

	2008						
Heading	Opening balance	New companies	Transfers	Increases	Utilisations	Decreases	Closing balance
Accumulated impairment losses on accounts receivables	66,167,308	-	(60,715)	10,764,356	(2,885,934)	(226,328)	73,758,688
Accumulated impairment losses on inventories	8,663,703	-	-	2,162,605	-	-	10,826,307
Provisions for other liabilities and charges	30,885,378	-	318,715	2,867,470	(210,500)	(266,963)	33,594,099
	105,716,389	-	258,000	15,794,431	(3,096,434)	(493,291)	118,179,095

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

The increase of 'Provisions for other liabilities and charges' includes the amount of Euro 747,940 associated with the dismantling of sites (Euro 3,193,620 in 2007), as foreseen in IAS 16 (Note 1.d.)) and the amount of Euro 374,327 registered in the financial statements, under the caption 'Income taxation'. Therefore, the total amount included under increases of provisions and impairment losses, registered against a corresponding entry in the profit and loss statement, corresponds to Euro 14,672,165 (Euro 9,232,475 in 2007).

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 30 September 2008 and 2007, the breakdown of the provisions for other liabilities and charges were as follows:

	2008	2007
Dismantling of sites	19,636,081	18,299,440
Several contingencies	6,979,654	6,234,257
Legal processes in progress	2,207,854	1,967,734
Indemnities	730,583	595,432
Others	4,039,927	3,798,480
	<u>33,594,099</u>	<u>30,895,343</u>

The heading of 'Several contingencies' relates to contingent liabilities arising from transactions carried out in previous years and for which an outflow of funds is probable.

In relation to the provisions recorded for legal processes in progress and for others, given the uncertainty of such proceedings, the Board of Directors is unable to estimate, with reliability, the moment when such provisions will be used.

19. Other current financial liabilities

At 30 September 2008, this caption includes the amount of Euro 1,711,919 (Euro 1,899,037 in 2007) related to the short term portion of lease contracts (Note 17).

20. External supplies and services

'External supplies and services' for the periods ended at 30 September 2008 and 2007 are made up as follows:

	2008	2007
Interconnection costs	197,660,819	168,820,817
Specialised works	45,552,808	35,921,272
Advertising and promotion	43,950,314	28,644,030
Commissions	34,817,038	40,925,946
Leased lines	19,500,491	18,757,941
Rents	24,874,530	21,590,399
Other subcontracts	20,632,720	15,091,567
Energy	6,511,472	6,089,082
Maintenance and repairs	5,581,454	4,908,963
Communications	5,477,877	3,905,586
Fees	2,449,536	3,696,984
Travelling costs	4,093,966	2,918,124
Others	16,060,936	14,029,485
	<u>427,163,962</u>	<u>365,300,196</u>

The commitments assumed by the Group in 30 September 2008 and 2007 related with operational leases are as follows:

Minimum payments of operational leases	2008	2007
2007	-	1,083,957
2008	2,758,842	3,803,419
2009	6,859,750	2,410,542
2010	5,289,764	1,176,438
2011	4,009,183	203,660
2012	1,449,871	-
2013	162,292	-
2014	905,137	-
Renewable by periods of 1 year	2,265,544	-
	<u>23,700,383</u>	<u>8,678,016</u>

During the period ended at 30 September 2008 an amount of Euro 7,926,890 was recorded in the heading 'External supplies and services' related with operational leasing rents (not considering the rents associated to leased lines).

The rents associated to the rental of facilities are mainly justified by the lease, established in 2007, of the Sonaecom building in Lisbon which has a 5 year period with the possibility of annual renewal. The actualisation of the rents will occur at the end of the first contract cycle (after the first five years).

21. Financial results

Net financial results for the periods ended at 30 September 2008 and 2007 are made up as follows:

	2008	2007
Financial results related to associated companies		
Losses on associated companies	-	(87,573)
Gains on associated companies	9,456	-
	<u>9,456</u>	<u>(87,573)</u>
Gains on investments available for sale (Note 10)	-	5,578,307
	<u>-</u>	<u>5,578,307</u>
Other financial expenses:		
Interest expenses	(14,373,715)	(23,390,827)
Other loans	(13,545,552)	(15,573,501)
Bank loans	-	(6,509,514)
Swap interests	-	(195,837)
Leasing	(731,547)	(717,720)
Other interests	(96,616)	(394,255)
Foreign exchange losses	(402,548)	(199,570)
Other financial expenses	(187,087)	(11,162,954)
Set up costs (Note 16)	(37,500)	(10,959,252)
Swap fair value (Note 16)	-	(122,574)
Others	(149,587)	(81,128)
	<u>(14,963,350)</u>	<u>(34,753,351)</u>
Other financial income:		
Interest income	2,458,143	11,068,972
Foreign exchange gains	130,328	312,563
Adjustments to fair value on investments recorded at fair value through profit and loss (Note 12)	-	240,852
	<u>2,588,471</u>	<u>11,622,387</u>

At 30 September 2008, the caption 'Other financial income: Interest income' includes, mainly, interests on late collections associated with cases in litigation and interests related with the swaps contracted by Sonaecom. At 30 September 2007, the 'Interest income' includes, mainly, interests earned on the treasury applications granted to Sonae and on bank deposits.

22. Income taxation

Income taxes recognised during the periods ended at 30 September 2008 and 2007 are made up as follows (costs)/gains:

	2008	2007
Current tax	(697,237)	(3,773,498)
Tax provision (Note 18)	(374,327)	-
Deferred tax assets (Note 11)	7,352,961	5,687,633
Deferred tax liabilities (Note 11)	(448,784)	(208,940)
	<u>5,832,612</u>	<u>1,705,195</u>

23. Related parties

During the periods ended at 30 September 2008 and 2007, the balances and transactions maintained with related parties were mainly associated with 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 30 September 2008 and 2007 were as follows:

Balances at 30 September 2008				
	Accounts receivable	Accounts payable	Treasury applications	Other assets/ (liabilities)
Sonae	147,025	41,869	-	31,812
Modelo Continente Hipermercados, S.A.	1,871,615	1,374,051	-	(6,788)
Worten	7,649,280	3,615,333	-	(668,741)
France Telecom	-	7,189,733	-	(9,283,392)
	<u>9,667,921</u>	<u>12,220,987</u>	<u>-</u>	<u>(9,927,109)</u>
Balances at 30 September 2007				
	Accounts receivable	Accounts payable	Treasury applications	Other assets/ (liabilities)
Sonae	57,229	14,003	4	(505,341)
Modelo Continente Hipermercados, S.A.	530,856	422,730	-	256,179
Worten	3,180,455	1,286,710	-	(701,060)
France Telecom	9,914,556	6,471,955	-	(14,655,994)
Sonae Investments BV	-	-	-	(3,533,417)
	<u>13,683,096</u>	<u>8,195,398</u>	<u>4</u>	<u>(19,139,634)</u>
Transactions at 30 June 2008				
	Sales and services rendered	Supplies and services received	Interest and similar income/ (expense)	Supplementary income
Sonae	296,085	119,204	243,862	11,280
Modelo Continente Hipermercados, S.A.	7,514,141	1,819,265	-	537,168
Worten	4,336,365	2,458,577	-	-
France Telecom	10,822,868	7,480,506	-	-
	<u>22,969,459</u>	<u>11,877,552</u>	<u>243,862</u>	<u>548,449</u>
Transactions at 30 September 2007				
	Sales and services rendered	Supplies and services received	Interest and similar income/ (expense)	Supplementary income
Sonae	284,593	102,809	2,091,349	61,793
Modelo Continente Hipermercados, S.A.	4,405,508	1,369,801	-	427,738
Worten	3,610,221	1,269,083	-	-
France Telecom	10,588,695	6,744,091	-	-
	<u>18,889,016</u>	<u>9,485,785</u>	<u>2,091,349</u>	<u>489,530</u>

The transactions between Group companies were eliminated in consolidation, and therefore are not disclosed in this note.

Accounts receivable and payable to related companies will be settled in cash and are not covered by guarantees. During the periods ended at 30 September 2008 and 2007, no impairment losses in accounts receivable from related entities were recognized.

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

24. Guarantees provided to third parties

Guarantees provided to third parties at 30 September 2008 and 2007 were as follows:

Company	Beneficiary	Description	2008	2007
Sonaecom	BBVA – Portugal, ING Belgium Portugal and Millennium BCP	Commercial paper	320,000,000	320,000,000
Sonaecom - Serviços de Comunicações, Público and Sonaecom	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT Reimbursements	4,521,100	5,070,594
Sonaecom - Serviços de Comunicações	Direcção de Contribuições e Impostos (Portuguese tax authorities)	IRC - Tax assessment	1,650,000	1,650,000
Sonaecom - Serviços de Comunicações and Público	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT - Impugnation process	598,000	598,000
Sonaecom - Serviços de Comunicações	Governo Civil de Lisboa (Lisbon Government Civil)	Guarantee the sweepstakes plan complet fulfilment	335,029	143,165
Sonaecom - Serviços de Comunicações and Tele2	Direcção Geral do Tesouro (Portuguese tax authorities)	IRC – Withholding tax on payments to non-residents	306,954	164,000
Sonaecom - Serviços de Comunicações	Câmara Municipal de Coimbra, Lisboa, Braga, Elvas e Caldas da Rainha (Coimbra, Lisbon, Braga, Elvas, Caldas da Rainha, Guarda, Mealhada, Barcelos and Faro Municipalities)	Performance bond - works	292,766	287,495
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 and Digitmarket	Hewlett Packard	Finance lease and services provider contracts	159,859	159,859
Sonaecom - Serviços de Comunicações	Governo Civil de Santarém (Santarém Local Government)	Guarantee the fulfilment of legal obligations	119,703	119,703
Several	Others		1,301,790	1,139,344
			<u>329,950,210</u>	<u>329,997,168</u>

At 30 September 2008 and 2007, the Board of Directors of the Group believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts into the consolidated financial statements.

25. Information by business segment

The following business segments were identified for the periods ended at 30 September 2008 and 2007:

- Telecommunications;
- Multimedia; and
- Information systems.

During the year 2007, as a result of the merger occurred between Optimus and Novis (Note 5.c)) (business mobile telecommunications and business fixed telecommunications), the Group decided to change the presentation of its segments information and, therefore, these two business segments were added into a single one designated by "Telecommunications". As established in IFRS 8, the information for the period ended at 30 September 2007, was re-expressed taking in consideration such change.

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

Inter-segment transactions at 30 September 2008 and 2007 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 were entered under the normal commercial terms and conditions that would also be available to unrelated third parties and were mainly related to interconnection, interest on treasury applications and management fees.

Overall information by business segment at 30 September 2008 and 2007 can be summarised as follows:

	Telecommunications		Multimedia		Information Systems		Other		Sub-total		Eliminations		Total	
	September 2008	September 2007	September 2008	September 2007	September 2008	September 2007	September 2008	September 2007	September 2008	September 2007	September 2008	September 2007	September 2008	September 2007
Revenues:														
Sales and services rendered	646,413,611	589,755,892	24,343,189	23,605,658	85,655,033	53,411,273	6,345,327	5,110,627	762,757,160	671,883,450	(35,856,502)	(27,605,420)	726,900,658	644,278,030
Other operating revenues	7,608,596	7,415,782	316,652	164,453	1,690,582	315,109	36,845	23,689,446	9,652,675	31,584,789	(3,910,372)	(27,352,514)	5,742,303	4,232,275
Total revenues	<u>654,022,207</u>	<u>597,171,674</u>	<u>24,659,841</u>	<u>23,770,111</u>	<u>87,345,615</u>	<u>53,726,382</u>	<u>6,382,172</u>	<u>28,800,073</u>	<u>772,409,835</u>	<u>703,468,239</u>	<u>(39,766,874)</u>	<u>(54,957,934)</u>	<u>732,642,961</u>	<u>648,510,305</u>
Depreciation and amortisation	(117,243,021)	(100,538,706)	(454,983)	(512,867)	(1,491,084)	(1,199,501)	(240,212)	(191,436)	(119,429,299)	(102,442,510)	1,167,838	945,298	(118,261,461)	(101,497,212)
Net operating income/(loss) for the segment	(3,111,233)	(858,234)	(3,119,530)	(3,979,128)	3,796,733	3,011,386	(709,434)	20,718,785	(3,143,465)	18,892,808	1,788,358	179,407	(1,355,107)	19,072,215
Net interests	(13,234,145)	(10,537,368)	(115,488)	(174,493)	(191,147)	472,220	1,625,208	(1,975,810)	(11,915,572)	(12,215,451)	-	(106,404)	(11,915,572)	(12,321,855)
Gains and losses in associated companies	-	-	-	-	-	(60,751)	-	-	-	(60,751)	9,456	(26,822)	9,456	(87,573)
Other financial results	(89,673)	(10,642,439)	7,085	(9,536)	(344,767)	3,016,784	29,708,053	112,689,015	29,280,697	105,053,823	(29,740,003)	(110,284,625)	(459,306)	(5,230,802)
Income taxation	6,087,579	3,461,459	(90,247)	(16,138)	144,968	(1,349,330)	135,200	(390,796)	6,277,500	1,705,195	(444,888)	-	5,832,612	1,705,195
Consolidated net income/(loss) for the period	<u>(10,347,472)</u>	<u>(18,576,582)</u>	<u>(3,318,180)</u>	<u>(4,179,295)</u>	<u>3,405,787</u>	<u>5,090,309</u>	<u>30,759,027</u>	<u>131,041,194</u>	<u>20,499,160</u>	<u>113,375,624</u>	<u>(28,387,077)</u>	<u>(110,238,444)</u>	<u>(7,887,917)</u>	<u>3,137,180</u>
Attributable to:														
Shareholders of Parent Company	(10,347,472)	(18,576,582)	(3,318,180)	(4,179,295)	3,194,193	4,879,842	30,759,026	131,041,193	20,287,566	113,165,158	(28,391,326)	(110,233,791)	(8,103,760)	2,931,367
Minority interests	-	-	-	-	211,594	210,467	-	-	211,594	210,467	4,249	(4,654)	215,843	205,813
Assets:														
Fixed assets and Goodwill	818,321,934	715,666,343	1,275,771	2,085,535	62,302,818	43,806,295	3,386,041	1,950,918	885,286,564	763,509,090	457,368,444	452,349,851	1,342,655,008	1,215,858,941
Inventories	24,651,762	24,770,581	1,101,512	1,653,420	4,707,724	88,350	-	-	30,460,998	26,512,351	-	-	30,460,998	26,512,351
Financial investments	1,282,025	1,282,025	1,097,695	1,097,695	907,494	18,157,494	1,198,136,036	1,295,238,283	1,201,423,250	1,315,775,497	(1,199,458,861)	(1,296,582,563)	1,964,389	19,192,934
Other non current assets	107,401,673	66,236,426	-	1,373,336	2,222,562	1,391,553	587,273,030	621,650,866	696,897,265	690,652,181	(588,432,208)	(623,275,044)	108,465,057	67,377,137
Other current assets of the segment	296,778,157	243,424,355	8,063,783	8,478,609	44,036,705	25,102,255	77,871,481	78,357,868	426,750,127	355,363,087	(102,023,074)	(81,569,511)	324,727,053	273,793,576
	<u>1,248,435,551</u>	<u>1,051,379,730</u>	<u>11,538,761</u>	<u>14,688,595</u>	<u>114,177,303</u>	<u>88,545,947</u>	<u>1,866,666,588</u>	<u>1,997,197,935</u>	<u>3,240,818,204</u>	<u>3,151,812,206</u>	<u>(1,432,545,699)</u>	<u>(1,549,077,267)</u>	<u>1,808,272,505</u>	<u>1,602,734,939</u>
Liabilities:														
Liabilities of the segment	899,440,288	700,699,524	15,657,512	19,320,167	55,100,031	32,599,631	551,502,425	522,998,161	1,521,700,256	1,275,617,484	(634,172,538)	(573,589,846)	887,527,718	702,027,638
	<u>899,440,288</u>	<u>700,699,524</u>	<u>15,657,512</u>	<u>19,320,167</u>	<u>55,100,031</u>	<u>32,599,631</u>	<u>551,502,425</u>	<u>522,998,161</u>	<u>1,521,700,256</u>	<u>1,275,617,484</u>	<u>(634,172,538)</u>	<u>(573,589,846)</u>	<u>887,527,718</u>	<u>702,027,638</u>
CAPEX	212,204,400	156,599,711	812,120	496,808	(1,306,512)	3,044,412	24,598,233	120,728,677	236,308,241	280,869,608	(25,301,508)	(121,573,603)	211,050,343	158,077,401

Despite the merger occurred in 2007, for some headings of the balance sheet and of the profit and loss statement, the Board of Directors of the Group decided to maintain a separate analysis of the business as follows:

	Mobile Network		Fixed Network and Internet		Eliminations		Telecommunications	
	September 08	September 07	September 08	September 07	September 08	September 07	September 08	September 07
Income:								
Services rendered	468,611,162	454,972,533	220,141,417	177,596,174	(42,338,969)	(42,812,815)	646,413,611	589,755,892
Other operating revenues	34,836,124	27,078,896	838,297	2,624,551	(28,065,825)	(22,287,665)	7,608,596	7,415,782
Total revenues	<u>503,447,286</u>	<u>482,051,429</u>	<u>220,979,714</u>	<u>180,220,725</u>	<u>(70,404,794)</u>	<u>(65,100,480)</u>	<u>654,022,207</u>	<u>597,171,674</u>
Depreciation and amortisation	(93,444,125)	(85,668,497)	(23,798,896)	(14,870,209)	-	-	(117,243,021)	(100,538,706)
Operational results of the segments	12,211,029	22,516,870	(15,313,437)	(23,787,545)	(8,825)	412,441	(3,111,233)	(858,234)
Assets								
Tangible assets and Goodwill	644,469,071	549,397,258	173,852,864	166,285,647	-	(16,562)	818,321,934	715,666,343
Inventories	20,248,418	22,626,863	4,403,344	2,143,718	-	-	24,651,762	24,770,581
Financial investments	1,282,025	1,282,025	-	-	-	-	1,282,025	1,282,025
CAPEX	184,910,324	87,748,544	27,294,078	68,851,167	-	-	212,204,400	156,599,711

During the periods ended at 30 September 2008 and 2007, the inter-segments sales and services were as follows:

	2008			
	Telecommunications	Multimedia	Information Systems	Others
Telecommunications	-	-	27,846,383	5,287,078
Multimedia	1,328,057	-	226,752	414,929
Information Systems	510,263	31,210	-	103,368
Sonaecom others	50,996	-	57,466	-
Others	<u>644,524,295</u>	<u>24,311,979</u>	<u>57,524,432</u>	<u>539,952</u>
	<u>646,413,611</u>	<u>24,343,189</u>	<u>85,655,033</u>	<u>6,345,327</u>

	2007			
	Telecommunications	Multimedia	Information Systems	Others
Telecommunications	-	-	21,717,106	4,480,394
Multimedia	393,875	-	341,909	124,117
Information Systems	307,889	240	-	87,980
Sonaecom others	50,588	48,043	53,279	-
Others	<u>589,003,540</u>	<u>23,557,375</u>	<u>31,298,979</u>	<u>418,136</u>
	<u>589,755,892</u>	<u>23,605,658</u>	<u>53,411,273</u>	<u>5,110,627</u>

26. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 8,103,761 negative in 2008 and Euro 2,931,367 in 2007) by the average number of shares outstanding during the periods ended at 30 September 2008 and 2007, net of own shares (Euro 364,076,222 in 2008 and Euro 364,773,503 in 2007).

27. 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.

The Sonaecom plans outstanding at 30 September 2008 can be summarised as follows:

	Share price at award date *	Vesting period		30-Sep-2008	
		Award date	Vesting date	Aggregate number of participations	Number of options/ shares
Sonaecom shares					
2005 Plan	4.093	10-Mar-06	9-Mar-09	363	850,987
2006 Plan	4.697	9-Mar-07	8-Mar-10	396	1,011,269
2007 Plan	2.24	10-Mar-08	9-Mar-11	410	1,887,405
Sonae SGPS shares					
2005 Plan	1.34	10-Mar-06	9-Mar-09	12	147,924
2006 Plan	1.68	9-Mar-07	8-Mar-10	6	153,968
2007 Plan	1.16	10-Mar-08	9-Mar-11	7	261,924

* 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 13th 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.

During the semester ended at 30 September 2008, the movements occurred in the plans can be summarised as follows:

	Sonaecom shares		Sonae SGPS shares	
	Aggregate number of participations	Number of shares	Aggregate number of participations	Number of shares
Outstanding at 31.12.2007				
Unvested	1,142	2,902,082	30	496,440
Total	1,142	2,902,082	30	496,440
Movements in the semester				
Awarded	416	1,916,077	7	254,715
Vested	(349)	(976,395)	(12)	(274,202)
Cancelled/Elapsed *	(40)	(92,103)	-	86,863
Outstanding at 30.09.2008				
Unvested	1,169	3,749,661	25	563,816
Total	1,169	3,749,661	25	563,816

* Corrections are made according to the dividend paid or by changes in the capital.

For Sonaecom's share plans, the total responsibility, calculated taking in consideration the share price at balance sheet date, is Euro 2,503,839 and was recorded under the headings of 'Other current liabilities' and 'Other non current liabilities'. For the Sonae SGPS share plans the Group entered into hedging contracts with external entities, and the liabilities are calculated based on the prices agreed on those contracts and recorded under the headings of 'Other current liabilities' and 'Other non current liabilities', by an amount of Euro 446,347.

Share Plan costs are recognised in the accounts over the period between the award and the vesting date of those shares. The costs recognised in previous years and in the period ended at 30 September 2008, were as follows:

	Amount
Costs recognised in previous years	21,950,820
Costs recognised in the period	(7,212)
Costs of plans from subsidiary Exit (no longer consolidated)	(8,882)
Costs of plans vested in previous year	(14,990,425)
Costs of plans vested in the period	(3,937,199)
Total cost of the plans	3,007,102
Recorded in Other current liabilities	(1,555,668)
Recorded in Other non current liabilities	(1,451,434)

During the period ended at 30 September 2008, the Board of Directors of Sonaecom decided to convert the settlement of its Medium Term Incentive Plans from settlement in shares to settlement in cash, as this option is provided in such plans.

28. Other matters

i) At 30 September 2008, accounts receivable from customers and accounts payable to suppliers include Euro 37,139,253 and Euro 29,913,608, respectively, as well the captions '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, essentially, the operator TMN – Telecomunicações Móveis Nacionais, S.A., in relation to interconnection tariffs, recorded on the year ended 31 December 2001. The Company has considered the most penalising tariffs in their consolidated financial statements. In the lower court, the decision was favourable to Optimus. The 'Tribunal da Relação' (Court of Appeal), on appeal, rejected the intentions of TMN. However, TMN again appealed to the 'Supremo Tribunal de Justiça' (Supreme Court).

(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 has already been rejected in the lower courts. In consequence of this rejection, Maxistar appealed to the 'Tribunal da Relação de Lisboa' (Lisbon Court of Appeal).

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 were paid to Sonaecom.

The 'Tribunal da Relação de Lisboa' rejected the Maxistar's appeal, confirming the previous decision.

Maxistar appealed to the 'Supremo Tribunal de Justiça' (Supreme Court), which dismissed the appeal, confirming the sentence, that is now pending its final effect.

These consolidated financial statements were approved by the Board of Directors on 28 October 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 30 September 2008, the related parties of Sonaecom Group are as follows:

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

Sonae/Efanor Group Companies	
3DO Holding GmbH	Bloco W-Sociedade Imobiliária,S.A.
3DO Shopping Centre GmbH	Boavista Shopping Centre BV
3shoppings - Holding,SGPS, S.A.	Box Lines Navegação,S.A.
Aegean Park,S.A.	Campo Limpo, Lda
Agepan Eiweiler Management GmbH	Canasta-Empreendimentos Imobiliários,S.A.
Agepan Flooring Products, S.A.RL	Carnes do Continente-Ind.Distr.Carnes,S.A.
Agepan Tarket Laminat Park GmbH Co. KG	CarPlus – Comércio de Automóveis, S.A.
Aglom Investimentos, Sgps, S.A.	Casa Agrícola de Ambrães, S.A.
Aglom-Soc.Ind.Madeiras e Aglom.,S.A.	Casa Agrícola João e A. Pombo, S.A.
Águas Furtadas - Imobiliária, S.A.	Casa da Ribeira - Hotelaria e Turismo,S.A.
Airone - Shopping Center, Srl	Cascaishopping- Centro Comercial, S.A.
ALEXA Administration GmbH	Cascaishopping Holding I, SGPS, S.A.
ALEXA Holding GmbH	Centro Colombo- Centro Comercial, S.A.
ALEXA Shopping Centre GmbH	Centro Residencial da Maia,Urbán.,S.A.
Alexa Site GmbH & Co. KG	Centro Vasco da Gama-Centro Comercial,S.A.
Algarveshopping- Centro Comercial, S.A.	Change, SGPS, S.A.
Andar - Sociedade Imobiliária, S.A.	Chão Verde-Soc.Gestora Imobiliária,S.A.
Aqualuz - Turismo e Lazer, Lda	Choice Car - Comércio de Automóveis, S.A.
Aquapraia - Investimentos Turísticos,S.A.	Choice Car SGPS, S.A.
Arrábidasshopping- Centro Comercial, S.A.	Cia.de Industrias e Negócios,S.A.
Aserraderos de Cuellar,S.A.	Cinclus Imobiliária,S.A.
Atlantic Ferries-Tráf.Loc,Flu.e Marít,S.A.	Citorres-Sociedade Imobiliária,S.A.
Avenida M-40 B.V.	Clérigosshopping- Gestão do C.Comerc.,S.A.
Avenida M-40,S.A.	Coimbrashopping- Centro Comercial, S.A.
Azulino Imobiliária, S.A.	Colombo Towers Holding, BV
Bertimóvel - Sociedade Imobiliária, S.A.	Contacto Concessões, SGPS, S.A.
Best Offer-Prest. Inf. p/Internet,S.A.	Contacto-SGPS,S.A.
Bikini, Portal de Mulheres,S.A.	Contibomba-Comérc.Distr.Combustiveis,S.A.
Bloco Q-Sociedade Imobiliária,S.A.	Contimobe-Imobil.Castelo Paiva,S.A.

Continente Hipermercados, S.A.	Global S-Hipermercado,Lda
Contry Club da Maia-Imobiliaria,S.A.	Glunz AG
Craiova Mall BV	Glunz Service GmbH
Cronosaúde - Gestão Hospitalar, S.A.	Glunz UK Holdings Ltd
Cumulativa - Sociedade Imobiliária, S.A.	Glunz Uka GmbH
Darbo S.A.S	Golf Time-Golfe e Invest. Turísticos, S.A.
Developpement & Partenariat Assurances, S.A.	Guerin – Rent a Car (Dois), Lda.
Difusão-Sociedade Imobiliária,S.A.	Guimarãesshopping- Centro Comercial, S.A.
Distrifin-Comercio y Prest.Servicios,S.A.	Hornitex Polska Sp z.o.o
DMJB, SGPS, S.A.	Iberian Assets, S.A.
Dortmund Tower GmbH	IGI-Investimento Imobiliário,S.A.
Dos Mares - Shopping Centre B.V.	Igimo-Sociedade Imobiliária,S.A.
Dos Mares-Shopping Centre, S.A.	Iginha-Sociedade Imobiliária,S.A.
Ecociclo - Energia e Ambiente, S.A.	Imoarea - Invest. Turísticos, SGPS, S.A.
Ecociclo II - Energias, S.A.	Imobiliária da Cacela, S.A.
Edições Book.it, S.A.	Imoclub-Serviços Imobiliários,S.A.
Efanor Investimentos, SGPS, S.A.	Imoconti- Soc.Imobiliária,S.A.
Efanor Serviços de Apoio à Gestão, S.A.	Imodivor - Sociedade Imobiliária, S.A.
Efanor-Design e Serviços,S.A.	Imoestrutura-Soc.Imobiliária,S.A.
Efanor-Indústria de Fios,S.A.	Imoferro-Soc.Imobiliária,S.A.
Elmo SGPS, SA	Imohotel-Emp.Turist.Imobiliários,S.A.
El Rosal Shopping, S.A.	Imomuro-Sociedade Imobiliária,S.A.
Empreend.Imob.Quinta da Azenha,S.A.	Imopenínsula - Sociedade Imobiliária, S.A.
Equador & Mendes,Lda	Imoplamac Gestão de Imóveis,S.A.
Espimaia -Sociedade Imobiliária,S.A.	Imoponte-Soc.Imobiliaria,S.A.
Estação Oriente-Gest.de Galerias Com.,S.A.	Imoresort - Sociedade Imobiliária, S.A.
Estação Viana- Centro Comercial, S.A.	Imoresultado-Soc.Imobiliaria,S.A.
Estêvão Neves-Hipermercados Madeira,S.A.	Imosedas-Imobiliária e Seviços,S.A.
Etablissement A. Mathe, S.A.	Imosistema-Sociedade Imobiliária,S.A.
Euro Decorative Boards,Ltd	Imosonae II
Euromegantic,Lteé	Impaper Europe GmbH & Co. KG
Euroresinas-Indústrias Químicas,S.A.	Implantação - Imobiliária, S.A.
Finlog - Aluguer e Comércio de Automóveis, S.A.	Infofield-Informática,S.A.
Fozimo-Sociedade Imobiliária,S.A.	Inparsi - Gestão Galeria Comercial, S.A.
Fozmassimo - Sociedade Imobiliária, S.A.	Inparvi SGPS, S.A.
Freccia Rossa- Shopping Centre S.r.l.	Insulatroia - Sociedade Imobiliária, S.A.
Friengineering International Ltda	Integrum-Edificios Sustentáveis,SA
Fundo de Invest. Imobiliário Imosede	Integrum-Serviços Partilhados,S.A.
Fundo Invest.Imob.Shopp. Parque D.Pedro	Interclean, S.A.
Gaiashopping I- Centro Comercial, S.A.	Interlog-SGPS,S.A.
Gaiashopping II- Centro Comercial, S.A.	Inventory-Acessórios de Casa,S.A.
GHP GmbH	Investalentejo, SGPS, S.A.
Gli Orsi - Shopping Centre, Srl	Invsaude - Gestão Hospitalar, S.A.

Ipaper-Industria Papeis Impregnados,S.A.	Movelpartes-Comp.para Ind.Mobiliária,S.A.
ISF - Imobiliário, Serviços e Participaç	Mundo Vip - Operadores Turisticos, S.A.
Isoroy SAS	NAB, Sociedade Imobiliária,S.A.
KLC Holdings XII SA	NA-Comércio de Artigos de Desporto, S.A.
La Farga - Shopping Center, SL	NA-Equipamentos para o Lar, S.A.
Larissa Develop. Of Shopping Centers, S.A.	Net Mall SGPS, S.A.
Lazam Corretora, Ltda.	Norscut - Concessionária de Scut Interior Norte, S.A.
Leroy Gabon SA	Norte Shop. Retail and Leisure Centre BV
Le Terrazze - Shopping Centre S.r.l.	Norteshopping-Centro Comercial, S.A.
Lembo Services Ltd (Euro)	Nova Equador Internacional,Ag.Viag.T,Ld
Libra Serviços, Lda.	Nova Equador P.C.O. e Eventos
Lidergraf - Artes Gráficas, Lda.	Novobord (PTY) Ltd.
Lima Retail Park, S.A.	Oeste Retail Park - Gestão G.Comerc., S.A.
Loureshopping- Centro Comercial, S.A.	Operscut - Operação e Manutenção de Auto-estradas, S.A.
Luso Assistência - Gestão de Acidentes, S.A.	OSB Deustchland Gmbh
Luz del Tajo - Centro Comercial S.A.	Paracentro - Gest.de Galerias Com., S.A.
Luz del Tajo B.V.	Pareuro, BV
Madeirashopping- Centro Comercial, S.A.	Pargeste SGPS, S.A.
Maiashopping- Centro Comercial, S.A.	Park Avenue Develop. of Shop. Centers S.A.
Maiequipa-Gestão Florestal,S.A.	Parque Atlântico Shopping - C.C., S.A.
Marcas MC, ZRT	Parque D. Pedro 1 B.V.
Marimo -Exploração Hoteleira Imobiliária	Parque D. Pedro 2 B.V.
Marina de Tróia S.A.	Parque de Famalicão - Empr. Imob., S.A.
Marinamagic-Expl.Cent.Lúdicos Marít,Lda	Parque Principado SL
Marmagno-Expl.Hoteleira Imob.,S.A.	Partnergiro - Empreend. Turísticos, Lda
Martimope - Sociedade Imobiliária, S.A.	Pátio Boavista Shopping Ltda.
Marvero-Expl.Hoteleira Imob.,S.A.	Pátio Campinas Shopping Ltda
MC Property Management S.A.	Pátio Goiânia Shopping Ltda
MDS Corretor de Seguros, S.A.	Pátio Londrina Empreend. e Particip. Ltda
Mediterranean Cosmos Shop. Centre Investments, S.A.	Pátio Penha Shopping Ltda.
Megantic BV	Pátio São Bernardo Shopping Ltda
MJLF-Empreendimentos Imobiliários, S.A.	Pátio Sertório Shopping Ltda
Modalfa-Comércio e Serviços,S.A.	Pátio Londrina Empreend.e Particip.Ltda
Modelo - Dist.de Mat. de Construção,S.A.	Peixes do Continente-Ind.Dist.Peixes,S.A.
Modelo Cont. Seguros-Soc. De Mediação, Lda	PHARMACONTINENTE - Saúde e Higiene, S.A.
Modelo Continente - Oper.Retalho SGPS,S.A.	PJP - Equipamento de Refrigeração, Lda
Modelo Continente Hipermercados,S.A.	Placage d'Okoumé du Gabon
Modelo Continente, SGPS,S.A.	Plaza Eboli B.V.
Modelo Hiper Imobiliária,S.A.	Plaza Eboli - Centro Comercial S.A.
Modelo Hipermercados Trading, S.A.	Plaza Mayor Holding, SGPS, S.A.
Modelo.com-Vendas p/Correspond.,S.A.	Plaza Mayor Parque de Ócio B.V.
Monselice Centre Srl	Plaza Mayor Parque de Ocio,S.A.
	Plaza Mayor Shopping B.V.

Plaza Mayor Shopping, S.A.	Project Sierra Charagionis 1 S.A.
Plysorol SAS	Project Sierra Germany Shop. Center 1 BV
Ploiesti Shopping Center (Euro)	Project Sierra Germany Shop. Center 2 BV
Poliface Brasil, Ltda	Project Sierra Italy 5 Srl
Poliface North America	Project Sierra One Srl
Porturbe-Edifícios e Urbanizações,S.A.	Project Sierra Spain 1 B.V.
Praedium II-Imobiliária,S.A.	Project Sierra Spain 2 B.V.
Praedium III-Serviços Imobiliários,S.A.	Project Sierra Spain 2-Centro Comer. S.A.
Praedium SGPS, S.A.	Project Sierra Spain 3 B.V.
Predicomercial-Promoção Imobiliária,S.A.	Project Sierra Spain 3-Centro Comer. S.A.
Prédios Privados Imobiliária,S.A.	Project Sierra Spain 5 BV
Predisedas-Predial das Sedas,S.A.	Project Sierra Spain 6 B.V.
Pridelease Investments, Ltd	Project Sierra Spain 6-Centro Comer. SA
Profimetrics - Software Solutions, S.A.	Project Sierra Spain 7 B.V.
Proj. Sierra Germany 1 - Shop.C. GmbH	Project Sierra Spain 7-Centro Comer. SA
Proj. Sierra Germany 4 (four)-Sh.C.GmbH	Project Sierra 10 BV
Proj. Sierra Italy 2 - Dev.of Sh.C. Srl	Project Sierra 8 BV
Proj.Sierra 1 - Shopping Centre GmbH	Project Sierra 9 BV
Proj.Sierra Germany 2 (two)-Sh.C.GmbH	Project Sierra Srl
Proj.Sierra Germany 3 (three)-Sh.C.GmbH	Project Sierra Srl
Proj.Sierra Hold. Portugal V, SGPS,S.A.	Project Sierra Three Srl
Proj.Sierra Italy 1 -Shop.Centre Srl	Project Sierra Two Srl
Proj.Sierra Italy 2 -Dev. Of Sh.C.Srl	Promessa Sociedade Imobiliária, S.A.
Proj.Sierra Italy 3 - Shop. Centre Srl	Promosedas-Prom.Imobiliária,S.A.
Proj.Sierra Portugal I- C.Comerc., S.A.	Prosa-Produtos e serviços agrícolas,S.A.
Proj.Sierra Portugal II-C.Comerc.,S.A.	Publimeios-Soc.Gestora Part. Finan.,S.A.
Proj.Sierra Portugal III-C.Comerc.,S.A.	Racionaliz. y Manufact.Florestales,S.A.
Proj.Sierra Portugal IV-C.Comerc.,S.A.	Resoflex-Mob.e Equipamentos Gestão,S.A.
Proj.Sierra Portugal V-C.Comercial,S.A.	Resolução, SGPS, S.A.
Proj.Sierra Portugal VI-C.Comercial,S.A.	Rio Sul - Centro Comercial, S.A.
Proj.Sierra Portugal VII - C. Comerc.,S.A.	River Plaza Mall, Srl
Proj.Sierra Portugal VIII - C.Comerc.,S.A.	Rochester Real Estate,Limited
Project 4, Srl	S. C. Setler Mina Srl
Project SC 1 BV	S.C. Microcom Doi Srl
Project SC 2 BV	Saúde Atlântica - Gestão Hospitalar, S.A.
Project Sierra 1 B.V.	SC Aegean B.V.
Project Sierra 2 B.V.	SC Insurance Risks Services, SGPS, S.A.
Project Sierra 3 BV	SC Mediterraneum Cosmos B.V.
Project Sierra 4 BV	SC-Consultadoria,S.A.
Project Sierra 5 BV	SC-Eng. e promoção imobiliária,SGPS,S.A.
Project Sierra 6 BV	SCS Beheer,BV
Project Sierra 7 BV	Selfrio,SGPS,S.A.
Project Sierra Brazil 1 B.V.	Selfrio-Engenharia do Frio,S.A.

Selifa-Empreendimentos Imobiliários,S.A.	Sierra Management Spain-Gestión C.Com.S.A.
Sempre à Mão - Sociedade Imobiliária,S.A.	Sierra Management, SGPS, S.A.
Sempre a Postos - Produtos Alimentares e Utilidades , Lda	Sierra Portugal Fund, Sarl
Serra Shopping - Centro Comercial, S.A.	Sierra Property Management, Srl
Sesagest-Proj.Gestão Imobiliária,S.A.	SII - Soberana Invest. Imobiliários, S.A.
Sete e Meio - Invest. Consultadoria, S.A.	SIRS - Sociedade Independente de Radiodifusão Sonora, S.A.
Sete e Meio Herdades-Inv. Agr. e Tur.,S.A.	Sistavac-Sist.Aquecimento,V.Ar C.,S.A.
Shopping Centre Colombo Holding, BV	SKK-Central de Distr.,S.A.
Shopping Centre Parque Principado B.V.	SKKFOR - Ser. For. e Desen. de Recursos
Shopping Penha B.V.	SMP-Serv. de Manutenção Planeamento
Siaf-Soc.Iniciat.Aprov.Florestais,S.A.	Soc.Inic.Aproveit.Florest.-Energias,S.A.
Sic Indoor - Gestão de Suportes Publicitários, S.A.	Sociedade de Construções do Chile, S.A.
Sierra Asset Management Luxemburg, Sarl	Sociedade Imobiliária Troia - B3, S.A.
Sierra Asset Management-Gest. Activos,S.A.	Société de Tranchage Isoroy S.A.S.
Sierra Brazil 1 B.V.	Société des Essences Fines Isoroy
Sierra Charagionis Develop.Sh. Centre S.A.	Société Industrielle et Financière Isoroy
Sierra Charagionis Propert.Management S.A.	Socijofra-Sociedade Imobiliária,S.A.
Sierra Corporate Services- Ap.Gestão, S.A.	Sociloures-Soc.Imobiliária,S.A.
Sierra Corporate Services Holland, BV	Soconstrução BV
Sierra Develop.Iberia 1, Prom.Imob.,S.A.	Sodesa, S.A.
Sierra Development Greece, S.A.	Soflorin,BV
Sierra Developments Germany GmbH	Soira-Soc.Imobiliária de Ramalde,S.A.
Sierra Developments Germany Holding B.V.	Sol Retail Park - Gestão G.Comerc., S.A.
Sierra Developments Holding B.V.	Solaris Supermercados, S.A.
Sierra Developments Italy S.r.l.	Solinca III-Desporto e S.A.úde,S.A.
Sierra Developments Services Srl	Solinca-Investimentos Turísticos,S.A.
Sierra Developments Spain-Prom.C.Com.SL	Solinfittness - Club Malaga, S.L.
Sierra Developments, SGPS, S.A.	Soltroia-Imob.de Urb.Turismo de Tróia,S.A.
Sierra Developments-Serv. Prom.Imob., S.A.	Somit Imobiliária,S.A.
Sierra Enplanta Ltda	Somit-Soc.Mad.Ind.Transformadas,S.A.
Sierra European R.R.E. Assets Hold. B.V.	Sonae Capital Brasil, Lda
Sierra GP Limited	Sonae Capital,SGPS,S.A.
Sierra Investimentos Brasil Ltda	Sonae Center Serviços, SA
Sierra Investments (Holland) 1 B.V.	Sonae Financial Participations BV
Sierra Investments (Holland) 2 B.V.	Sonae Ind., Prod. e Com.Deriv.Madeira,S.A.
Sierra Investments Holding B.V.	Sonae Indústria Brasil, Ltda
Sierra Investments SGPS, S.A.	Sonae Industria de Revestimentos,S.A.
Sierra Italy Holding B.V.	Sonae Indústria-SGPS,S.A.
Sierra Man.New Tech.Bus.-Serv.Comu.CC,S.A.	Sonae International, Ltd
Sierra Management Germany GmbH	Sonae Investments,BV
Sierra Management Hellas SA	Sonae Novobord (PTY) Ltd
Sierra Management II-Gestão de C.C. S.A.	Sonae Retalho Espana-Servicios Gen.,S.A.
Sierra Management Italy S.r.l.	Sonae RE, S.A.
Sierra Management Portugal-Gest. CC,S.A.	Sonae Serviços de Gestão, S.A.

<p>Sonae SGPS, S.A. Sonae Sierra Brasil Ltda Sonae Sierra Brazil B.V. Sonae Sierra, SGPS, S.A. Sonae Tafibra (UK),Ltd Sonae Tafibra Benelux, BV Sonae Turismo Gestão e Serviços,S.A. Sonae Turismo-SGPS,S.A. Sonae UK,Ltd. Sonaegest-Soc.Gest.Fundos Investimentos Sonaecenter Serviços, SA 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 Spinarg,S.A. Spinveste - Promoção Imobiliária, S.A. Spinveste-Gestão Imobiliária SGII,S.A. Sport Zone-Comércio Art.Desporto,S.A. SRP Development, SA SRP-Parque Comercial de Setúbal, S.A. Star-Viagens e Turismo,S.A. Tableros Tradema,S.L. Tafiber,Tableros de Fibras Ibéricas,SL Tafibras Participações, S.A. Tafisa Brasil, S.A. Tafisa Canadá Societé en Commandite Tafisa France, S.A. Tafisa UK,Ltd</p>	<p>Tafisa-Tableros de Fibras, S.A. 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 Portugal-Sist. de Informação, SA Tlantic Sistemas de Informação Ltdª 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. Troia Market, SA TP - Sociedade Térmica, S.A. Troiaresort-Investimentos Turísticos, 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. Urbisedas-Imobiliária das Sedas,S.A. Valecenter Srl Valor N, S.A. 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 España, S.A. Worten-Equipamento para o Lar,S.A. Zubiarte Inversiones Inmob,S.A.</p>
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FT Group Companies	
France Telecom, S.A.	Atlas Services Belgium, SA.

12. Individual Financial Statements

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

BALANCE SHEETS FOR THE PERIODS ENDED AT 30 SEPTEMBER 2008 AND 2007 AND

FOR THE YEAR ENDED AT 31 DECEMBER 2007

(Amounts expressed in Euro)

ASSETS	September 2008	September 2007	December 2007
NON CURRENT ASSETS:			
Tangible assets	565,251	143,610	181,562
Intangible assets	54,540	75,080	71,121
Investments in group companies	898,096,556	864,939,287	920,727,475
Other non current assets	569,481,005	609,458,841	492,695,948
Total non current assets	1,468,197,352	1,474,616,818	1,413,676,106
CURRENT ASSETS:			
Other current debtors	9,198,532	6,551,612	9,022,179
Other current assets	6,053,456	2,287,654	3,766,451
Investments recorded at fair value through profit or loss	-	351,593	-
Cash and cash equivalents	58,081,634	57,255,451	145,779,175
Total current assets	73,333,622	66,446,310	158,567,805
Total assets	1,541,530,974	1,541,063,128	1,572,243,911
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	366,246,868	366,246,868	366,246,868
Own shares	(10,740,014)	(8,938,165)	(8,938,165)
Reserves	776,844,112	793,928,480	794,137,940
Consolidated net income/(loss) for the period	18,166,600	62,948,311	(15,334,817)
Total Shareholders' Funds	1,150,517,566	1,214,185,494	1,136,111,826
LIABILITIES:			
NON CURRENT LIABILITIES:			
Medium and long-term loans - net of short-term portion	362,910,031	308,353,900	373,680,136
Provisions for other liabilities and charges	57,265	23,706	23,706
Other non current liabilities	321,566	317,996	129,379
Total non current liabilities	363,288,862	308,695,602	373,833,221
CURRENT LIABILITIES:			
Short-term loans and other loans	24,979,697	5,018,832	17,860,473
Other creditors	772,466	8,783,813	41,292,121
Other current liabilities	1,972,383	4,379,387	3,146,270
Total current liabilities	27,724,546	18,182,032	62,298,864
Total Shareholders' Funds and liabilities	1,541,530,974	1,541,063,128	1,572,243,911

The Chief Accountant

The Board of Directors

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

PROFIT AND LOSS ACCOUNT BY NATURE

FOR THE QUARTERS AND THE PERIODS ENDED AT 30 SEPTEMBER 2008 AND 2007 AND

FOR THE YEAR ENDED AT 31 DECEMBER 2007

(Amounts expressed in Euro)

	<u>September 2008</u>	<u>June to September 2008</u>	<u>September 2007</u>	<u>June to September 2007</u>	<u>December 2007</u>
Services rendered	5,355,526	1,785,175	4,548,703	1,516,235	6,776,984
Other operating revenues	20,231	93	23,631,543	23,446,806	24,183,266
	<u>5,375,757</u>	<u>1,785,268</u>	<u>28,180,246</u>	<u>24,963,041</u>	<u>30,960,250</u>
External supplies and services	(2,559,053)	(996,821)	(3,744,401)	(887,537)	(4,658,695)
Staff expenses	(3,351,195)	(988,177)	(3,674,973)	(1,150,893)	(5,170,239)
Depreciation and amortisation	(80,903)	(34,025)	(53,033)	(18,071)	(72,718)
Provisions and impairment losses	(3,611)	(958)	-	-	-
Other operating costs	(40,579)	(9,792)	(61,258)	(26,212)	(76,530)
	<u>(6,035,341)</u>	<u>(2,029,773)</u>	<u>(7,533,665)</u>	<u>(2,082,713)</u>	<u>(9,978,182)</u>
Net operating income/(expenses)	(659,584)	(244,505)	20,646,581	22,880,328	20,982,068
Gains and losses in associated companies	11,141,093	(5,700,000)	38,592,872	34,000,000	(43,481,386)
Other financial expenses	(14,790,876)	(5,471,963)	(9,081,863)	(3,673,421)	(13,283,729)
Other financial incomes	22,625,192	8,359,941	13,171,071	5,292,626	20,460,321
	<u>33,106,701</u>	<u>2,415,436</u>	<u>72,410,524</u>	<u>62,172,954</u>	<u>(2,038,997)</u>
Current income/(loss)	33,106,701	2,415,436	72,410,524	62,172,954	(2,038,997)
Income taxation	(149,225)	(142,882)	(380,350)	(376,023)	(12,091)
	<u>32,957,476</u>	<u>2,272,554</u>	<u>72,030,174</u>	<u>61,796,931</u>	<u>(2,051,088)</u>
Net income/(loss)	32,957,476	2,272,554	72,030,174	61,796,931	(2,051,088)
Earnings per share					
Including discontinued operations					
Basic	0.05	(0.01)	0.17	0.16	(0.04)
Diluted	0.05	(0.01)	0.17	0.16	(0.04)
Excluding discontinued operations					
Basic	0.05	(0.01)	0.17	0.16	(0.04)
Diluted	0.05	(0.01)	0.17	0.16	(0.04)

The Chief Accountant

The Board of Directors

SONAECOM, S.G.P.S., S.A.

MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE PERIODS ENDED AT 30 SEPTEMBER 2008 AND 2007

(Amounts expressed in Euro)

	2008											
	Reserves											
	Share capital	Own shares	Legal reserves	Share premium	Other reserves	Reserves for Medium Term Incentive Plans	Hedging reserves	Reserves of Own shares	Fair value reserves	Total reserves	Net income/(loss)	Total
Balance at 31 December 2007	366,246,868	(8,938,165) -	1,002,287	775,290,377	7,932,462	304,296	412,910	8,938,165	257,443	794,137,940	(15,334,817)	1,136,111,826
Appropriation of the net result of 2007	-	-	-	-	(15,334,817)	-	-	-	-	(15,334,817)	15,334,817	-
Net income/(loss) for the nine month period ended at 30 September 2008	-	-	-	-	-	-	-	-	-	-	18,166,600	18,166,600
Delivery of own shares under Medium Term Incentive Plans	-	4,275,838 -	-	-	2,073,732	-	-	(4,275,838)	-	(2,202,106)	-	2,073,732
Acquisition of own shares	-	(6,077,687) -	-	-	(6,077,687)	-	-	6,077,687	-	-	-	(6,077,687)
Fair value reserves	-	-	-	-	-	-	547,391	-	-	547,391	-	547,391
Transfer to liabilities of the reponsabilities associated to the Medium Term Incentive Plans	-	-	-	-	-	(304,296)	-	-	-	(304,296)	-	(304,296)
Balance at 30 September 2008	366,246,868	(10,740,014)	1,002,287	775,290,377	(11,406,310)	-	960,301	10,740,014	257,443	776,844,112	18,166,600	1,150,517,566

	2007												
	Reserves												
	Share capital	Own shares	-	Legal reserves	Share premium	Other reserves	Medium Term Incentive Plans	Hedging reserves	Reserves of Own shares	Fair value reserves	Total reserves	Net income/(loss)	Total
Balance at 31 December 2006	366,246,868	-	-	559,078	775,290,377	8,449,654	108,132	-	-	-	784,407,241	9,121,625	1,159,775,734
Appropriation of the net result of 2006	-	-	-	443,209	-	8,678,416	-	-	-	-	9,121,625	(9,121,625)	-
Net income/(loss) for the nine month period ended at 30 September 2007	-	-	-	-	-	-	-	-	-	-	-	62,948,311	62,948,311
Acquisition of own shares	-	(8,938,165) -	-	-	-	(8,938,165)	-	-	8,938,165	-	-	-	(8,938,165)
Fair value reserves	-	-	-	-	-	-	-	176,657	-	-	176,657	-	176,657
Fair value reserves	-	-	-	-	-	(257,443)	-	-	-	257,443	-	-	-
Transfer to liabilities of the reponsabilities associated to the Medium Tern	-	-	-	-	-	-	222,957	-	-	-	222,957	-	222,957
Balance at 30 September 2007	366,246,868	(8,938,165)	-	1,002,287	775,290,377	7,932,462	331,089	176,657	8,938,165	257,443	793,928,480	62,948,311	1,214,185,494

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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.

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