



# CONSOLIDATED MANAGEMENT REPORT & ACCOUNTS

**First Half 2008**

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### Notes:

(i) The Consolidated Financial Information contained in this report as of 30 June 2008 is subject to limited review procedures 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 Ângelo Paupério, CEO of Sonaecom

The first half of 2008 has highlighted the significant competitive pressures that the Portuguese telecoms market is under, with all of the main operators already active in, or planning to enter, all key segments of the market. The semester saw aggressive promotions extended throughout the period and new price points introduced in the market by our competitors, across fixed voice, broadband and TV services including the announcement of the launch of a third satellite TV platform. These developments are occurring at a time when the confidence of Portuguese consumers and businesses is deteriorating and are likely to negatively impact the telecoms market as a whole.

The ambitious investment plan that we announced for 2008, aimed at stimulating growth and enhancing our future competitive market position, is now well under way and clear progress has been made during the 1H08 to achieve this. This is true not only in terms of the customer and top-line growth achieved in our businesses, but also with the way the organization has responded to tougher competitive market dynamics, by introducing innovative products and services, by anticipating and focusing on specific segment opportunities and by leveraging on our integrated structure that has enhanced our approach to the market.

In response to this market environment, we have had very active first half during which we implemented a number of important commercial initiatives:

- Optimus rebranding, with the launch of a totally new brand and corporate image;
- the launch of an innovative offer aimed at the youth market ("TAG"), which introduces, for the first time, unlimited communications among closed user groups at a attractive flat fees;
- introduction of BlackBerry and the iPhone in our range of mobile products ;
- the reinforcement of our mobile broadband offer - recently ranked the best in Portugal by a specialised magazine - with an innovative bundle of PC + Modem;
- launch of a new entry level broadband ADSL offer at 4Mbps and a free upgrade for existing customers with the previous 2Mbps offer to 6Mbps speeds;
- reinforcement of our IPTV offer by adding new broadcast channels and new functionalities;
- replacement of our wireline customers' set-top boxes, for free, offering one of the most advanced equipments available in the market, which will allow for the improvement of image and sound quality, as well as the rendering of HDTV;
- change of corporate identity and image of WeDo to "WeDo Technologies", a reflection of its expansion and the consolidation of the acquired companies, bringing all assets under one single brand;
- Mainroad becoming the first SAP Hosting Partner in Portugal and ranking second in the category of "Best Disaster Recovery Provider" in the recent Data Centres Europe Awards 2008 contest; and
- campaigns implemented by Público, associated with its 18<sup>th</sup> anniversary, including special editions, the recirculation of the first edition and the launch of a new Saturday supplement.

Consistent with our investment priorities announced to the market, the material top line growth achieved in our businesses in the 1H08 has not translated into higher consolidated profitability as a result of the expected costs associated with our growth efforts, including the costs of our commercial initiatives, the integration costs associated with the acquisitions made last year; and the increase in competitiveness in the market. I would like to highlight the following in relation to our performance indicators:

- Material y.o.y. growth in mobile customers (+11.5%);
- Growth of direct wireline accesses by 55.2% y.o.y (a material like-for-like increase of 19.6%). In 1H08, direct accesses increased by approximately 12 thousand (reaching 522.5 thousand accesses), despite the higher level of market competition;
- Significant growth of consolidated customer revenues, up by 20.9% (or 8.4% on a like-for-like basis);
- Consolidated EBITDA margin deteriorated by 3.3pp against last year due to the negative impact of lower roaming revenues; competitive pressure on ARPU's; and the substantial investment in marketing and sales at our Telco business, that has already begun to have a positive impact on our mobile residential subscribers' growth;
- Substantial increase of EBITDA at our Wireline Business, more than four times the amount generated in 1H07 and reaching a 2.7% margin in 1H08;

- Significant y.o.y. top-line growth at our SSI Business Unit (+66%), both in terms of product sales and service revenues, accompanied by a positive quarterly evolution in terms of EBITDA margin;
- A 20% reduction of EBITDA losses at Público, as a reflection of the efforts to increase circulation and advertising, while continuously managing its cost structure.

Following the merger of our mobile and wireline companies back in November 2007, we have integrated the marketing and commercial teams at the beginning of the year and, during the 2Q08, we have taken the integration process of our Telco business unit one step further by announcing that the Optimus brand would now be used for all our corporate and SME activities, including both our mobile and wireline services.

The integration (in terms of network and systems) of the ONI and Tele2 customer base in our Wireline business, and of Cape and Praesidium, in relation to SSI, is now mostly complete. These efforts are expected to have a progressively positive impact on costs during 2H08 with the implementation of measures aimed at achieving the expected cost synergies.

As regards regulatory matters, during the whole of the 1H08, our mobile business continued to have significant imbalances of mobile termination charges in favour of our larger competitors as Anacom's final decision in relation to MTRs will be effective only as from 15 July. The final outcome of this long process is broadly welcomed by Sonaecom, notwithstanding the fact that the decision was delayed so long and that, contrary to expectations, the new rates will not be applied retroactively. The final resolution will, as we had previously stated, contribute to fostering greater competition in the Portuguese mobile sector and will allow for a clearer regulatory framework for the remainder of 2008 and 2009. However, there are still a number of important regulatory decisions to be taken in the coming quarters, including the framework for the deployment of NGNs in Portugal, which, in conjunction with the current consultation on the assessment of the competition conditions in the broadband market, will be a clear determinant of the future success of the wireline sector liberalisation process and an opportunity for promoting efficient investments in the country.

In February we announced a three year, 240 million euros investment plan for the deployment of a Next Generation Fibre Network, with a targeted coverage of over 1 million homes and approximately 25% of the Portuguese population. Our fibre plan is aimed at building the most advanced telecommunications network in Portugal. As part of this plan, we have proposed an 'open access' policy for the fibre access network aimed at all interested national operators, aligning with regulatory recommendations and best practices in Europe. During 1H08, clear progress has been achieved, with four pilot schemes up and running, several thousand homes already passed, a few hundred trial customers and with a positive experience obtained in terms of home-networking. The feedback we are receiving from the customers that are currently testing the services is extremely positive, both in terms of their broadband and TV experience. The commercial launch of our 3-play offers under this new, state-of-the-art and fully independent network is forecasted for the 2H08.

Based on our 1H08 results and given the regulatory framework finally determined by Anacom in July for MTRs effective as from 15 July, and notwithstanding the current competitive environment, we currently believe we should be able to achieve, in broad terms, the FY08 guidance given to the market at the beginning of the year, adjusting our EBITDA guidance for the impact of the delay in implementing this decision.

## 2. First Half Highlights

During 1H08, Sonaecom was able to sustain the high level of growth in customers and customer revenues achieved in the last few 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.

### Operational Highlights

OPERATING KPI's	1H07	1H08	y.o.y
<b>Mobile Business</b>			
Customers (EOP) ('000)	2,673.9	2,982.1	11.5%
Active Customers (1)	2,134.8	2,308.2	8.1%
Data as % Service Revenues	16.5%	20.9%	4.4pp
MOU <sup>(2)</sup> (min.)	115.4	123.5	7.0%
<b>Wireline Business</b>			
Total Accesses (EOP)	411,177	741,098	80.2%
Direct	336,779	522,540	55.2%
Indirect	74,398	218,558	193.8%
Direct access as % Customer Revenues	77.4%	68.5%	-8.9pp
<b>Sonaecom</b>			
Total Employees	1,851	1,921	3.8%
Telecommunications	445	419	-5.8%
SSI	353	453	28.3%
Media	260	270	3.8%
Shared Services(3) and Corporate Centre	793	779	-1.8%

(1) Active Customers with Revenues generated during the last 90 days; (2) Minutes of Use per Customer per month; (3) Shared Services includes, among other functions, Customer Service, Technical, IT/IS, Accounting, Legal and Regulation.

### Consolidated Financial Highlights

Million euros

CONSOLIDATED FINANCIAL KPI's	1H07	1H08	y.o.y
Turnover	413.4	475.6	15.0%
Service Revenues	377.3	432.1	14.5%
Customer Revenues	282.0	340.9	20.9%
Operator Revenues	95.3	91.2	-4.3%
EBITDA	73.2	68.7	-6.1%
EBITDA Margin (%)	17.7%	14.4%	-3.3pp
EBT	-2.1	-17.0	-
Net Results - Group Share <sup>(1)</sup>	-4.7	-12.2	-159.5%
Operating CAPEX <sup>(2)</sup>	56.3	67.7	20.4%
Operating CAPEX as % of Turnover	13.6%	14.2%	0.6pp
EBITDA - Operating CAPEX	16.9	1.0	-94.4%
Total CAPEX	69.9	161.6	131.3%
FCF <sup>(3)</sup>	75.0	-57.8	-

(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 11.5% to 2.982 million at the end of 1H08; net additions in the semester were 88.6 thousand, up by 22.9% vs. 1H07. Data revenues represented 20.9% of service revenues in the semester, up 4.4pp against 1H07; (ii) Wireline accesses totalled 741 thousand at 1H08 against 411 thousand in 1H07. Direct accesses increased to 522.5 thousand, 55.2% above 1H07, with significant underlying like-for-like growth of 19.6%. Direct accesses increased by 12 thousand in 2H08, as a result of competitive pressures, number portability problems and the growing use of mobile broadband. Importantly, 71.4% of wireline customer revenues in the 2Q08 were generated by direct access customers.
- **Personnel:** total employees increased by only 3.8% compared to 1H07 mostly due to the integration of personnel from the acquisitions carried out during 2H07 (mainly Cape and Tele2 Portugal). This evolution of the headcount includes a decrease of 1.8% in shared services and corporate centre.
- **Consolidated Service Revenues** continued to grow at a high pace, increasing by 14.5% against 1H07, as a result of a 20.9% increase in customer revenues (or 8.4% if we exclude the contributions of the companies acquired in 2007) that more than compensated for the 4.3% reduction in operator revenues, driven by the negative impact of lower roaming-in revenues.

- **Consolidated EBITDA** decreased by 6.1% against 1H07, to 68.7 million euros, driven primarily by the lower contribution from the Mobile Business. EBITDA margin, as expected, deteriorated by 3.3 pp to 14.4% due to: (i) increased marketing & sales and handset subsidy costs in the Telco Business; (ii) costs associated with the integration of the acquired businesses; (iii) negative impact of lower roaming tariffs; and (iv) at SSI, the significant increase of IT products sales that carry lower margins. In terms of quarterly evolution, it is important to note that consolidated EBITDA increased by 1.6% in 2Q08 compared to 1Q08.

### 3. Consolidated Results

#### 3.1. Consolidated Income Statement

CONSOL. INCOME STATEMENT	1H07	1H08	y.o.y
<b>Turnover</b>	<b>413.4</b>	<b>475.6</b>	<b>15.0%</b>
Mobile	293.5	303.1	3.3%
Wireline	110.7	147.6	33.3%
Público	16.7	17.2	3.5%
SSI	32.8	54.5	66.2%
Other & Eliminations	-40.2	-46.8	-16.4%
<b>Other Revenues</b>	<b>2.1</b>	<b>4.3</b>	<b>109.7%</b>
<b>Operating Costs</b>	<b>336.0</b>	<b>403.4</b>	<b>20.1%</b>
COGS	47.5	56.0	17.9%
Network Costs (1)	138.5	168.1	21.3%
Personnel Costs	46.8	48.8	4.3%
Marketing & Sales	44.0	52.4	19.2%
Outsourcing Services (2)	30.0	43.0	43.2%
General & Administrative Expenses	22.7	27.8	22.6%
Other Operating Costs	6.5	7.3	13.1%
<b>Provisions and Impairment Losses</b>	<b>6.3</b>	<b>7.9</b>	<b>24.0%</b>
<b>EBITDA</b>	<b>73.2</b>	<b>68.7</b>	<b>-6.1%</b>
EBITDA Margin (%)	17.7%	14.4%	-3.3pp
Mobile	73.7	62.1	-15.7%
Wireline	0.8	4.0	-
Público	-1.9	-1.5	20.4%
SSI	2.7	3.6	36.1%
Other & Eliminations	-2.0	0.4	-
Depreciation & Amortization	67.1	77.8	16.0%
<b>EBIT</b>	<b>6.1</b>	<b>-9.1</b>	<b>-</b>
<b>Net Financial Results</b>	<b>-8.2</b>	<b>-7.9</b>	<b>4.2%</b>
Financial Income	11.9	1.6	-86.4%
Financial Expenses	20.1	9.5	-52.7%
<b>EBT</b>	<b>-2.1</b>	<b>-17.0</b>	<b>-</b>
Tax results	-2.5	5.0	-
<b>Net Results</b>	<b>-4.6</b>	<b>-12.1</b>	<b>-163.6%</b>
Group Share	-4.7	-12.2	-159.5%
Attributable to Minority Interests	0.1	0.2	20.4%

(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 475.6 million euros in 1H08, 15.0% above 1H07.

Consolidated service revenues increased materially by 14.5%, to 432.1 million euros, with positive contributions from all our operating companies. The main drivers of this performance were the following:

- 33.2% higher service revenues at our Wireline Business or 4.8% on a like-for-like basis, i.e., excluding the businesses acquired during 2007 (Oni's residential & SOHO customer base and Tele 2 Portugal);
- 3.9% increase in service revenues at our Mobile Business, despite the impact of lower roaming revenues in operator revenues and the increased competitiveness in certain segments of the market, that led to a decrease in the average revenue per minute;



- c) 44.1% higher service revenues at SSI, driven by the positive performance of all its businesses. If we exclude the companies acquired by WeDo during 2007, SSI's services revenues would still have grown by a material 24.8%; and
- d) 2.5% growth in advertising revenues at Público.

Importantly, consolidated customer revenues continued to grow at a high pace: 20.9% when compared to 1H07, driven by strong customer revenue growth at both our Wireline (+70.6%), SSI (44.0%) and Mobile (5.9%) Businesses.

Excluding the contributions from the businesses acquired during 2007, consolidated service revenues and customer revenues would have still grown by 5.2% and 8.4%, respectively, compared to 1H07, a material achievement in the current competitive market environment.

### **Operating costs**

Total operating costs reached 403.4 million euros in 1H08, an increase of 20.1% y.o.y.. Total operating costs excluding COGS were 20.4% higher than in 1H07, representing 80.4% of service revenues, approximately 3.9pp above the level registered in the first half of 2007.

The main drivers of the evolution of operating costs, in addition to the contributions from the acquired companies and the respective integration costs, were the following:

- a) 21.3% higher network costs when compared to 1H07, driven by a 23.0% increase in interconnection & 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 by a 16.4% increase in leased lines and network expenses, as a result of the reinforcement of our mobile network (driven by the success of mobile broadband) and by the network costs associated with the companies acquired during last year. Network costs have increased by only 0.7% between the 1Q08 and the 2Q08;
- b) marketing & sales costs and handset subsidisation costs increased by 16.3% driven mainly by the Telco Business investments in: customer acquisition; the major re-launch of the Optimus brand at the beginning of the year; and the launch of new products and services, including the launch of "TAG", the new closed user group unlimited and multiplatform (mobile+PC) communications offer aimed at the youth market and related advertising campaigns;
- c) general & administrative costs increased by 5.1 million against 1H07, 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 13.0 million, mainly driven by: (i) higher customer service costs, aimed at improving customer satisfaction across our Telco Businesses; and (ii) the fact that ONI and Tele2's customers were still not fully served by our own network and systems during 1H08 (as the completion of the migration was only achieved in June).

Staff costs increased by 4.3% against 1H07, reflecting the additional staff related costs of the acquired companies.

Provisions and impairment losses increased y.o.y in 1H08 by approximately 1.6 million euros mainly as a result of the combination between: (i) higher provisions for bad debt, driven by the higher level of billing and a slight deterioration in collections; and (ii) higher provisions for stock depreciations, driven mainly by the replacement of set-top boxes at our Wireline Business.

### **EBITDA**

Consolidated EBITDA was 68.7 million euros in 1H08, down 6.1% against 1H07, generating a margin of 14.4%, compared to a margin of 17.7% in 1H07. This performance was mainly driven by the combination of: (i) lower roaming revenues; (ii) increased commercial costs at our mobile business (driven by the several marketing campaigns implemented in the semester and by the cost of growth); (iii) the costs of integration of the companies acquired during 2007; and (iv) the increased level of competition; that were partially off-set by the strong operational results at our Wireline and SSI

Businesses and lower level of EBITDA losses at Público. The breakdown of EBITDA performance by business was as follows:

- a) EBITDA at our Mobile Business was of 62.1 million euros, down by 11.6 million euros when compared to 1H07, explained by the 23.0% increase in marketing & sales costs in the semester, increased handset subsidies and by the negative impact from lower roaming-in tariffs;
- b) The Wireline Business generated an EBITDA of 4.0 million euros (3.2 million euros improvement over 1H07) clearly reflecting the scale benefits of the continued organic growth in its direct access business;
- c) EBITDA at SSI increased from 2.68 million euros in 1H07 to 3.65 million euros in 1H08, which includes a gain of 1.4 million euros relating to the final closure of the Tecnológica acquisition. 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 1.53 million euros, which nevertheless represented an improvement of 20.4% when compared to 1H07, with the improved performance in advertising revenues (2.5% above 1H07) and in associated product sales (+11.9%) partially off-set by the slightly negative performance in newspaper sales.

### **Net Profit**

Net results group share were negative 12.2 million euros in 1H08, compared to the negative 4.7 million euros result in 1H07.

Depreciation and amortization charges increased by 10.7 million euros compared to 1H07 to 77.8 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.

Net financial charges decreased by 0.3 million euros, to 7.9 million euros in 1H08, reflecting lower interest expense, down by 7.9 million euros, due mostly to interest paid during 1H07 on a loan from Sontel BV, associated with the Tender Offer for PT, which was repaid by the end of 1Q07; almost fully compensated by a lower level of interest income (down by 7.5 million euros) registered in 1H08, mainly as result of lower average consolidated liquidity, resulting from our treasury policy post the Optimus' debt refinancing process completed in 2H07, whereby liquidity has been used to reduce utilisation of committed credit lines.

The tax line in 1H08 showed a benefit of 5.0 million euros, compared to a charge of 2.5 million euros in 1H07, due to both the lower EBT level generated in the 1H08 and to movements in deferred tax assets at our Telecoms and SSI Businesses.



### 3.2. Consolidated Balance Sheet

Million euros					
<b>CONSOLIDATED BALANCE SHEET</b>	<b>1H07</b>	<b>1H08</b>	<b>y.o.y</b>	<b>FY07</b>	<b>var.</b>
<b>Total Net Assets</b>	<b>1,693.0</b>	<b>1,795.5</b>	<b>6.1%</b>	<b>1,758.6</b>	<b>2.1%</b>
Non Current Assets	1,233.0	1,443.4	17.1%	1,353.9	6.6%
Tangible and Intangible Assets	663.9	808.6	21.8%	722.6	11.9%
Goodwill	507.1	525.8	3.7%	528.2	-0.5%
Investments	1.9	2.0	1.1%	2.0	0.5%
Deferred Tax Assets	60.0	107.0	78.4%	101.1	5.8%
Current Assets	460.1	352.1	-23.5%	404.7	-13.0%
Trade Debtors	138.7	185.7	33.9%	192.0	-3.3%
Liquidity	198.5	6.9	-96.5%	83.9	-91.7%
Others	122.9	159.5	29.7%	128.8	23.8%
<b>Shareholders' Funds</b>	<b>892.3</b>	<b>921.6</b>	<b>3.3%</b>	<b>935.4</b>	<b>-1.5%</b>
Group Share	891.6	920.6	3.2%	934.6	-1.5%
Minority Interests	0.6	1.0	60.9%	0.9	18.1%
<b>Total Liabilities</b>	<b>800.8</b>	<b>873.9</b>	<b>9.1%</b>	<b>823.2</b>	<b>6.2%</b>
Non Current Liabilities	407.3	478.7	17.5%	422.6	13.3%
Bank Loans	366.7	355.1	-3.2%	373.2	-4.9%
Provisions for Other Liabilities and Charges	24.3	32.5	33.7%	30.9	5.1%
Others	16.3	91.1	-	18.5	-
Current Liabilities	393.5	395.2	0.4%	400.6	-1.3%
Bank Loans	97.4	0.7	-99.2%	0.6	19.7%
Trade Creditors	121.7	174.8	43.6%	185.3	-5.7%
Others	174.4	219.7	26.0%	214.6	2.4%
Operating CAPEX <sup>(1)</sup>	56.3	67.7	20.4%	162.8	
Operating CAPEX as % of Turnover	13.6%	14.2%	0.6pp	18.2%	
Total CAPEX	69.9	161.6	131.3%	235.8	
EBITDA - Operating CAPEX	16.9	1.0	-94.4%	-0.8	
Operating Cash Flow <sup>(2)</sup>	4.2	-49.2	-	55.5	
FCF <sup>(3)</sup>	75.0	-57.8	-	59.6	
Gross Debt	482.6	374.3	-22.4%	393.7	-4.9%
Net Debt	284.2	367.4	29.3%	309.8	18.6%
Net Debt/ EBITDA last 12 months	1.9 x	2.3 x	0.5x	1.9 x	0.4x
EBITDA/Interest Expenses <sup>(4)</sup> (last 12 months)	5.7 x	8.0 x	2.3x	5.9 x	2.1x
Debt/Total Funds (Debt + Shareholders' Funds)	35.1%	28.9%	-6.2pp	29.6%	-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

As a consequence of the refinancing operation carried out during 2007, consolidated gross debt continues to be primarily contracted by Sonaecom SGPS and internal funding movements are being used to allocate cash between our subsidiaries. At the end of 1H08, the weighted average maturity of Sonaecom Group credit lines stood at approximately 3.5 years.

At the end of 1H08, consolidated gross debt totalled 374.3 million euros and mainly comprised: (i) 150 million euros long-term privately placed Bonds, due in 2013; (ii) 207.5 million euros used under the 250 million euros underwritten committed Commercial Paper Programme contracted in 2007 and with final maturity in 2012; and (iii) 17.5 million euros of long term financial leases. As a result of Interest Rate Swaps negotiated during 2007 (with maturities between March and June 2009), approximately 49% of the consolidated gross debt was based on fixed rates.

Consolidated net debt at the end of 1H08 stood at 367.4 million euros, an increase of 83.2 million euros compared to 1H07, mainly reflecting the y.o.y FCF evolution.

Capital structure continued to be comfortable at the end of 1H08 notwithstanding the marginal deterioration in Net debt to annualised EBITDA that increased to 2.3x, against 1.9x at the end of 1H07, reflecting the above mentioned increase in net debt as well as the lower level of EBITDA in the preceding twelve months. In 1H08, 12 months' trailing Interest Cover reached 8.0x an improvement against the 5.7x level registered in 1H07. It should be noted that interest expenses in 1H07 included interest paid on a loan from Sontel BV, associated with the Tender Offer for PT, which was fully repaid by the end of 1Q07. The ratio of Consolidated Debt to Total Funds improved from 35.1% in 1H07 to 28.9% in 1H08, reflecting the above mentioned movements in gross debt and the 3.3% increase in Shareholder's Funds. The latter resulted mainly from the 41.7 million euros positive net results obtained in the 2H07.

At the end of 1H08, the sum of cash and non-utilized committed credit lines at the Sonaecom Group stood at approximately 139 million euros. As identified above, no principal repayments of bank loans are scheduled until mid-2010.

### **CAPEX**

Total consolidated CAPEX in the semester was 161.6 million euros while Operating CAPEX reached 67.7 million euros, 20.4% above 1H07, and representing 14.2% of turnover.

Total CAPEX was significantly affected by the recognition, as a license cost, of the net present value (89 million euros) of obligations assumed under the “e-Initiatives” programme, a governmental initiative which offers laptops and discounts in broadband access to school teachers and students. Under the terms of the UMTS license granted in 2000, Optimus made certain commitments in relation to the development of the information society in Portugal, during the period of that license (until 2015). In accordance with a contract signed in June 2007 with the Portuguese State, it was agreed that an amount of 159 million euros would be realised through projects eligible as contributions to the information society (among other, network investments, R&D activities and new services, contents and applications) and incurred under the normal course of business. To the end of 2Q08, 64 million euros had already been made and validated by the competent entities. The remainder will be recorded at the moment the projects are carried out. It was further agreed that the second component of the commitments (116 million euros) would be fulfilled through the “e-Initiatives” programme. Given the success and the experience obtained so far in the programme, namely the extension of the eligible beneficiaries, we have now decided to recognise the net present value of the amount related to this second component.

The increase in Operating CAPEX was driven by higher investments in our Mobile Business (+69.0% increase over 1H07, to 50.9 million euros), as a reflection of the announced plan for 2008 to step-up our investments in the extension of coverage and capacity of our 2.5G/3G network in order to improve quality of service and consolidate our leading position in mobile broadband. The level of Operating Capex in our Wireline business has decreased y.o.y. by 37.1%, to 16.3 million euros, driven mainly by the lower rate of unbundling of new Central Offices.

Operating CAPEX spend during 1H08 was applied primarily in the following areas: 30% invested in the deployment the UMTS/HSDPA network, 16% was related to the GSM/GPRS network, 16% related to Information Technology/Information Systems investments; and approximately 13% was invested in our ULL and FTTH access networks.

### **Other balance sheet items**

Gross tangible and intangible assets were 1,830 million euros at the end of 1H08, an increase of 292 million euros when compared to 1H07, mostly due to the recognition of UMTS license commitments as license costs, and cumulative depreciation and amortization totalled 1,021 million euros. Both financial investments and goodwill were approximately stable in comparison to 1H07 with book value as at the end of 1H08 of 2.0 million euros and 525.8 million euros, respectively.

At the end of 1H08, Sonaecom shareholders' funds totalled 921.6 million euros, compared to 892.3 million euros at the end of 1H07, reflecting mainly the positive net results of 41.7 million euros generated in the 2H07 but also the re-evaluation, at market prices, of the cash settled liability associated with the employees' medium term incentive plan, partly off-set by the negative impacts of the 12.1 million euros net losses generated in the 1H08 and of the acquisition of own shares in the amount of 1.4 million euros during 2Q08.

**FCF**

Million euros

LEVERED FREE CASH FLOW	1H07	1H08	y.o.y
<b>EBITDA-Operating CAPEX</b>	<b>16.9</b>	<b>1.0</b>	<b>-94.4%</b>
Change in WC	-33.8	-52.8	-56.4%
Non Cash Items & Other	21.1	2.7	-87.3%
<b>Operating Cash Flow</b>	<b>4.2</b>	<b>-49.2</b>	-
Financial Investments	108.0	-0.2	-
Own shares	-8.9	-1.4	84.6%
Public Tender Offer	-19.5	-0.1	99.4%
Financial results	-8.4	-7.0	16.6%
Income taxes	-0.5	0.0	100.0%
<b>FCF</b>	<b>75.0</b>	<b>-57.8</b>	-

Consolidated FCF in 1H08 was negative 57.8 million euros, compared to a positive 75 million euros in 1H07 that included the positive impact of the disposal of PT shares (108.2 million Euros). Excluding this effect, the impact of the acquisition of own shares and of the payments associated with the Public Tender Offer in 1H07, consolidated FCF would, on a like-for-like basis, have still have deteriorated by approximately 51.6 million euros against 1H07.

Operating cash flow was negative by 49.2 million euros in 1H08, down from a positive 4.2 million euros in 1H07, mainly driven by: (i) a deterioration of 15.9 million euros in EBITDA-Operating Capex; (ii) the recognition of long term backbone lease contracts, in the amount of 17.5 million euros (recognised under Non Cash Items & Other in the table above), as financial leases in 1H07 thus affecting Operating capex but not having an impact over FCF; and (iii) a deterioration in working capital of 19.0 million euros, reflecting higher trade receivables and higher non-operating receivables, mostly related with VAT to be reimbursed.

## 4. Telecommunications

### 4.1. Mobile Business

Our mobile business had a very active semester in terms of commercial initiatives and was able to sustain strong customer and customer revenue growth, as a result of the investments to support the brand, particularly in the residential segment (the re-launch of the Optimus brand, the promotions around the Euro2008 cup, where Optimus was an official mobile operator, and the music festivals are clear examples of this); to improve distribution capacity; and with the continuous development of our fixed-mobile convergent product 'Optimus Home' and our wireless broadband service 'Kanguru'. The launch of "TAG" in the 2Q08, an innovative offer aimed at the youth market, also contributed to the strong growth of the customer base.

#### 4.1.1. Operational Data

MOBILE OPERATIONAL KPI's	1H07	1H08	y.o.y
Customers (EOP) ('000)	2,673.9	2,982.1	11.5%
Net Additions ('000)	72.0	88.6	22.9%
% Pre-paid Customers	74.8%	70.5%	-4.3pp
Active Customers <sup>(1)</sup>	2,134.8	2,308.2	8.1%
Data as % Service Revenues	16.5%	20.9%	4.4pp
Total #SMS/month/user	45.0	49.9	11.0%
MOU <sup>(2)</sup> (min.)	115.4	123.5	7.0%
ARPU (euros)	17.8	16.9	-5.0%
ARPM <sup>(3)</sup> (euros)	0.15	0.14	-11.2%
SAC&SRC <sup>(4)</sup> (million euros)	55.2	73.5	33.1%

(1) Active Customers with Revenues generated on last 90 days (average); (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 11.5% to 2.982 million customers at the end of 1H08, compared to 2.674 million at the end of 1H07 and 2.927 million at 1Q08, with net additions surpassing 88 thousand in the semester, up by 22.9% compared to 1H07, 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 2Q08 totalled 2.326 million, as compared to 2.153 million at the end of 2Q07, an increase of 8.1%.

Contract customers continued to steadily increase their weight in the total customer base. At the end of 1H08, post-paid customers represented 29.5% of total customers, an increase of 4.3pp against 1H07.

During 1H08, Mobile customer's ARPU was 16.9 euros, down from 17.8 euros in 1H07. Of the 1H08 ARPU, 13.1 euros related to customer monthly bill and 3.8 euros to operator revenues, compared to 13.6 euros and 4.2 euros respectively, in 1H07. The lower ARPU is mainly explained by the 11% decrease in operator revenues ARPU, due to reductions in roaming tariffs. The fall in the level of customer monthly bill, was driven by the decrease in Average Revenue per Minute ("ARPM"), explained by the higher price pressures on voice tariffs mainly in the SME and Corporate segments and to the increased weight of "Optimus Home" (our fixed-mobile convergence product) within the customer base, that was partially offset by increased usage per customer, as demonstrated by a material 7.0% increase in average Minutes of Use ("MoU").

### Data usage

During 1H08, we were able to maintain our leading position in wireless broadband and again achieved a material growth of data usage, namely through the promotion of retail sales 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. In 2Q08, we have also introduced to the market, in partnership with a consumer credit company, an attractive PC + Broadband offer. 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).

Our Kanguru service was recently elected by a specialized national magazine (“Exame Informática”) as the best mobile broadband access in Portugal, with special emphasis placed on items such as download and upload speeds, stability of connections and software user-friendliness.

Data revenues represented 20.9% of service revenues in 1H08, an improvement of 4.4pp vs. 1H07, 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 circa 61.8% of total data revenues in 1H08, compared to only 49.5% in 1H07.

### Traffic

In 1H08, total voice traffic<sup>1</sup> was 17.1% higher than that recorded in 1H07 as a result of both the enlarged customer base and of the increase in minutes of use per customer to 123.5 minutes (from 115.4 minutes in 1H07), reflecting the continuous success of our investment effort to enhance voice usage.

### Mobile access network

During 1H08, 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 1H08, Optimus’ 3G network covered circa 81% of the Portuguese population and almost 80% with HSDPA technology, offering bandwidths of up to 7.2 Mbps.

#### 4.1.2. Financial Data

Million euros

MOBILE INCOME STATEMENT	1H07	1H08	y.o.y
<b>Turnover</b>	<b>293.5</b>	<b>303.1</b>	<b>3.3%</b>
Service Revenues	277.4	288.2	3.9%
Customer Revenues	211.2	223.8	5.9%
Operator Revenues	66.1	64.5	-2.5%
Equipment Sales	16.1	14.8	-7.9%
<b>Other Revenues</b>	<b>17.0</b>	<b>22.7</b>	<b>33.2%</b>
<b>Operating Costs</b>	<b>233.0</b>	<b>258.5</b>	<b>10.9%</b>
COGS	32.3	32.4	0.2%
Interconnection & Contents	66.1	71.1	7.6%
L.Lines & other Network Operating Costs	28.2	30.0	6.5%
Personnel Costs	26.1	26.0	-0.2%
Marketing & Sales	33.5	41.3	23.0%
Outsourcing Services <sup>(1)</sup>	25.5	32.1	26.1%
General & Administrative Expenses	15.5	18.7	20.6%
Other Operating Costs	5.8	6.8	18.5%
<b>Provisions and Impairment Losses</b>	<b>3.8</b>	<b>5.1</b>	<b>34.7%</b>
<b>Service Margin <sup>(2)</sup></b>	<b>211.3</b>	<b>217.1</b>	<b>2.8%</b>
Service Margin (%)	76.2%	75.3%	-0.8pp
<b>EBITDA</b>	<b>73.7</b>	<b>62.1</b>	<b>-15.7%</b>
EBITDA Margin (%)	25.1%	20.5%	-4.6pp
Depreciation & Amortization	56.8	61.2	7.7%
<b>EBIT</b>	<b>16.9</b>	<b>0.9</b>	<b>-94.5%</b>
Operating CAPEX <sup>(3)</sup>	30.1	50.9	69.0%
Operating CAPEX as % of Turnover	10.3%	16.8%	6.5pp
EBITDA - Operating CAPEX	43.6	11.2	-74.3%
Total CAPEX	40.6	146.4	-

(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 3.9% to 288.2 million euros compared to 277.4 million euros in 1H07, driven by the 5.9% growth in customer revenues, which more than compensated the 2.5% decrease in operator revenues (driven by the lower level of roaming tariffs) and the lower level of equipment sales.

<sup>1</sup> Total voice traffic = total incoming traffic plus total outgoing traffic plus total Roaming out

## EBITDA

Mobile EBITDA in 1H08 reached 62.1 million euros and generated a margin of 20.5%, representing a decrease of 4.6pp, when compared to 1H07. This decline was primarily the result of the combination of higher Marketing & Sales costs (mainly associated with the Optimus brand re-launch and with the launch of "TAG"), lower roaming revenues and higher outsourcing services (+6.6 million euros) and G&A costs (+3.2 million euros) when compared to 1H07, 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 have been particularly visible in the wireline arena, with relevant price promotions prevailing in the voice, broadband and TV segments. In this market environment, we have continued to focus on protecting and growing 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. The processes aimed at transforming the acquired indirect customers to direct are progressing broadly in line with expectations and the full migration of the acquired Oni and Tele2 customers to our own network and systems was completed during the 2Q08.

### 4.2.1. Operational Data

In order to facilitate the analysis of our Wireline Business we have reorganized the operational KPIs' table, bringing the indicators in line with the way most of our peers are reporting (including the change of terminology from "services" to "accesses"), aligning it with the most recent developments in terms of drivers for the business performance. We have also introduced a new indicator of Average Revenue per Access.

WIRELINE OPERATIONAL KPI's	1H07	1H08	Y.O.Y.
Total Accesses (EOP) <sup>(1)</sup>	411,177	741,098	80.2%
Voice	225,727	466,052	106.5%
Direct	184,355	281,116	52.5%
Indirect	41,372	184,936	-
ADSL	155,084	247,237	59.4%
Direct	143,494	222,228	54.9%
Indirect	11,590	25,009	115.8%
Other & Data	30,366	27,809	-8.4%
Direct	8,930	19,196	115.0%
Indirect	21,436	8,613	-59.8%
Total Direct Accesses	336,779	522,540	55.2%
Total Indirect Accesses	74,398	218,558	193.8%
Unbundled COs with transmission	150	174	16.0%
Unbundled COs with ADSL2+	142	166	16.9%
Direct access as % Cust. Revenues	77.4%	68.5%	-8.9pp
Average Revenue per Access - Retail <sup>(2)</sup>	23.5	20.8	-11.1%

(1) Accesses were restated according to a "revenue generator unit" criteria since 1Q07; (2) Excluding Mass Calling services' revenues.

## Customer base

At the end of 1H08, total accesses reached 741 thousand, an increase of 80.2% compared to 1H07 (10.1% on a like-for-like basis, i.e., excluding the impact of the acquisitions carried out in 2007). More importantly, direct accesses have grown by 55.2% against 1H07 and by 19.6% on a like-for-like basis. Direct accesses represented 70.5% of the Wireline Business total accesses in 1H08, compared to 81.9% at the end 1H07 (as a result of the increase in the indirect customer base determined mostly by the acquisition of Tele 2 during 3Q07).

Direct net additions in 1H08 were approximately 12 thousand, a slowdown against previous periods, mainly as a result of: (i) competitive pressures that continue to prevail in the market (with higher pressure from churn); (ii) the problems we have faced in porting numbers from the incumbent operator, which has led to a significant increase in the average number of days to active an ULL customer; (iii)



the fact that during the semester we have only opened five new CO for ULL ADSL2+ services; and (iv) the growing competition from mobile broadband services.

The average Wireline retail revenue per access decreased to 20.8 euros, down by 11.1% against 1H07, driven mainly by the negative impact of the promotion campaigns carried out in the semester, on the back of similar pricing campaigns launched by our main competitors.

### **Services**

During 1H08, we completed the replacement, for free, of our customers' set top boxes for a new MPEG4 model, one of the most advanced set top boxes currently available in the market, which will allow our TV customers to access HD channels, DTT and to benefit from an improved sound quality. We are now on the verge of making available in our offers a set top box with PVR functionality.

After having introduced a new entry level of the ADSL offer at 4Mbps in the 1Q08, as an answer to competitors' moves, we also launched during 2Q08 new and very attractive promotions for the residential market aimed at reinforcing Clix's position in the market. At the end of this semester, we have also reflected the 1% VAT reduction in the price of our bundled services.

During 1H08, we continued to reinforce our IPTV offers by adding new contents, including the introduction, at no extra cost, of SportTV 3 in our Premium Sport TV package and the launch of new channels such as Animax, Sony Entertainment Television and TVGlobo, as well as new functionalities: Kids Club (a new portal with design and contents specially adapted to the children's target) and a parental control tool. A particular focus will now be placed in the enlargement of our offer of HD channels.

### **Wireline access network**

During 1H08 we have unbundled 5 further CO for SHDSL circuit interconnection, bringing the total to 174 compared to 150 at the end of 1H07. With these circuits, Sonaecom is capable of operating direct connections for most of our mobile access network, thus further reducing the dependency on the incumbents' leased circuits.

Although at a slower pace, we continued to enlarge the addressable market of our direct offers by opening 5 additional COs with ADSL2+, bringing the total to 166. The addressable market of our ULL network now corresponds to approximately 55% of total fixed lines in Portugal. Of these central offices, approximately 72% are prepared with full triple play capability.

As regards our announced FTTH plan, substantial progress has been achieved during 1H08. We currently have pilot schemes up and running in two areas of both Porto and Lisbon and several thousand homes already passed. Importantly, to-date we have had a positive experience in terms of home-networking solutions, with the aim of minimising the level of intrusion and time spent within the customers' premises. A growing number of trial customers (a few hundred at the end of 1H08) have been actively testing all our services. The feedback we are receiving from those customers is extremely positive, both in terms of their broadband and TV experience. In parallel to these developments in terms of access network, we have also been preparing the contents, the organization and the systems for the commercial launch of our 3-play offers under this new, state-of-the-art and fully independent network during the 2H08.

## 4.2.2. Financial Data

Million euros

WIRELINE INCOME STATEMENT	1H07	1H08	y.o.y.
<b>Turnover</b>	<b>110.7</b>	<b>147.6</b>	<b>33.3%</b>
Service Revenues	110.6	147.2	33.2%
Customer Revenues	54.7	93.4	70.6%
Direct Access Revenues	42.4	64.0	51.0%
Indirect Access Revenues	10.9	27.4	151.1%
Other	1.5	2.0	38.9%
Operator Revenues	55.8	53.8	-3.5%
Equipment Sales	0.2	0.4	97.6%
<b>Other Revenues</b>	<b>1.8</b>	<b>0.4</b>	<b>-78.0%</b>
<b>Operating Costs</b>	<b>109.4</b>	<b>141.4</b>	<b>29.2%</b>
COGS	0.1	0.6	-
Interconnection	58.1	77.7	33.9%
L.Lines & other Network Operating Costs	17.1	20.7	20.7%
Personnel Costs	4.7	5.0	6.8%
Marketing & Sales	8.2	8.6	3.9%
Outsourcing Services <sup>(1)</sup>	16.0	23.9	49.4%
General & Administrative Expenses	4.4	4.4	1.0%
Other Operating Costs	0.8	0.4	-46.5%
<b>Provisions and Impairment Losses</b>	<b>2.4</b>	<b>2.6</b>	<b>9.7%</b>
<b>Service Margin <sup>(2)</sup></b>	<b>52.5</b>	<b>69.5</b>	<b>32.4%</b>
Service Margin (%)	47.5%	47.2%	-0.3pp
<b>EBITDA</b>	<b>0.8</b>	<b>4.0</b>	<b>-</b>
EBITDA Margin (%)	0.7%	2.7%	2pp
Depreciation & Amortization	9.7	16.0	65.3%
<b>EBIT</b>	<b>-8.9</b>	<b>-12.0</b>	<b>-34.5%</b>
Operating CAPEX <sup>(3)</sup>	26.0	16.3	-37.1%
Operating CAPEX as % of Turnover	23.5%	11.1%	-12.4pp
EBITDA - Operating CAPEX	-25.2	-12.3	51.1%
Total CAPEX	26.4	17.2	-34.8%

(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

When comparing to 1H07, it should be noted that the 1H08 results of the Wireline Business and consequently, those of Sonaecom Consolidated include revenues generated by Tele2 Portugal and by the customers acquired from Oni.

Turnover in 1H08 amounted to 147.6 million euros, an increase of 33.3% over 1H07, mainly due to the significant increase in customer revenues, up by 70.6%, driven by the growth in both direct access revenues (51.0% higher than in 1H07) and indirect access revenues that increased y.o.y. by 151.1%, to 27.4 million euros (driven mainly by the acquisition of Tele2 Portugal). The expected trend of reduction in indirect access customers has determined q.o.q. reductions in the corresponding revenue line. Excluding contributions from the acquired ONI and Tele2 customer base, customer revenues would still have grown by a material 13.2% when compared to 1H07.

Direct access revenues accounted for 68.5% of customer revenues in the semester, a decrease of 8.9pp compared to the 1H07, as a result of acquisition of Tele2 and notwithstanding the continued focus on the direct access business. The contribution of mass calling services has, as expected, decreased from 10.7 million euros in 1H07 to 5.3 million euros in 1H08, which was partly off-set by the positive growth in terms of wholesale traffic and revenues.

### EBITDA

Wireline EBITDA was positive 4.0 million euros, compared to only 0.8 million euros in 1H07, and generated a margin of 2.7%. The y.o.y. improvement is primarily due to both the increased size of the ULL customer base achieved via organic growth, which has been generating an increasingly positive contribution to profitability, and to the positive contribution from the businesses acquired last year.

## 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 focus on the integration of the companies acquired during 2007 with particular focus on Cape Technologies. In parallel, efforts have been made to consolidate WeDo's international presence, grow its leading position in the international Revenue Assurance market, expand beyond its traditional telecoms customer base, and expand its product portfolio (during the 2Q08, WeDo launched in the market a new release of RAID - version 4.2). In May, WeDo promoted its third worldwide user group meeting, in the Algarve, with more than 100 delegates present, actively debating the future trends in Revenue Assurance and Fraud.

### 5.1. Operational Data

SSI OPERATIONAL KPI's	1H07	1H08	y.o.y
IT Service Revenues/Employee <sup>(1)</sup> ('000 euros)	55.1	57.9	5.1%
Equipment Sales as % Turnover	38.2%	46.4%	8.2pp
Equipment Sales/Employee <sup>(2)</sup> ('000 euros)	1,098.4	1,950.8	77.6%
EBITDA/Employee <sup>(3)</sup> ('000 euros)	7.7	4.8	-37.3%
Employees	353	453	28.3%

(1) Excluding employees dedicated to Equipment Sales; (2) Bizdirect; (3) 1H08 EBITDA excluding the EUR 1.4m gain registered in quarter, in relation to Tecnológica's purchase process.

SSI inverted the negative trend in productivity levels registered 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 57.9 thousand euros in 1H08 (5.1% above the levels registered in 1H07), while equipment sales per employee have increased by more than 77% when compared to 1H07. Total headcount at the end of 1H08 increased by 100 employees against 1H07, mainly due to: (i) the consolidation of the companies acquired by WeDo during 2007 (Tecnológica, Cape and Praesidium); and (ii) the need for additional internal consultants to support the increased level of activity.

During the 1H08 WeDo obtained three new key accounts, including leading telecom operators in Venezuela, United Arab Emirates and Indonesia. Importantly, more than 65% of WeDo's customer orders during 2Q08 were obtained outside of the Sonaecom Group. As a further evidence of its multinational characteristics, it is worth noting that of the total WeDo's headcount at the end of 1H08, approximately 35% are based outside of Portugal and that WeDo currently serves customers in approximately 39 countries.

Mainroad, which celebrated its 5th anniversary during 2Q08, became the first SAP Hosting Partner in Portugal (and only the second in Iberia) and ranked second in the category of "Best Disaster Recovery Provider" in the recent Data Centres Europe Awards 2008 contest.

## 5.2. Financial Data

Million euros

SSI CONS. INCOME STATEMENT	1H07	1H08	y.o.y
<b>Turnover</b>	<b>32.79</b>	<b>54.47</b>	<b>66.2%</b>
Service Revenues	20.26	29.19	44.1%
Equipment Sales	12.52	25.29	101.9%
<b>Other Revenues</b>	<b>0.24</b>	<b>1.62</b>	<b>-</b>
<b>Operating Costs</b>	<b>30.29</b>	<b>52.37</b>	<b>72.9%</b>
COGS	12.02	24.69	105.4%
Personnel Costs	9.89	13.64	38.0%
Marketing & Sales	0.58	0.77	32.6%
Outsourcing Services <sup>(1)</sup>	4.44	8.49	91.3%
General & Administrative Expenses	3.18	4.78	50.2%
Other Operating Costs	0.18	0.01	-95.7%
<b>Provisions and Impairment Losses</b>	<b>0.06</b>	<b>0.07</b>	<b>12.6%</b>
<b>EBITDA</b>	<b>2.68</b>	<b>3.65</b>	<b>36.1%</b>
EBITDA Margin (%)	8.2%	6.7%	-1.5pp
Depreciation & Amortization	0.70	0.98	40.0%
<b>EBIT</b>	<b>1.98</b>	<b>2.67</b>	<b>34.7%</b>
Operating CAPEX <sup>(2)</sup>	0.25	0.41	65.7%
Operating CAPEX as % of Turnover	0.8%	0.8%	0pp
EBITDA - Operating CAPEX	2.43	3.24	33.1%
Total CAPEX	2.89	-2.01	-

(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

When comparing the financial performance with 1H07, it should be noted that the 1H08 results of SSI (and the consolidated results of Sonaecom) include the contributions of the three companies acquired by WeDo during 2007.

SSI turnover increased by a material 66.2% in 1H08 to 54.5 million euros, as a result of both higher IT equipment sales, which more than doubled to 25.3 million euros, and higher service revenues, up by 44.1%, mainly driven by the 53.1% increase in service revenues at WeDo. Leveraging on its global reach, WeDo's top line growth was particularly strong in Latin America, Asia and Middle East regions. It is also worth noting that all SSI's businesses posted a y.o.y turnover growth above 20%.

During 1H08, equipment sales represented 46.4% of turnover, an increase of 8.2pp over the level registered in 1H07, 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 3.65 million euros in 1H08, an increase of almost 1 million euros (+36.1%) versus 1H07. The increase in EBITDA was partly driven by a one-off effect related to the recognition in 2Q08 of a gain of 1.4 million euros in relation to the final closure of Tecnológica's acquisition process. EBITDA margin was 6.7%, still below the levels achieved in 1H07 due to the continuously improving but still marginally negative contribution from the companies acquired and the significantly higher level of product sales at Bizdirect that carry lower margins. Excluding the 1.4 million euros one-off gain and the contributions from the acquired businesses, WeDo's EBITDA increased by approximately 19% in 1H08 when compared to the 1H07. It should also be noted that both Bizdirect, and particularly, Mainroad, continued to show a positive y.o.y. evolution at the EBITDA level.

## 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 five months of 2008, decreasing by 2.6%<sup>2</sup> compared to the same period of the previous year (this number refers to advertising space calculated at reference table figures). During the same period, the free newspapers' advertising revenues is estimated to have increased by almost 56%. Although total circulation numbers for the daily paid generalist press have increased y.o.y, until April, by 8.0%<sup>3</sup>, this was partly explained by circulation campaigns carried out by several players during the 1H08.

As a way to celebrate its 18<sup>th</sup> anniversary with its readers, Público implemented a number of related campaigns during 1Q08, including special editions of certain supplements, the recirculation of the first edition of the newspaper and the launch, under the format of a magazine, of a new Saturday supplement dedicated to leisure. Among several commercial initiatives implemented in the semester, it is worth highlighting the successful implementation, in the on-line version of Público, of a specific site dedicated to the Euro 2008 championship, which concentrated all the information produced by Público, further enriched with opinion articles, statistical information and video. Público continues to be a clear leader in on-line access among Portuguese newspapers.

### 6.1. Operational Data

PÚBLICO OPERATIONAL KPI's	1H07	1H08	y.o.y
Average Paid Circulation <sup>(1)</sup>	42,657	42,726	0.2%
Market Share of Advertising (%) <sup>(2)</sup>	14.1%	13.3%	-0.8pp
Audience <sup>(3)</sup> (%)	4.7%	4.3%	-0.4pp
Employees	255	261	2.4%

(1) Estimated value updated in the following quarter; (2) 1H08 - YTD until May08; (3) As % of population; Source: Bareme Imprensa 2ª Vaga 2008

For the four month period until the end of April (the latest available information), Público's average market share of paid circulation, among daily generalist press, reached 12.2%, approximately 1pp below the comparable period in 2007. In 1H08, average paid circulation reached 42.7 thousand, an increase of 0.2% when compared to 1H07. 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 indicate an increase in the total number of readers, with Público ranking third among daily paid generalist press and reaching circa a 4.5% audience in 2Q08 (against 4.1% in the previous quarter).

Público's advertising market share continues to be under pressure, reaching an average of 13.3% during 1H08 (until May, the latest available information), down 0.8pp as compared to 1H07. The good q.o.q. performance shown in terms of audience may contribute to mitigating the severe market dynamics faced by the daily paid newspapers in terms of advertising revenues.

<sup>2</sup> Source: Marktest/Media Monitor

<sup>3</sup> Source: APCT: Apr08 vs Apr07 (latest available data)

## 6.2. Financial Data

Million euros

PÚBLICO CONS. INCOME STATEMENT	1H07	1H08	y.o.y
<b>Turnover</b>	<b>16.65</b>	<b>17.23</b>	<b>3.5%</b>
Advertising Sales <sup>(1)</sup>	7.13	7.31	2.5%
Newspaper Sales	6.10	6.09	-0.1%
Associated Product Sales	3.43	3.83	11.9%
<b>Other Revenues</b>	<b>0.11</b>	<b>0.10</b>	<b>-8.6%</b>
<b>Operating Costs</b>	<b>18.56</b>	<b>18.78</b>	<b>1.2%</b>
COGS	4.69	4.85	3.3%
Personnel Costs	5.75	5.89	2.5%
Marketing & Sales	1.49	1.87	25.6%
Outsourcing Services <sup>(2)</sup>	5.19	4.81	-7.3%
General & Administrative Expenses	1.45	1.36	-6.1%
Other Operating Costs	0.00	0.01	-
<b>Provisions and Impairment Losses</b>	<b>0.12</b>	<b>0.08</b>	<b>-32.2%</b>
<b>EBITDA</b>	<b>-1.92</b>	<b>-1.53</b>	<b>20.4%</b>
EBITDA Margin (%)	-11.5%	-8.9%	2.7pp
Depreciation & Amortization	0.34	0.37	7.0%
<b>EBIT</b>	<b>-2.26</b>	<b>-1.89</b>	<b>16.2%</b>
Operating CAPEX <sup>(3)</sup>	0.42	0.70	65.2%
Operating CAPEX as % of Turnover	2.5%	4.1%	1.5pp
EBITDA - Operating CAPEX	-2.34	-2.23	4.9%
Total CAPEX	0.42	0.70	65.2%

(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 1H08, turnover increased by 3.5% to 17.2 million euros, but reflecting different evolutions in the revenue lines: a material growth (+11.9%) in associated product revenues; a 2.5% growth in advertising revenues and a slightly negative evolution in newspaper sales (-0.1% when compared to 1H07). Importantly, both advertising and associated product sales have shown a very positive q.o.q evolution.

“Sexta”, the free weekly newspaper launched in 4Q07, through a 50:50 joint-venture with “A Bola”, and consolidated in Público since November 2007 (proportional consolidation), is still in the initial stages of development. Audience figures related to 2Q08, demonstrated a material increase in the total number of readers of Sexta. Circulation and advertising indicators in the coming quarters will enable a better assessment of its impact in the market.

### EBITDA

In 1H08, Público generated a negative EBITDA of 1.53 million euros, representing a 20.4% improvement over 1H07. This positive trend resulted not only from the increase in advertising revenues and associated products sales but also from reductions achieved in outsourcing and G&A costs, partly compensated by the growth in marketing & sales costs (partly driven by circulation campaigns implemented in 1H08). It should also be noted that the EBITDA generated by the associated products increased by approximately 0.5 million euros when compared to 1H07.

The contribution of Sexta for Público's EBITDA was still marginally negative in 1H08. On a like-for-like basis, Público's EBITDA would have improved by circa 38% against the first semester of 2007.



## 7. Sonaecom SGPS individual results

Sonaecom SGPS individual results for the periods ended 30 June 2008 and 2007 can be summarised as follows:

(million euros)

<b>Sonaecom SGPS Results overview</b>	<b>1H07</b>	<b>1H08</b>	<b>y.o.y.</b>
Service Revenues	3.0	3.6	17.7%
Other Operating Revenues	0.2	0.0	-89.2%
Operating Costs <sup>(1)</sup>	(5.4)	-4.0	27.0%
EBITDA	(2.2)	-0.4	83.3%
EBIT	(2.2)	-0.4	81.4%
Dividend Received	4.6	21.4	-
Net Financial Activity	2.5	5.0	98.6%
Other Financial Results	(0.0)	-4.6	-
EBT	4.8	21.4	-
Net Income	4.8	21.4	-

(1) Excluding depreciation and amortization and provisions

During the 1H08, Sonaecom SGPS generated service revenues of 3.6 million euros, essentially comprising services provided to its subsidiaries in relation to:

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

When compared to last year, total operating costs decreased 27% (or 1.4m) to 4.0 million euros, mainly due to lower outsourcing costs (0.9m), lower advertising costs (0.3m) and lower staff costs (0.2m). The latter resulting from the re-evaluation, at market prices, of the cash settled liability associated with the employees' medium term incentive plan (MTIP).

EBITDA was a negative 0.4 million euros compared to a negative 2.2 million euros reported in 1H07, primarily due to an increase of 0.3m in total operating revenues together with the decrease in operating costs.

Net financial activity (interest income less interest expenses) was a positive 5.0 million euros, 2.5 million euros above 1H07, mainly driven by:

- higher interest income (6.2m) due to higher loans granted to subsidiaries;
- lower interest expenses (1.1m) due to lower loans from subsidiaries;
- higher interest expenses (4.5m) driven by an increase of external debt. During the 2H07, Sonaecom completed the negotiation of a 250 million euros committed underwritten commercial paper programme ("CPP") with guaranteed subscription and a final maturity of five years. Sonaecom's gross debt, since then, is fully contracted by Sonaecom SGPS and internal funding movements are used to allocate cash between our subsidiaries.

Sonaecom SGPS' main source of financial income was the 21.4 million euros of dividends received from Sonaecom Serviços de Comunicação, S.A., which compares with 4.6 million euros received from Optimus Telecomunicações, S.A. in the 1H07.

During the 1H08, Sonaecom SGPS, S.A. recorded an additional 4.6m of provisions for financial investments.

Net results for the period were positive 21.4 million euros mainly explained by the dividends received from Sonaecom Serviços de Comunicação, S.A.. The positive financial activity was fully off-set by the negative EBITDA and the provision for financial investments.

(million euros)

<b>Sonaecom SGPS Balance Sheet</b>	<b>1H07</b>	<b>1H08</b>	<b>y.o.y</b>	<b>FY07</b>	<b>var.</b>
<b>Total Net Assets</b>	<b>1.396,9</b>	<b>1.531,9</b>	9,7%	<b>1.572,2</b>	-2,6%
<b>Non Current Assets</b>	<b>1.312,5</b>	<b>1.460,2</b>	11,3%	<b>1.413,7</b>	3,3%
Tangible and Intangible Assets	0,2	0,2	2,7%	0,3	-4,7%
Investments	824,2	898,1	9,0%	920,7	-2,5%
Other non current assets	488,1	561,9	15,1%	492,7	14,0%
<b>Current Assets</b>	<b>84,3</b>	<b>71,7</b>	-15,0%	<b>158,6</b>	-54,8%
Debtors	7,1	7,6	6,9%	9,0	-15,4%
Other current assets	1,9	5,4	190,0%	3,8	42,6%
Liquidity	75,3	58,7	-22,2%	145,8	-59,8%
<b>Shareholders' Funds</b>	<b>1.155,8</b>	<b>1.158,6</b>	0,2%	<b>1.136,1</b>	2,0%
Share capital	366,2	366,2	0,0%	366,2	0,0%
Own shares	(8,9)	(6,0)	32,5%	(8,9)	32,5%
Other Reserves	793,7	777,1	-2,1%	794,1	-2,2%
Net income	4,8	21,4	-	(15,3)	-
<b>Total Liabilities</b>	<b>241,1</b>	<b>373,3</b>	54,8%	<b>436,1</b>	-14,4%
<b>Non Current Liabilities</b>	<b>147,3</b>	<b>355,4</b>	141,3%	<b>373,8</b>	-4,9%
Bank loans	147,1	355,1	141,4%	373,7	-5,0%
Other non current liabilities	0,2	0,3	57,8%	0,2	91,0%
<b>Current Liabilities</b>	<b>93,8</b>	<b>17,9</b>	-80,9%	<b>62,3</b>	-71,3%
Group Loans	88,3	14,5	-83,6%	17,9	-19,0%
Creditors	1,4	1,4	-4,3%	41,3	-96,7%
Other current liabilities	4,1	2,1	-49,2%	3,1	-34,4%

When compared to FY07, Sonaecom SGPS' standalone liquidity decreased by 87.1 million euros, from 145.8 to 58.7 million euros driven by:

- a 20.9 million euros decrease of gross debt, excluding non-cash items. Bank debt, mainly usages under the commercial paper programme, decreased by 17.5 million euros and loans from subsidiaries decreased by 3.3 million euros;
- a negative free cash flow in the amount of 3.3 million euros;
- a 62.9 million euros increase of loans granted to subsidiaries.

Net debt as at 30 June 2008 stood at 311.3 million euros comprising: (i) gross debt of 369.9 million euros (external debt: 355.5m; applications placed with Sonaecom by subsidiaries: 14.5m) and (ii) liquidity of 58.7 million euros, that includes 57.8 million euros of treasury applications with subsidiaries and 0.8 million euros of bank deposits.

## 8. Main Regulatory Developments

The following are some of the more important regulatory developments during the 1H08:

- **Licensing of frequencies in the 450-470 MHz**

Following the results of the public consultation carried out during 2007, Anacom approved, in March 2008, the draft conditions for the tendering process related to the allocation of frequencies in the 450-470 MHz band. The proposed conditions include, among other, the following: (i) the granting of frequencies to one single entity; (ii) exclusion of the current mobile operators as well as operators that offer services supported in CDMA450, such as Radiomóvel; and (iii) the requirement for a guarantee in the amount of five million euros to secure the obligations associated with contribution to the Information Society, which is one of the evaluation criteria. The market consultation in relation to these draft conditions took place until May 2008 and only after the results are presented the regulator will initiate the tendering process.

- **Universal Service**

In February 2008, Anacom launched a public consultation on the universal service (minimum communication services defined by law, available to all users, independently of geographical location, and under special conditions to certain people). In this consultation, the regulator has asked for comments in relation to a number of different aspects of the universal service, including its scope, conditions for the designation of the entities that can render the service and the calculation of the respective cost. The consultation also included the request for indications of interest for the granting of the service.

- **Anacom's opinion regarding the spin-off of Zon Multimedia**

During 1H08, Anacom published its opinion on the spin-off of Zon Multimédia, clarifying that it considers Zon no longer as part of the PT Group. As a consequence, the obligations that arise from the analysis of regulated markets to the PT Group are not applicable to Zon. In addition, as the spin-off had a material impact on markets 4 and 5 (wholesale unbundled and wholesale broadband accesses), Anacom announced that it would give priority to the reanalysis of those markets, foreseeing the launch during the 2Q08 of the respective consultation proceedings.

- **Mobile Termination Rates (MTRs)**

Anacom has issued a final decision in relation to MTRs, determining the maximum tariffs applicable from 15 July 2008. The decision envisages the introduction, for the first time since the launch of our mobile business, of asymmetric prices (20%) in mobile traffic, in favour of Optimus until 1 October 2009, at which time prices would converge to €0.065 per minute.

	TMN & Vodafone	Optimus	Asymmetry
Previous	0.11	0.11	0%
15-Jul-08	0.08	0.096	20%
01-Oct-08	0.075	0.09	20%
01-Jan-09	0.07	0.084	20%
01-Apr-09	0.065	0.078	20%
01-Jul-09	0.065	0.072	11%
01-Oct-09	0.065	0.065	0%

Amounts correspond to euros per minute

- **European Commission consultation on Roaming**

The European Commission launched a public consultation process in relation to the Roaming Regulation. The commission has included questions aimed at determining the impacts of the regulation over the operators and consumers, as well as assessing the need and relevancy of extending the current regulation beyond 2010 and increasing its scope so as to include SMS and other data services on roaming.

- **Next Generation Networks (NGNs)**

Anacom launched a public consultation on the subject of Next Generations Networks. The Regulator has asked for comments in a number of areas, ranging from the alternative technical solutions to the possible regulatory frameworks, including the impacts over the current regulated wholesale offers. The consultation period will end in August and Sonaecom expects that the subsequent regulatory guidelines for the deployment of NGNs in Portugal will be published by end October 2008.

- **Number Portability**

As a result of several problems wireline operators were facing in relation to the number portability process with PT, Sonaecom has requested an urgent intervention from Anacom, so as to ensure that: (i) the incumbent fulfils the rules stipulated in the current Portability Regulation; and (ii) that this regulation is amended with the objective of preventing similar problems in the future. These proposed changes, if accepted by the Regulator, would allow for a more efficient number portability as well as a simplification of the process required for the customers to migrate from one operator to another, thus promoting greater competition in the market.

## 9. Main Corporate Developments and Subsequent Events

### ▪ **Announcement of the FTTH investment plan**

On 21 February 2008, Sonaecom announced its 3-year plan for the deployment of fibre, aimed at building the most advanced telecommunications network in Portugal. As part of this plan, Sonaecom proposed to give access to its fibre network to all interested national operators, aligning with regulatory recommendations and the best practices in Europe. In this respect, Sonaecom announced that it plans to invest 240 million euros during a 3 year period in developing this Next Generation Network, which will allow coverage of over 1 million homes and approximately 25% of the Portuguese population.

### ▪ **Extraordinary Shareholders General Meeting held on 2 July 2008**

At the company's Extraordinary General Meeting held on the 2nd of July 2008, its shareholders approved the following proposals:

- a) To amend article 9 of the Company's Articles of Association, in order to allow the Board of Directors to be composed of a minimum of three members and a maximum of twelve members;
- b) To increase the maximum number of members of the Board of Directors from eleven to twelve and to elect Mr. Franck Dangeard as a member of the Board of Directors for the remainder of the current four year mandate (covering the period from 2008 to 2011);
- c) To authorise the Board of Directors to purchase own shares up to the limit of 10% and to grant the Board of Directors powers to decide the timing and other conditions under which such purchases shall be made.

The complete list of proposals is available in the Investor Relations section of our website ([www.sonae.com](http://www.sonae.com)).

## 10. Corporate Governance

A detailed annual Corporate Governance Report is included in Sonaecom's full year 2007 Management Report and Accounts available on our website ([www.sonae.com](http://www.sonae.com)). Our website also has a specific section dedicated to corporate governance.

Highlighted below are the main developments that occurred during 1H08 in relation to corporate governance matters:

### Shareholders' Annual General Meeting

According to our Articles of Association, a new mandate for the corporate bodies of Sonaecom started in 2008 (and will run until 2011). Therefore, the following members of the corporate bodies were elected at the Shareholders' Annual General Meeting held on 16 April 2008:

#### Board of the Shareholders' General Meeting:

Chairman: João Augusto Esmeriz Vieira de Castro

Secretary: António Agostinho Cardoso da Conceição Guedes

#### Board of Directors:

Duarte Paulo Teixeira de Azevedo - Chairman

Ângelo Gabriel Ribeirinho dos Santos Paupério

George Christopher Lawrie

Luís Filipe Campos Dias de Castro Reis

Maria Cláudia Teixeira de Azevedo

Miguel Nuno Santos Almeida

António Sampaio e Mello

David Charles Denholm Hobley

Gervais Gilles Pellissier

Jean-François René Pontal

Nuno Manuel Moniz Trigos Jordão

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

The following table presents the current composition of Concession's Board of Directors.			
Members	Executive	Non-Executive	
		Independent	Non-Independent
CHAIRMAN			
Duarte Paulo Teixeira de Azevedo			
DIRECTORS			
António Sampaio e Mello			
David Charles Denholm Hobley			
Franck Emmanuel Dangeard			
Gervais Gilles Pellissier			
Jean-Francois René Pontal			
Nuno Manuel Moniz Trigos Jordão			
Ângelo Ribeirinho Paupério (CEO)			
Luís Filipe Campos Dias Reis			
George Christopher Lawrie (CFO)			
Maria Cláudia Teixeira de Azevedo			
Miguel Nuno Santos Almeida			

#### Statutory Audit Board:

Arlindo Dias Duarte Silva (Chairman)

Armando Luís Vieira de Magalhães

Óscar José Alçada da Quinta

Substitute: Jorge Manuel Felizes Morgado

#### Statutory External Auditor

Deloitte & Associados, SROC, SA, represented by Jorge Manuel Araújo de Beja Neves or by João Luís Falua Costa da Silva.

### Amendment to the Articles of Association

At the same Shareholders' Annual General Meeting, it was also resolved to change the company's book-entry bearer shares into book-entry registered shares and, as a consequence thereof, the Company's Articles of Association were amended accordingly.



## 11. Article 447, 448 and qualified holdings

### Article 447

In accordance with article 447 of the Portuguese Company Law.

Shares held by the Board of Directors and respective transactions during first half 2008

	Date	Additions		Reductions		Balance at 30.06.2008
		Quantity	Valor Md. €	Quantity	Valor Md. €	Quantity
BOARD OF DIRECTORS						
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Migracom, SGPS, SA (3)						69,996
Sonae, SGPS, SA (6)						3,293
Ângelo Gabriel Ribeirinho dos Santos Paupério						
Sonae, SGPS, SA (6)						250,000
Acquisition	11.01.2008	245,436	1,30			
Sonaecom, SGPS, SA						225,000
Acquisition	11.01.2008	59,930	2.889			
Acquisition	14.01.2008	61,000	2.996			
Acquisition	15.01.2008	44,000	2.868			
George Christopher Lawrie						
Sonaecom, SGPS, SA						162,659
Shares attributed under the Medium Term Incentive Plan	11.03.2008	17,659	0,00			
Sonae, SGPS, SA (6)						62,500
Acquisition	21.01.2008	50,380	1,19			
Miguel Nuno Santos Almeida						
Sonaecom, SGPS, SA						18,257
Shares attributed under the Medium Term Incentive Plan	11.03.2008	18,167	0,00			
Maria Cláudia Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Linhacom, SGPS, SA (4)						99,996
Sonaecom, SGPS, SA						170
Shares attributed under the Medium Term Incentive Plan	11.03.2008	10,963	0,00			
Sale	31.03.2008			10,963	2.18	
Luís Filipe Campos Dias de Castro Reis						
Sonaecom, SGPS, SA						4,854
Shares attributed under the Medium Term Incentive Plan	11.03.2008	4,854	0,00			

## Notes:

	Date	Additions		Reductions		Balance at
		Quantity	Valor Md. €	Quantity	Valor Md. €	30.06.2008
<b>(1) Efanor Investimentos, SGPS, SA</b>						
Sonae, SGPS, SA (6)						658,804,424
Pareuro, BV (2)						2,000,000
Capital increase	21.01.2008	1,980,000	151.51			
Sonaecom, SGPS, SA						1,000
<b>(2) Pareuro, BV</b>						
Sonae, SGPS, SA (6)						400,000,000
<b>(3) Migracom, SGPS, SA</b>						
Imparfin, SGPS, SA (5)						150,000
Sonae, SGPS, SA (6)						1,485,000
Acquisition	17.01.2008	193,500	1.29			
Acquisition	18.01.2008	1,500	1.24			
Sonaecom, SGPS, SA						387,342
<b>(4) Linhacom, SGPS, SA</b>						
Imparfin, SGPS, SA (5)						150,000
Sonaecom, SGPS, SA						36,183
Acquisition	31.03.2008	10,963	2.18			
Sonae, SGPS, SA (6)						351,296
Acquisition	03.01.2008	3	1.92			
<b>(5) Imparfin, SGPS, SA</b>						
Sonae, SGPS, SA (6)						4,105,280
Acquisition	03.01.2008	7	1.92			
<b>(6) Sonae, SGPS, SA</b>						
Sonaecom, SGPS, SA						23,649
Sontel BV (7)						500
<b>(7) Sontel BV</b>						
Sonaecom, SGPS, SA						194,423,837
Acquisition	Jan.08	3,497,139	2.44			
Acquisition	Feb.08	1,248,722	2.59			
Acquisition	Mar.08	2,249,344	2.21			
Acquisition	Apr.08	2,733,984	2.25			
Acquisition	May.08	494,741	2.29			
Acquisition	Jun.08	147,035	2.17			

## Article 448

In accordance with article 448 of the Portuguese Company Law.

Appendix in accordance with article 448 of the Portuguese Company Law

	<b>Number of shares as of 30.06.2008</b>
<b>Efanor Investimentos, SGPS, SA</b>	
Sonae, SGPS, SA	658,804,424
Pareuro, BV	2,000,000
Sonaecom, SGPS, SA	1,000
<b>Pareuro, BV</b>	
Sonae, SGPS, SA	400,000,000
<b>Sonae, SGPS, SA</b>	
Sonaecom, SGPS, SA	23,649
Sontel BV	500
<b>Sontel BV</b>	
Sonaecom, SGPS, SA	194,423,837
<b>Wirefree Services Belgium, S.A.</b>	
Sonaecom, SGPS, SA	70,276,868

### Qualified holdings

In compliance with sub-paragraph e), of nr 1, of the article 8 of the Securities Market Regulation Board (Regulamento da CMVM) nr 04/2004, we declare the Qualifying Holdings as of 30 June 2008:

Qualifying Holdings as of 30 June 2008

Shareholder	Number of Shares	% of Share Capital	% Voting Rights
Sontel BV	194,423,837	53.09%	53.09%
Migracom, SGPS, SA	387,342	0.11%	0.11%
Ângelo Gabriel Ribeirinho dos Santos Paupério <sup>1, 2, 4</sup>	225,000	0.06%	0.06%
Belmiro Mendes de Azevedo <sup>1, 3</sup>	75,537	0.02%	0.02%
Linhacom SGPS, SA	36,183	0.01%	0.01%
Sonae, SGPS, SA	23,649	0.01%	0.01%
Álvaro Carmona e Costa Portela <sup>1</sup>	5,000	0.00%	0.00%
Efanor Investimentos, SGPS, SA	1,000	0.00%	0.00%
Maria Cláudia Teixeira de Azevedo <sup>3, 4</sup>	170	0.00%	0.00%
Total imputable	195,177,718	53.29%	53.29%
France Telecom, S.A.			
Wirefree Services Belgium, S.A.	70,276,868	19.19%	19.19%
Total imputable	70,276,868	19.19%	19.19%
EDP			
093X - Telecomunicações Celulares, SA	29,150,000	7.96%	7.96%
Total imputable	29,150,000	7.96%	7.96%

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

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

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

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

## 12. Declaration for the purpose of Article 245 of CVM (Portuguese Securities Code)

The signatories individually declare that, to their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared meeting the standards of the applicable International Financial Reporting Standards, giving a truthful (fairly) and appropriate image, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of the issuer and that the interim Management Report faithfully describes the most relevant events occurred during the first semester of 2008 and the respective impacts, when applicable, over the financial statements, containing an appropriate description of the major risks and uncertainties within the subsequent six month period.

The Board of Directors

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho Paupério

António Sampaio e Mello

David Charles Denholm Hobley

Frank Emmanuel Dangeard

George Christopher Lawrie

Gervais Gilles Pellissier

Jean-François René Pontal

Luís Filipe Campos Dias de Castro Reis

Maria Cláudia Teixeira de Azevedo

Miguel Nuno Santos Almeida

Nuno Manuel Moniz Trigoso Jordão

## **13. FINANCIAL INFORMATION**

### **13.1. CONSOLIDATED FINANCIAL STATEMENTS**

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

ASSETS	Notes	June 2008	June 2007	December 2007
<b>NON CURRENT ASSETS:</b>				
Tangible assets	1.d), 1.i) and 6	535,146,224	499,470,914	533,166,510
Intangible assets	1.e), 1.f) and 7	273,456,730	164,463,463	189,436,634
Goodwill	1.g) and 9	525,835,473	507,110,677	528,216,604
Investments in associated companies	1.b) and 4	757,069	735,613	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	106,986,289	59,971,233	101,118,096
Total non current assets		1,443,389,105	1,232,959,220	1,353,892,778
<b>CURRENT ASSETS:</b>				
Inventories	1.j)	27,584,620	25,980,927	24,036,540
Trade debtors	1.k) and 8	185,705,402	138,659,457	192,029,940
Other current debtors	1.k) and 8	23,369,309	15,766,397	17,704,719
Other current assets	1.s), 1.t) and 1.y)	108,532,584	80,792,957	87,096,013
Investments recorded at fair value through profit or loss	1.h) and 12	-	405,684	-
Cash and cash equivalents	1.i), 8 and 13	6,928,032	198,463,163	83,851,612
Total current assets		352,119,947	460,068,585	404,718,824
<b>Total assets</b>		<b>1,795,509,052</b>	<b>1,693,027,805</b>	<b>1,758,611,602</b>
<b>SHAREHOLDERS' FUNDS AND LIABILITIES</b>				
<b>SHAREHOLDERS' FUNDS:</b>				
Share capital	14	366,246,868	366,246,868	366,246,868
Own shares	1. v) and 15	(6,036,026)	(8,938,165)	(8,938,165)
Reserves	1.u)	572,609,565	539,026,336	540,469,726
Consolidated net income/(loss) for the period		(12,227,592)	(4,713,324)	36,777,870
		920,592,815	891,621,715	934,556,299
Minority interests		1,021,723	634,765	865,131
Total Shareholders' Funds		921,614,538	892,256,480	935,421,430
<b>LIABILITIES:</b>				
<b>NON CURRENT LIABILITIES:</b>				
Medium and long-term loans - net of short-term portion	1.m), 1.n), 8 and 16	355,086,523	366,732,884	373,213,990
Other non current financial liabilities	1.i), 8 and 17	17,517,286	15,848,160	17,916,038
Provisions for other liabilities and charges	1.p), 1. t) and 18	32,469,903	24,284,315	30,885,378
Deferred tax liabilities	1.q) and 11	708,186	192,228	284,402
Other non current liabilities	1.s), 1.t), 1.y)	72,875,030	240,736	291,147
Total non current liabilities		478,656,928	407,298,323	422,590,955
<b>CURRENT LIABILITIES:</b>				
Short-term loans and other loans	1.m), 1.n), 8, 13 and 16	747,054	97,357,681	624,457
Trade creditors	8	174,755,456	121,678,688	185,332,554
Other current financial liabilities	1.i), 8 and 19	979,699	2,691,070	1,926,041
Other creditors	8	14,879,477	19,987,810	18,350,798
Other current liabilities	1.s), 1.t) and 1.y)	203,875,900	151,757,753	194,365,367
Total current liabilities		395,237,586	393,473,002	400,599,217
<b>Total Shareholders' Funds and liabilities</b>		<b>1,795,509,052</b>	<b>1,693,027,805</b>	<b>1,758,611,602</b>

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

**The Chief Accountant**

Patrícia Maria Cruz Ribeiro da Silva

**The Board of Directors**

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeiroinho Paupério

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Nuno Miguel Moniz Trígoso Santos Jordão

SONAECOM, S.G.P.S., S.A. AND SUBSIDIARIES  
CONSOLIDATED PROFIT AND LOSS ACCOUNT BY NATURE  
 FOR THE QUARTERS AND THE SEMESTERS ENDED AT 30 JUNE 2008 AND 2007 AND  
 FOR THE YEAR ENDED AT 31 DECEMBER 2007

(Amounts expressed in Euro)

	Notes	June 2008	April to June 2008 (Not audited)	June 2007	April to June 2007 (Not audited)	December 2007
Sales		43,448,742	22,826,228	36,162,925	20,438,165	79,052,510
Services rendered		432,129,758	215,057,554	377,269,117	194,050,052	813,641,181
Other operating revenues		4,335,133	2,805,239	2,067,532	738,108	6,421,176
		<u>479,913,633</u>	<u>240,689,021</u>	<u>415,499,574</u>	<u>215,226,325</u>	<u>899,114,867</u>
Cost of sales		(55,994,392)	(30,203,421)	(47,511,676)	(25,258,274)	(108,621,905)
External supplies and services	20	(291,240,201)	(145,607,249)	(235,178,071)	(121,269,131)	(507,530,381)
Staff expenses		(48,802,529)	(22,730,630)	(46,811,654)	(23,387,854)	(95,000,392)
Depreciation and amortisation	1. d), 1. e), 6 and 7	(77,818,774)	(40,547,950)	(67,059,659)	(30,429,053)	(139,982,820)
Provisions and impairment losses	1.p), 1.x) and 18	(7,869,804)	(3,772,316)	(6,348,493)	(2,743,030)	(12,176,960)
Other operating costs		<u>(7,319,864)</u>	<u>(3,756,286)</u>	<u>(6,471,002)</u>	<u>(3,375,036)</u>	<u>(13,791,210)</u>
		<u>(489,045,564)</u>	<u>(246,617,852)</u>	<u>(409,380,555)</u>	<u>(206,462,378)</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	-	-	2,473,445	-	5,578,307
Other financial expenses	1.n), 1.o), 1.w), 1.x) and 21	(9,508,203)	(4,567,850)	(20,017,631)	(6,766,961)	(39,460,766)
Other financial income	1.o), 1.w) and 21	1,608,073	831,472	9,396,252	2,667,642	12,176,948
<b>Current income/(loss)</b>		<b>(17,022,605)</b>	<b>(9,665,209)</b>	<b>(2,116,488)</b>	<b>4,664,628</b>	<b>530,115</b>
Income taxation	1.q), 11 and 22	4,957,606	3,072,384	(2,461,319)	(3,296,411)	36,635,013
<b>Consolidated net income/(loss)</b>		<b>(12,064,999)</b>	<b>(6,592,825)</b>	<b>(4,577,807)</b>	<b>1,368,217</b>	<b>37,165,128</b>
Attributed to:						
Shareholders of parent company	26	(12,227,592)	(6,701,547)	(4,713,324)	1,290,926	36,777,870
Minority interests		162,593	108,722	135,517	77,291	387,258
Earnings per share						
Including discontinued operations						
Basic		(0.03)	(0.02)	(0.01)	0.00	0.10
Diluted		(0.03)	(0.02)	(0.01)	0.00	0.10
Excluding discontinued operations						
Basic		(0.03)	(0.02)	(0.01)	0.00	0.10
Diluted		(0.03)	(0.02)	(0.01)	0.00	0.10

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

**The Chief Accountant**

Patrícia Maria Cruz Ribeiro da Silva

**The Board of Directors**

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## CONSOLIDATED MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE SEMESTERS ENDED AT 30 JUNE 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 reserve	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 semester ended at 30 June 2008	-	-	-	-	-	-	-	-	-	-	-	(12,227,592)	(12,227,592)
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	-	(1,373,699)	-	-	(1,373,699)	-	-	1,373,699	-	-	-	-	(1,373,699)
Fair value reserves (Note 16)	-	-	-	-	-	-	755,674	-	-	755,674	-	-	755,674
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	-	-	-	-	(44,731)	-	-	-	-	(44,731)	-	-	(44,731)
Balance at 30 June 2008	366,246,868	(6,036,026)	1,002,287	775,290,377	(210,887,709)	-	1,168,584	6,036,026	-	572,609,565	-	(12,227,592)	920,592,815
Minority interests													
Balance at 31 December 2007	-	-	-	-	-	-	-	-	-	-	865,131	-	865,131
Minority interests on results	-	-	-	-	-	-	-	-	-	-	162,593	-	162,593
Other changes	-	-	-	-	-	-	-	-	-	-	(6,000)	-	(6,000)
Balance at 30 June 2008	-	-	-	-	-	-	-	-	-	-	1,021,723	-	1,021,723
Total	366,246,868	(6,036,026)	1,002,287	775,290,377	(210,887,709)	-	1,168,584	6,036,026	-	572,609,565	1,021,723	(12,227,592)	921,614,538
	2007												
	Reserves												
	Share capital	Own shares (Note 15)	Legal reserves	Share premium	Other reserves	Reserves for Medium Term Incentive Plans	Hedging reserve	Reserves of Own shares	Fair value reserves (Note 10)	Total reserves	Minority Interests	Net income/(loss)	Total
Balance at 31 December 2007	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 semester ended at 30 June 2007	-	-	-	-	-	-	-	-	-	-	-	(4,713,324)	(4,713,324)
Acquisition of own shares	-	(8,938,165)	-	-	(8,938,165)	-	-	8,938,165	-	-	-	-	(8,938,165)
Fair value reserves	-	-	-	-	-	-	-	-	(5,121,876)	(5,121,876)	-	-	(5,121,876)
Recognition of the Medium Term Incentive Plans	-	-	-	-	-	1,075,078	-	-	-	1,075,078	-	-	1,075,078
Reimbursements of expenses incurred in share capital increases (stamp tax)	-	-	-	-	400,000	-	-	-	-	400,000	-	-	400,000
Adjustments in foreign currency translation reserves and others	-	-	-	-	(89,924)	-	-	-	-	(89,924)	-	-	(89,924)
Balance at 30 June 2007	366,246,868	(8,938,165)	1,002,287	775,290,377	(248,231,961)	2,027,468	-	8,938,165	-	539,026,336	-	(4,713,324)	891,621,715
Minority interests													
Balance at 31 December 2006	-	-	-	-	-	-	-	-	-	-	471,382	-	471,382
Minority interests on results	-	-	-	-	-	-	-	-	-	-	135,517	-	135,517
Other changes	-	-	-	-	-	-	-	-	-	-	27,866	-	27,866
Balance at 30 June 2007	-	-	-	-	-	-	-	-	-	-	634,765	-	634,765
Total	366,246,868	(8,938,165)	1,002,287	775,290,377	(248,231,961)	2,027,468	-	8,938,165	-	539,026,336	634,765	(4,713,324)	892,256,480

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

SONAECOM, S.G.P.S., S.A. AND SUBSIDIARIES  
CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SEMESTERS ENDED AT 30 JUNE 2008 AND 2007

(Amounts expressed in Euro)

	<u>30 June 2008</u>		<u>30 June 2007</u>
<b>Operating activities</b>			
Receipts from trade debtors	470,671,199		412,258,795
Payments to trade creditors	(367,997,968)		(298,476,096)
Payments to employees	(57,305,865)		(57,513,586)
<b>Cash flows from operating activities</b>	<u>45,367,366</u>		<u>56,269,113</u>
Payments/receipts relating to income taxes, net	(2,225,668)		(2,050,775)
Other payments/receipts relating to operating activities, net	(5,033,942)		2,231,802
<b>Cash flows from operating activities (1)</b>	<u>38,107,756</u>	<b>38,107,756</b>	<u>56,450,140</u>
			<b>56,450,140</b>
<b>Investing activities</b>			
Receipts from:			
Investments	1,496,920		108,461,474
Tangible assets	170,667		560,420
Intangible assets	3,599		11,927
Interest and similar income	1,425,285	3,096,471	8,850,061
			<u>117,883,882</u>
Payments for:			
Investments	(927,119)		(209,747)
Tangible assets	(73,184,511)		(54,844,525)
Intangible assets	(14,358,265)	(88,469,895)	(9,285,421)
		<u>(85,373,424)</u>	<u>(64,339,693)</u>
<b>Cash flows from investing activities (2)</b>			<b>53,544,189</b>
<b>Financing activities</b>			
Payments for:			
Leasings	(1,345,095)		(2,360,378)
Interest and similar expenses	(9,564,240)		(26,220,326)
Own shares	(1,373,699)		(8,938,165)
Loans obtained	(17,500,000)	(29,783,034)	-
		<u>(29,783,034)</u>	<u>(37,518,869)</u>
<b>Cash flows from financing activities (3)</b>			<b>(37,518,869)</b>
Net cash flows ( 4 )=( 1 )+( 2 )+( 3 )		<u><b>(77,048,702)</b></u>	<u><b>72,475,460</b></u>
Effect of the foreign exchanges		2,525	124,561
Cash and cash equivalents at the beginning of the year		<u><b>(83,227,155)</b></u>	<u><b>(125,842,921)</b></u>
Cash and cash equivalents at the end of the semester		<u><b>6,180,978</b></u>	<u><b>198,442,942</b></u>

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

Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

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SONAECOM, S.G.P.S., S.A. AND SUBSIDIARIES  
APPENDIX TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SEMESTERS ENDED AT 30 JUNE 2008 AND 2007

(Amounts expressed in Euro)

	30 June 2008	30 June 2007		
<b>1 - Acquisition or sale of subsidiaries or other businesses</b>				
<b>a) Amounts paid from acquisitions of previous years</b>				
Tecnológica Telecomunicações, Ltda.	842,911	209,747		
Cape Technologies, Limited	3,470	-		
Praesidium Holdings Limited	80,738	-		
	<u>927,119</u>	<u>209,747</u>		
<b>b) Amount received from acquisitions of previous years (price adjustments)</b>				
Telemilénio Telecomunicações - Sociedade Unipessoal, Lda.	1,496,920	-		
<b>c) Amount of other assets and liabilities sold</b>				
Portugal Telecom, S.G.P.S., S.A. Shares	-	108,461,474		
	<u>1,496,920</u>	<u>108,461,474</u>		
<b>2 - Details of cash and cash equivalents:</b>				
Cash in hand	60,157	127,347		
Cash at bank	5,462,850	2,753,082		
Treasury applications	1,405,025	195,582,734		
Overdrafts	(747,054)	(20,221)		
Cash and cash equivalents	<u>6,180,978</u>	<u>198,442,942</u>		
Overdrafts	747,054	20,221		
Cash assets	6,928,032	198,463,163		
<b>3 - Description of non monetary financing activities</b>				
a) Bank credit granted and not used	132,111,398	99,599,377		
b) Purchase of company through the issue of shares	Not applicable	Not applicable		
c) Conversion of loans into shares	Not applicable	Not applicable		
<b>4 - Cash flow breakdown by activity</b>				
Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net Cash Flows
Telecommunication	54,683,402	(85,309,331)	(2,619,067)	(33,244,996)
Multimedia	898,666	(231,971)	(9,608)	657,088
Information Systems	(15,261,280)	(1,072,685)	(75,598)	(16,409,564)
Others	(2,213,032)	1,240,563	(27,078,761)	(28,051,230)
	<u>38,107,756</u>	<u>(85,373,424)</u>	<u>(29,783,034)</u>	<u>(77,048,702)</u>

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

Chief Accountant

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## **13.2. NOTES TO THE SONAECOM CONSOLIDATED FINANCIAL STATEMENTS**

## **Notes to the consolidated financial statements at 30 June 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 some subsidiaries (from the information systems consultancy segment) operating in Brasil, United Kingdom, Irland, Poland, Australia 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.

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

- Review and Amendment of IAS 1 – "Presentation of Financial Statements" – (mandatory at 1 January 2009);
- Amendment to IAS 16 – "Property, Plant and Equipment" – (mandatory at 1 January 2009);
- Amendment to IAS 19 – "Employee Benefits" – (mandatory at 1 January 2009);
- Amendment to IAS 20 – "Government Grants" – (mandatory at 1 January 2009);
- Amendment to IAS 27 – "Consolidated and Separate Financial Statements" – (mandatory at 1 January and 1 July 2009);
- Amendment to IAS 28 – "Investments in Associates" – (mandatory at 1 January 2009);
- Amendment to IAS 29 – "Financial Reporting in Hyperinflationary Economies" – (mandatory at 1 January 2009);
- Amendment to IAS 31 – "Interests in Joint Ventures" – (mandatory at 1 January and 1 July 2009);
- Amendment to IAS 32 – "Financial Instruments: Disclosure and Presentation" – (mandatory at 1 January 2009);
- Amendment to IAS 36 – "Impairment of Assets" – (mandatory at 1 January 2009);
- Amendment to IAS 38 – "Intangible Assets" – (mandatory at 1 January 2009);
- Amendment to IAS 39 – "Financial Instruments" – (mandatory at 1 January 2009);
- Amendment to IAS 40 – "Investment Property" – (mandatory at 1 January 2009);
- Amendment to IAS 41 – "Agriculture" – (mandatory at 1 January 2009);
- Amendment to IFRS 1 – "First-time Adoption of International Financial Reporting Standards" – (mandatory at 1 January 2009);
- Amendment to IFRS 2 – "Share – based Payment" – (mandatory at 1 January 2009);
- Review of IFRS 3 – "Business Combinations" – (mandatory at 1 July 2009);
- Amendment to IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations" – (mandatory at 1 January 2009);
- IFRS 8 – "Operating Segments" – (mandatory at 1 January 2009);
- IFRIC 12 – "Service Concession Arrangements" – (mandatory at 1 January 2008, but not yet endorsed in the EU);
- IFRIC 13 – "Customer Loyalty Programmes" – (mandatory at 1 July 2008);

- IFRIC 14 – “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” – mandatory at 1 January 2008, but not yet endorsed in the EU);
- IFRIC 15 – “Agreements for the Construction of Real Estate” - (mandatory at 1 January 2009);
- IFRIC 16 – “Hedges of a Net Investment in a Foreign Operation” – (mandatory at 1 October 2008).

At 30 June 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 June 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 8). 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 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 period for which they were granted (15 years). The UMTS license is being amortised on a straight-line basis for an 11 year period, which corresponds to the period between the commercial launch date and the maturity date of the license. Additional 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 end 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.

#### **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 is acquired principally for 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 is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to 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 semester 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 June 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	
	30.06.2008	Average	30.06.2007	Average
Pounds Sterling	1.26223	1.29082	-	-
Brazilian Real	0.39822	0.38563	0.38426	0.36805
American Dollar	0.63436	0.65407	-	-
Zloti (Poland)	0.29839	0.28668	-	-
Australian Dollar	0.61084	0.60473	-	-

**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 June 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’.

During the semester ended at 30 June 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 semesters ended at 30 June 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 and Australia and so it is exposed to foreign exchange rate risk.

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

Whenever possible, the Group uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such procedure is not possible, the Group 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 June 2008 and 2007, are as follows:

			Percentage of share capital held				
Company (Commercial Brand)	Head Office	Main activity	Shareholder	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)	New South Wales	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)	Delaware	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%
* Sonaecom effective participation							
(a) Company formerly designated as "Optimus Artis - Conceção, Construção e Gestão de Redes de Comunicações, S.A.".							
(b) Company established in October 2007.							
(c) Company formerly designated as "Optimus Towering – Exploração de Torres de Telecomunicações, S.A.".							
(d) Companies acquired in October 2007.							

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%
Optimus – Telecomunicações, S.A. ("Optimus")	Maia	Rendering of mobile telecommunications services and the establishment, management and operation of telecommunications networks.	Sonae Telecom	(Merged)		49.06%	49.06%
			Sonaecom			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") (a)	Berkshire	Rendering of consultancy services in the area of information systems.	We Do UK	100%	100%	-	-
Praesidium Technologies Limited ("Praesidium Technologies") (a)	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%
Sonaecom - 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) 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")	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%	99.22%
Telemilénio Telecomunicações - Sociedade Unipessoal, Lda. ("Tele2") (a)	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%	99.32%	99.32%
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%	99.23%
We Do Technologies (UK) Limited ("We Do UK") (b)	Berkshire	Management of shareholdings.	We Do	100%	100%	-	-

\* Sonae.com effective participation  
(a) Company acquired in September 2007.  
(b) 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 June 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 activity of editing of contents for periodic publications in paper to digital media, video or TV.	Público	50%	50%	-	-

\* Sonae.com effective participation  
(a) Joint venture established in October 2007

At 30 June 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	13,279
Current assets	147,268
Current liabilities	(179,367)
Net results	286,340
Total revenues	(199,753)
Total costs	486,094

#### 4. Investments in associated companies

At 30 June 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			
				Direct	Effective*	Direct	Effective*	2008	2007
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	735,613
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	735,613
* Sonaeacom effective participation (a) Investment recorded at a nil book value									

At 30 June 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 June 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.	14,568	21,488	115	(1,203)
Sociedade Independente de Radiodifusão Sonora, S.A.	649,816	604,547	672,814	89,362
Unipress - Centro Gráfico, Lda (1)	9,828,695	7,947,107	3,581,171	53,639

(1) Values at 31.12.2007

#### 5. Changes in the Group

##### 5. a) Acquisitions

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

In the semester ended at 30 June 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	Feb-07	0.66%	99.02%
Sonae.com SI	We Do	Mar-07	0.06%	99.08%
Sonae.com SI	We Do	Apr-07	0.14%	99.22%
We Do Brasil	Tecnológica	Apr-07	99.99%	99.99%
Sonae.com SI	We Do	May-07	0.10%	99.32%

During the semester ended at 30 June 2007 and as a result of the above mentioned acquisitions, additional Goodwill of Euro 207,905 was recorded (Note 9).

## 5. b) Others

During the semester ended at 30 June 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 occur, 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 semesters ended at 30 June 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
<b>GROSS ASSETS</b>									
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	-	915,547	4,021,007	17,404	5,443,169	-	1,573,221	47,668,470	59,638,818
Disposals	-	(52,945)	(157,032)	(18,224)	(223,460)	-	-	-	(451,661)
Transfers and write-offs	-	2,758,478	28,388,925	-	1,943,938	10,258	1,850	(33,167,648)	(64,199)
Balance at 30.06.2008	1,391,593	238,837,190	875,235,926	128,726	150,595,683	1,107,178	4,303,453	51,347,622	1,322,947,371
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:</b>									
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 semester	-	6,323,316	42,859,782	13,687	7,822,523	10,495	246,374	-	57,276,177
Disposals	-	(11,136)	(93,698)	(2,408)	(78,468)	-	-	-	(185,710)
Transfers and write-offs	-	60,000	1,278	-	(10,077)	-	1,576	-	52,777
Balance at 30.06.2008	-	124,422,523	535,257,296	105,439	124,346,235	1,050,623	2,619,031	-	787,801,147
Net value	1,391,593	114,414,667	339,978,630	23,287	26,249,448	56,555	1,684,422	51,347,622	535,146,224

	Land	Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Tools	Other tangible assets	Work in progress	Total
<b>GROSS ASSETS</b>									
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
Additions	-	2,770,544	1,656,104	17,241	323,488	-	15,780	47,150,574	51,933,731
Disposals	-	(615,258)	(218,767)	(36,427)	(27,656)	-	-	(9,972)	(908,080)
Transfers and write-offs	-	1,440,952	41,331,053	19,321	1,652,821	368	61,706	(45,546,527)	(1,040,307)
Balance at 30.06. 2007	1,391,593	226,729,403	786,977,469	53,406	136,024,194	1,088,207	2,645,085	24,154,432	1,179,063,788
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:</b>									
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
Depreciation for the semester	-	6,728,960	37,432,234	876	6,914,685	9,060	95,639	-	51,181,454
Reversal of impairment losses in the semester	-	(8,863)	(120,207)	-	(79,516)	(228)	(16)	-	(208,830)
Disposals	-	(401,724)	(57,196)	(1,672)	(12,410)	-	-	-	(473,002)
Transfers and write-offs	-	(4,932,979)	(42,970)	-	(236,039)	(21)	(1,441)	-	(5,213,450)
Balance at 30.06. 2007	-	110,372,547	456,012,634	47,972	109,866,934	1,030,605	2,262,182	-	679,592,874
Net value	1,391,593	116,356,856	330,964,835	5,434	26,157,260	57,602	382,903	24,154,432	499,470,914

The additions during the semester 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 25,509,674 and Euro 22,172,019 as of 30 June 2008 and 2007, respectively and their net book value as of those dates amounted to Euro 19,889,781 and Euro 19,104,598, respectively.

At 30 June 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 June 2008 and 2007 were made up as follows:

	2008	2007
Development of mobile network	36,867,165	13,227,827
Development of fixed network	7,816,717	7,686,494
Information systems	3,287,083	2,976,584
Other projects in progress	3,376,657	263,527
	<u>51,347,622</u>	<u>24,154,432</u>

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

	2008	2007
Network	42,580,583	20,048,889
Information systems	7,973,577	6,399,925
	<u>50,554,160</u>	<u>26,448,814</u>

## 7. Intangible assets

In the semesters ended at 30 June 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
<b>GROSS ASSETS:</b>				
<b>Balance at 31.12.2007</b>	<b>184,616,429</b>	<b>212,851,390</b>	<b>5,011,298</b>	<b>402,479,117</b>
Additions	96,036,912	1,349,406	6,993,077	104,379,395
Disposals	-	(3,599)	-	(3,599)
Transfers and write-offs	13,359	1,813,470	(1,620,454)	206,375
<b>Balance at 30.06.2008</b>	<b>280,666,700</b>	<b>216,010,667</b>	<b>10,383,921</b>	<b>507,061,288</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:</b>				
<b>Balance at 31.12.2007</b>	<b>48,060,543</b>	<b>164,981,940</b>	<b>-</b>	<b>213,042,483</b>
Amortisation for the semester	10,672,751	9,869,846	-	20,542,597
Disposals	-	(229)	-	(229)
Transfers and write-offs	(1)	19,708	-	19,707
<b>Balance at 30.06.2008</b>	<b>58,733,293</b>	<b>174,871,265</b>	<b>-</b>	<b>233,604,558</b>
<b>Net value</b>	<b>221,933,407</b>	<b>41,139,402</b>	<b>10,383,921</b>	<b>273,456,730</b>

	Brands and patents and other rights	Software	Intangible assets in progress	Total
<b>GROSS ASSETS:</b>				
<b>Balance at 31.12.2006</b>	<b>147,400,303</b>	<b>190,159,744</b>	<b>7,986,808</b>	<b>345,546,855</b>
Acquired companies (Note 4.a))	-	2,358,832	-	2,358,832
Additions	8,328,051	259,793	6,697,139	15,284,983
Disposals	-	(15,034)	(11,420)	(26,454)
Transfers and write-offs	64,101	5,065,380	(9,159,621)	(4,030,140)
<b>Balance at 30.06.2007</b>	<b>155,792,455</b>	<b>197,828,715</b>	<b>5,512,906</b>	<b>359,134,076</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:</b>				
<b>Balance at 31.12.2006</b>	<b>31,677,199</b>	<b>147,204,682</b>	<b>-</b>	<b>178,881,881</b>
Amortisation for the semester	7,066,568	8,811,637	-	15,878,205
Reversal of impairment losses in the semester	(236)	(131,636)	-	(131,872)
Disposals	-	(2,880)	-	(2,880)
Transfers and write-offs	79	45,200	-	45,279
<b>Balance at 30.06.2007</b>	<b>38,743,610</b>	<b>155,927,003</b>	<b>-</b>	<b>194,670,613</b>
<b>Net value</b>	<b>117,048,845</b>	<b>41,901,712</b>	<b>5,512,906</b>	<b>164,463,463</b>

At 30 June 2008, the additions for the semester 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 a '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 recognized.

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

At 30 June 2008 and 2007, the Group kept recorded under the heading 'Intangible assets' the amounts of Euro 199,575,948 and Euro 116,459,535, respectively, that correspond to the investments net of depreciations made in the development of the UMTS network, including: (i) Euro 67,506,482 (amount of Euro 76,507,347 in 2007) related to the license; (ii) Euro 22,556,391 (amount of Euro 25,563,910 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 6,927,749 (Euro 7,851,448 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 96,817,534 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 June 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 June 2008 and 2007 such expenses amounted to Euro 15,109,729 and Euro 13,583,974, respectively. The amount capitalised on the semesters ended at 30 June 2008 and 2007 were Euro 743,969 and Euro 487,464, respectively. An interest capitalization rate of 5.10% was used in 2008 (4.65% in 2007), which corresponds to the average interest rate supported by the Group.

## **8. Breakdown of financial instruments**

At 30 June 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
<b>Non current Assets</b>							
Investments available for sale	-	-	-	1,207,320	1,207,320	-	1,207,320
	-	-	-	1,207,320	1,207,320	-	1,207,320
<b>Current Assets</b>							
Trade debtors	-	185,705,402	-	-	185,705,402	-	185,705,402
Other current debtors	-	7,966,442	-	-	7,966,442	15,402,867	23,369,309
Cash and cash equivalents	-	6,928,032	-	-	6,928,032	-	6,928,032
	-	200,599,876	-	-	200,599,876	15,402,867	216,002,743
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
<b>Non current Assets</b>							
Investments available for sale	-	-	-	1,207,320	1,207,320	-	1,207,320
	-	-	-	1,207,320	1,207,320	-	1,207,320
<b>Current Assets</b>							
Trade debtors	-	138,659,457	-	-	138,659,457	-	138,659,457
Other current debtors	-	4,482,245	-	-	4,482,245	11,284,152	15,766,397
Investments recorded at fair value through profit and loss	405,684	-	-	-	405,684	-	405,684
Cash and cash equivalents	-	198,463,163	-	-	198,463,163	-	198,463,163
	405,684	341,604,865	-	-	342,010,549	11,284,152	353,294,701
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
<b>Non current liabilities</b>							
Medium and long-term loans - net of short-term portion	-	(1,168,584)	356,255,107	-	355,086,523	-	355,086,523
Other non current financial liabilities	-	-	-	17,517,286	17,517,286	-	17,517,286
	-	(1,168,584)	356,255,107	17,517,286	372,603,809	-	372,603,809
<b>Current Liabilities</b>							
Short-term loans and other loans	-	-	747,054	-	747,054	-	747,054
Trade creditors	-	-	-	174,755,456	174,755,456	-	174,755,456
Other current financial liabilities	-	-	-	979,699	979,699	-	979,699
Other creditors	-	-	-	5,396,093	5,396,093	9,483,384	14,879,477
	-	-	747,054	181,131,248	181,878,302	9,483,384	191,361,686
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
<b>Non current liabilities</b>							
Medium and long-term loans - net of short-term portion	-	129,700	366,603,184	-	366,732,884	-	366,732,884
Other non current financial liabilities	-	-	-	15,848,160	15,848,160	-	15,848,160
	-	129,700	366,603,184	15,848,160	382,581,044	-	382,581,044
<b>Current Liabilities</b>							
Short-term loans and other loans	-	-	97,357,681	-	97,357,681	-	97,357,681
Trade creditors	-	-	-	121,678,688	121,678,688	-	121,678,688
Other current financial liabilities	-	-	-	2,691,070	2,691,070	-	2,691,070
Other creditors	-	-	-	7,864,933	7,864,933	12,122,877	19,987,810
	-	-	97,357,681	132,234,691	229,592,372	12,122,877	241,715,249

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 semesters ended at 30 June 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))	-	207,905
Others	(2,381,131)	-
Closing balance	525,835,473	507,110,677

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

Goodwill at 30 June 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	1,887,516
Praesidium	1,164,290	-
SIRS	72,820	72,820
Permar	47,253	47,253
Optimus Towering	10,713	10,713
	525,835,473	507,110,677

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

		2008			2007		
		Gross amount	Accumulated impairment losses (Note 18)	Net amount	Gross amount	Accumulated impairment losses (Note 18)	Net amount
Despegar.com	5.50%	-	-	-	2,539,229	(2,539,229)	-
Altitude, SGPS, S.A.	11.54%	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Lusa – Agência de Notícias de Portugal, S.A.	1.38%	197,344	-	197,344	197,344	-	197,344
Others	-	9,976	-	9,976	9,976	-	9,976
		1,207,320	-	1,207,320	3,746,549	(2,539,229)	1,207,320

In August 2007, the investment in Despegar.com was sold.

At 30 June 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 are 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	4,234	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 semesters ended at 30 June 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	-	(108,461,474)
Capital gain recorded under profit and loss statement (Note 21)	-	2,473,445
Closing balance	1,207,320	1,207,320

Sales and corresponding capital gains recognised at the semester ended at 30 June 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 June 2008 and 2007, in the amount of Euro 106,986,289 and Euro 59,971,233, 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 semesters ended at 30 June 2008 and 2007 were as follows:

	2008	2007
Opening balance	101,118,096	61,786,654
Impact on results:		
Tax losses carried forward	1,307,194	(2,706,863)
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)	2,895,600	1,047,498
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	1,671,982	(430,448)
Sub-total effect on results (Note 22)	5,874,776	(1,809,449)
Others	(6,583)	(5,972)
Closing balance	106,986,289	59,971,233

At 30 June 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 June 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 June 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	-	-	-	212,580	-	-	-	212,580
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	-	-	-	170,616	-	-	2,501,015
To be used until 2013	-	-	-	-	127,026	-	-	127,026
Unlimited Utilization	-	-	107,481	-	-	-	134,000	241,481
	2,330,399	2,182	107,481	1,127,636	779,000	300,000	134,000	4,780,698
Tax provisions not accepted and other temporary differences	8,361,312	301,828	-	-	-	-	-	8,663,140
Adjustments in the conversion to IAS/ IFRS	41,472,859	3,673	-	-	-	-	-	41,476,532
Differences between the tax and accounting value of certain fixed assets and others	52,065,919	-	-	-	-	-	-	52,065,919
Total	104,230,489	307,683	107,481	1,127,636	779,000	300,000	134,000	106,986,289

At 30 June 2008 and 2007, the Group has other situations where potential deferred tax assets could be recognised but since it is not expected 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	99,849,152	90,776,124
Temporary differences (mainly provisions not accepted for tax purposes)	19,453,559	21,269,982
Adjustments in the conversion to IAS/IFRS	(31,079)	2,143,761
	119,271,633	114,189,867

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

Due date	2008
2008	26,456,500
2009	9,879,797
2010	5,300,303
2011	13,094,164
2012	15,414,302
2013	19,386,798
2014	3,872,549
2015	2,577,298
2016	1,856,648
2017	1,033,556
Unlimited	977,238
	99,849,152

The years 2015 and following are just 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 June 2008 and 2007, amount to Euro 708,186 and Euro 192,228, respectively, and resulted mainly from consolidation adjustments.

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

	2008	2007
Opening balance	(284,402)	-
Impact on results		
Consolidation adjustments	(411,412)	(192,228)
Total impact on results (Note 22)	(411,412)	(192,228)
Others	(12,372)	-
Closing balance	(708,186)	(192,228)

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

	2008	2007
Earnings before taxes	(17,022,605)	(2,116,488)
Income tax rate (25%)	4,255,651	529,122
Deferred tax assets not recognised in the individual accounts and/or resulting from consolidation adjustments and other adjustments to taxable income	(3,454,215)	(3,350,244)
Adjustments to tax base	-	(65,019)
Deferred tax assets not recognised in previous years	2,895,600	1,047,498
Record of deferred tax liabilities	(411,412)	(192,228)
Movements in the temporary differences between the tax and accounting value of certain fixed assets	1,671,982	(430,448)
Income taxation recorded in the period (Note 22)	4,957,606	(2,461,319)

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

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 June 2008.

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

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

	2008	2007
Opening balance	-	849,375
Sales during the semester	-	(738,634)
Increases/ reductions to fair value (Note 21)	-	294,943
Closing balance	-	405,684

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

	2008	2007
Cash	60,157	127,347
Bank deposits repayable on demand	5,462,850	2,753,082
Treasury applications	1,405,025	195,582,734
Cash and cash equivalents	6,928,032	198,463,163
Bank overdrafts (Note 16)	(747,054)	(20,221)
	<u>6,180,978</u>	<u>198,442,942</u>

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

	2008	2007
Funds placed in Sonae:		
Sonaecom	-	69,420,004
Short term treasury applications:		
Sonaecom	790,000	-
WeDoBrasil	615,025	1,072,770
Sonaecom BV	-	88,880,000
Optimus	-	35,499,960
Mainroad	-	710,000
Digitmarket	-	-
	<u>1,405,025</u>	<u>195,582,734</u>

During the semester ended at 30 June 2008, the above referred treasury applications bear interests at an average rate of 4.103% (3.74% in 2007).

### 14. Share Capital

At 30 June 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	194,423,837	53.09%	183,489,681	50.10%
Shares traded on the Portuguese Stock Exchange ('Free float')	70,782,961	19.33%	81,411,344	22.23%
Wirefree Services Belgium, S.A.	70,276,868	19.19%	70,276,868	19.19%
093X (EDP)	29,150,000	7.96%	29,150,000	7.96%
Own Shares	1,588,553	0.43%	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 semester ended 30 June 2008, Sonaecom delivered to its employees 925,773 own shares under its Medium Term Incentive Plans.

Additionally, during the semester Sonaecom acquired 620,000 shares (at an average price of Euro 2.22), holding at the end of the semester 1,588,553 own shares, representative of 0.43% of its share capital, with a average price of Euro 3.80.



## 16. Loans

At 30 June 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	-	-	-	(2,661,755)	(3,132,146)
	Interests incurred but not yet due	-	-	-	200,067	215,125
	Fair value of swaps	-	-	-	(542,778)	-
					<u>146,995,534</u>	<u>147,082,979</u>
Sonaecom SGPS	Commercial paper	250,000,000	100,000,000 until 2010 150,000,000 until Jul-12	-	207,500,000	-
	Costs associated with financing set-up	-	-	-	(448,392)	-
	Interests incurred but not yet due	-	-	-	1,665,187	-
	Fair value of swaps	-	-	-	(625,806)	-
					<u>208,090,989</u>	<u>-</u>
Optimus	European Investment Bank (a)	324,458,200	Jun-09	70% - Jun 09	-	227,120,740
	Costs associated with financing set-up	-	-	-	-	(8,275,409)
	Interests incurred but not yet due	-	-	-	-	674,874
	Fair value of swaps	-	-	-	-	129,700
					<u>-</u>	<u>219,649,905</u>
					<u>355,086,523</u>	<u>366,732,884</u>

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

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

Company	Lender	Type	Amount outstanding	
			2008	2007
Optimus	European Investment Bank (a)	Limit: 324,458,200 Reimbursement: 30% - Jun 2008	-	97,337,460
Several	Several	Bank overdrafts	747,054	20,221
			<u>747,054</u>	<u>97,357,681</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, organized 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 Argentina (Portugal), Banco Comercial Português and BNP Paribas (in Portugal).

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

With this refinancing, the Group was able to, under the current favorable market conditions, increase the weighted average maturity, 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 June 2008 and 2007, the repayment schedule of medium and long term loans and of interests, for both bonds and commercial paper was as follows:

<b>2008</b>						
	N+1	N+2	N+3	N+4	N+5	After N+5
Bond Loan						
Reimbursements	-	-	-	-	150,000,000	-
Interests	9,153,050	9,153,050	9,153,050	9,178,058	8,902,967	-
Commercial paper						
Reimbursements	-	-	57,500,000	-	150,000,000	-
Interests	9,781,390	9,781,390	8,669,902	7,149,334	605,545	-
	<u>18,934,440</u>	<u>18,934,440</u>	<u>75,322,952</u>	<u>16,327,392</u>	<u>309,508,512</u>	<u>-</u>
<b>2007</b>						
	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	7,553,540
European Investment Bank						
Reimbursements	97,337,460	227,120,740	-	-	-	-
Interests	2,790,163	-	-	-	-	-
	<u>107,893,341</u>	<u>234,865,240</u>	<u>7,744,500</u>	<u>7,744,500</u>	<u>7,765,718</u>	<u>157,553,540</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 June 2008 and 2007, the available credit lines of the Group are as follows:

<b>2008</b>						
Company	Credit	Limit	Amount outstanding	Amount available	Maturity	
					Until 12 months	More than 12 months
Sonaecom	Commercial paper	250,000,000	207,500,000	42,500,000		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	
		<u>489,611,398</u>	<u>357,500,000</u>	<u>132,111,398</u>		
<b>2007</b>						
Company	Credit	Limit	Amount outstanding	Amount available	Maturity	
					Until 12 months	More than 12 months
Optimus	European Investment Bank	324,458,200	324,458,200	-		x
Optimus	Overdraft facilities	4,987,979	-	4,987,979	x	
Sonaecom	Bond loan	150,000,000	150,000,000	-		x
Sonaecom	Commercial paper	70,000,000	-	70,000,000		x
Sonaecom	Overdraft facilities	20,000,000	-	20,000,000	x	
Público	Overdraft facilities	1,496,394	-	1,496,394	x	
Público	Overdraft facilities	1,500,000	-	1,500,000	x	
Público	Authorized overdrafts	1,246,995	-	1,246,995	x	
WeDo Brasil	Overdraft facilities	368,009	-	368,009	x	
		<u>574,057,577</u>	<u>474,458,200</u>	<u>99,599,377</u>		

The following interest rate hedging instruments were outstanding at 30 June 2008 and 2007:

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%	(625,806)
Sonaecom	Bond loan	75,000,000	Jun-09	Euribor 6m	4.565%	(542,778)
						<u>(1,168,584)</u>

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 semester ended at 30 June 2008, the movements occurred in the fair value of the swaps related to the Commercial Paper Programme, in the amount of Euro 156,702 and the bonds loans, in the amount of Euro 598,972, were recorded in reserves, as the hedging is effective, in accordance with IAS 39.

Through the execution of these derivative financial instruments, at 30 June 2008, approximately 52% of gross debt is, in an indirect way, subject to fixed interest rates. The remaining 48% of gross debt is exposed to changes in the interest rates.

#### 17. Other non current financial liabilities

At 30 June 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 17,517,286 and Euro 15,848,160, respectively.

At 30 Jun 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	-	-	793,315	748,773
2008	1,469,630	583,109	2,370,875	2,251,984
2009	2,386,900	1,520,457	1,912,118	1,114,368
2010	2,070,704	1,266,084	1,684,308	930,364
2011	1,869,068	1,124,586	1,504,620	794,189
2012	1,885,669	1,196,417	1,521,012	848,973
2013	1,677,995	1,043,570	1,543,420	913,827
2014 and follows	14,996,915	11,762,761	14,877,933	10,936,752
	<u>26,356,881</u>	<u>18,496,985</u>	<u>26,207,601</u>	<u>18,539,230</u>
Interests	(7,859,897)	-	(7,668,371)	-
	<u>18,496,984</u>	<u>18,496,985</u>	<u>18,539,230</u>	<u>18,539,230</u>
Short term liability (Note 19)	-	(979,699)	-	(2,691,070)
	<u>18,496,984</u>	<u>17,517,286</u>	<u>18,539,230</u>	<u>15,848,160</u>

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 semesters ended at 30 June 2008 and 2007 were as follows:

2008						
Heading	Opening balance	Transfers	Increases	Utilisations	Decreases	Closing balance
Accumulated impairment losses on accounts receivables	66,167,308	(60,715)	5,447,551	(2,885,934)	(148,589)	68,519,621
Accumulated impairment losses on inventories	8,663,703	-	1,557,008	-	-	10,220,710
Provisions for other liabilities and charges	30,885,378	318,715	1,306,023	-	(40,212)	32,469,903
	<u>105,716,389</u>	<u>258,000</u>	<u>8,310,581</u>	<u>(2,885,934)</u>	<u>(188,801)</u>	<u>111,210,235</u>
2007						
Heading	Opening balance	Transfers	Increases	Utilisations	Decreases	Closing balance
Accumulated impairment losses on accounts receivables	61,060,155	(1,088,763)	4,623,418	(3,240,914)	(13,932)	61,339,964
Accumulated impairment losses on inventories	6,122,085	-	1,034,000	-	-	7,156,085
Accumulated impairment losses on investments available for sale	2,539,229	-	-	-	-	2,539,229
Provisions for other liabilities and charges	20,078,571	1,088,763	3,333,475	(137,878)	(78,616)	24,284,315
	<u>89,800,040</u>	<u>-</u>	<u>8,990,893</u>	<u>(3,378,792)</u>	<u>(92,548)</u>	<u>95,319,593</u>

The increase of 'Provisions for other liabilities and charges' includes the amount of Euro 377,459 associated with the dismantling of sites (Euro 2,642,400 in 2007), as foreseen in IAS 16 (Note 1.d.)) and the amount of Euro 63,318 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 7,869,804 (Euro 6,348,493 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 June 2008 and 2007, the breakdown of the provisions for other liabilities and charges were as follows:

	2008	2007
Dismantling of sites	19,265,600	17,748,220
Several contingencies	6,711,664	3,432,016
Legal processes in progress	2,471,032	1,712,804
Indemnities	694,443	738,521
Others	3,327,164	652,754
	<u>32,469,903</u>	<u>24,284,315</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 June 2008, this caption includes the amount of Euro 979,699 (Euro 2,691,070 in 2007) related to the short term portion of lease contracts (Note 17).

## 20. External supplies and services

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

	2008	2007
Interconnection costs	133,680,459	108,204,849
Specialised works	33,872,733	23,512,143
Advertising and promotion	29,412,351	17,216,197
Commissions	22,993,421	26,758,606
Leased lines	13,576,702	11,479,861
Rents	16,644,855	14,587,011
Other subcontracts	13,892,344	10,151,959
Energy	4,315,242	4,070,490
Maintenance and repairs	3,965,121	3,290,207
Communications	3,855,071	2,578,101
Fees	1,646,479	2,382,781
Travelling costs	2,866,472	1,922,935
Others	10,518,951	9,022,931
	<u>291,240,201</u>	<u>235,178,071</u>

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

Minimum payments of operational leases	2008	2007
2007	-	2,027,550
2008	5,399,513	3,460,871
2009	6,401,453	2,072,253
2010	4,831,944	876,034
2011	3,577,176	74,157
2012	1,264,047	-
2013	158,863	-
2014	904,842	-
Renewable by periods of 1 year	<u>2,366,596</u>	<u>-</u>
	<u>24,904,435</u>	<u>8,510,865</u>

During the semester ended at 30 June 2008 an amount of Euro 5,547,032 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 semesters ended at 30 June 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>
Other financial expenses:		
Interest expenses	(9,179,454)	(17,131,437)
Other loans	-	(6,509,673)
Bank loans	(8,640,991)	(10,368,308)
Swap interests	-	(138,359)
Leasing	(471,436)	(62,726)
Other interests	(67,027)	(52,371)
Foreign exchange losses	(200,316)	(49,081)
Other financial expenses	(128,434)	(2,837,113)
Set up costs (Note 16)	(25,000)	(2,557,280)
Swap fair value (Note 16)	-	(22,240)
Others	(103,434)	(257,593)
	<u>(9,508,203)</u>	<u>(20,017,631)</u>
Gains on investments available for sale (Note 10)	-	2,473,445
	<u>-</u>	<u>2,473,445</u>
Other financial income:		
Interest income	1,461,309	8,908,752
Foreign exchange gains	146,763	192,557
Adjustments to fair value on investments recorded at fair value through profit and loss (Note 12)	-	294,943
	<u>1,608,073</u>	<u>9,396,252</u>

At 30 June 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 June 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 semesters ended at 30 June 2008 and 2007 are made up as follows (costs)/gains:

	2008	2007
Current tax	(505,758)	(459,642)
Deferred tax assets (Note 11)	5,874,776	(1,809,449)
Deferred tax liabilities (Note 11)	(411,412)	(192,228)
	<u>4,957,606</u>	<u>(2,461,319)</u>

## 23. Related parties

During the semesters ended at 30 June 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 June 2008 and 2007 were as follows:

Balances at 30 June 2008				
	Accounts receivable	Accounts payable	Treasury applications	Other assets/ (liabilities)
Sonae	120,823	107,097	-	(11,985)
Modelo Continente Hipermercados, S.A.	2,079,753	1,667,991	-	88,399
Worten	6,416,179	2,860,912	-	(845,013)
France Telecom	-	5,930,838	-	(11,072,859)
	<u>8,616,756</u>	<u>10,566,838</u>	<u>-</u>	<u>(11,841,457)</u>

Balances at 30 June 2007				
	Accounts receivable	Accounts payable	Treasury applications	Other assets/ (liabilities)
Sonae	34,320	15,987	69,420,004	137,374
Modelo Continente Hipermercados, S.A.	349,696	102,941	-	(137,932)
Worten	1,708,238	134,193	-	(241,975)
France Telecom	1,259,126	4,216,859	-	28,560
Sonae Investments BV	-	-	-	(3,495,942)
	<u>3,351,380</u>	<u>4,469,980</u>	<u>69,420,004</u>	<u>(3,709,915)</u>

Transactions at 30 June 2008				
	Sales and services rendered	Supplies and services received	Interest and similar income/ (expense)	Supplementary income
Sonae	189,340	69,977	-	11,280
Modelo Continente Hipermercados, S.A.	3,454,596	1,061,211	-	356,866
Worten	2,627,160	1,750,597	-	-
France Telecom	5,874,469	5,311,721	-	-
	<u>12,145,566</u>	<u>8,193,507</u>	<u>-</u>	<u>368,146</u>

Transactions at 30 June 2007				
	Sales and services rendered	Supplies and services received	Interest and similar income/ (expense)	Supplementary income
Sonae	178,172	75,014	1,295,545	61,793
Modelo Continente Hipermercados, S.A.	1,328,448	1,369,873	-	245,719
Worten	2,670,450	304,356	-	-
France Telecom	1,781,819	47,387	-	-
	<u>5,958,889</u>	<u>1,796,630</u>	<u>1,295,545</u>	<u>307,512</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 semesters ended at 30 June 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 June 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	70,000,000
Sonaecom - Serviços de Comunicações, Público and Sonaecom	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT Reimbursements	6,944,107	2,096,589
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 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 and Caldas da Rainha Municipalities)	Performance bond - works	287,494	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
Sonaecom - Serviços de Comunicações	Governo Civil de Lisboa (Lisbon Government Civil)	Guarantee the fulfilment of legal obligations	59,029	98,195
Optimus	European Investment Bank	Loan	-	324,458,200
Several	Others		1,052,869	669,623
			<u>331,843,025</u>	<u>400,966,672</u>

At 30 June 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 semesters ended at 30 June 2008 and 2007:

- Telecommunications
- Multimedia
- Information systems

During the year 2007, as a result of the merger occurred between Optimus and Novis (Note 5.b)) (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 IAS 8, the information for the semester ended at 30 June 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 June 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 June 2008 and 2007 can be summarised as follows:

	Telecommunications		Multimedia		Information Systems		Others		Sub-total		Eliminations		Total	
	June-2008	June-2007	June-2008	June-2007	June-2008	June-2007	June-2008	June-2007	June-2008	June-2007	June-2008	June-2007	June-2008	June-2007
Revenues:														
Sales and services rendered	423,507,229	377,095,709	17,229,997	16,650,213	54,473,215	32,785,113	3,994,893	3,407,343	499,205,334	429,938,378	(23,626,834)	(16,506,336)	475,578,500	413,432,042
Other operating revenues	5,045,023	3,965,554	101,489	110,806	1,615,948	242,301	25,303	198,759	6,787,764	4,517,420	(2,452,630)	(2,449,887)	4,335,133	2,067,532
Total revenues	<u>428,552,252</u>	<u>381,061,263</u>	<u>17,331,486</u>	<u>16,761,019</u>	<u>56,089,163</u>	<u>33,027,414</u>	<u>4,020,196</u>	<u>3,606,102</u>	<u>505,993,098</u>	<u>434,455,798</u>	<u>(26,079,464)</u>	<u>(18,956,223)</u>	<u>479,913,633</u>	<u>415,499,574</u>
Depreciation and amortisation	(77,205,620)	(66,504,366)	(365,421)	(340,844)	(980,249)	(700,413)	(68,179)	(138,331)	(78,619,468)	(67,683,953)	800,694	624,296	(77,818,774)	(67,059,659)
Net operating income/(loss) for the segment	(11,029,462)	8,321,980	(1,891,266)	(2,258,193)	2,668,621	1,980,573	(265,376)	(2,188,270)	(10,517,483)	5,856,090	1,385,553	262,929	(9,131,930)	6,119,019
Net interests	(8,421,046)	(6,301,569)	(69,778)	(87,740)	(111,939)	316,361	884,618	(2,087,895)	(7,718,145)	(8,160,842)	-	(61,842)	(7,718,145)	(8,222,685)
Gains and losses on associated companies	-	-	-	-	-	(60,751)	-	-	-	(60,751)	9,456	(26,822)	9,456	(87,573)
Other financial results	(30,619)	(2,510,933)	8,092	(6,145)	(133,056)	(11,045)	35,413,601	11,219,177	35,258,017	8,691,054	(35,440,004)	(8,616,302)	(181,986)	74,751
Income taxation	4,589,684	(1,487,687)	(17,418)	(10,588)	422,830	(958,667)	290,351	(4,377)	5,285,447	(2,461,319)	(327,841)	-	4,957,606	(2,461,319)
Consolidated net income/(loss) for the semester	<u>(14,891,443)</u>	<u>(1,978,209)</u>	<u>(1,970,370)</u>	<u>(2,362,666)</u>	<u>2,846,456</u>	<u>1,266,471</u>	<u>36,323,194</u>	<u>6,938,635</u>	<u>22,307,836</u>	<u>3,864,232</u>	<u>(34,372,836)</u>	<u>(8,442,037)</u>	<u>(12,064,999)</u>	<u>(4,577,807)</u>
Attributable to:														
Shareholders of Parent Company	<b>(14,891,443)</b>	<b>(1,978,209)</b>	<b>(1,970,370)</b>	<b>(2,362,666)</b>	<b>2,846,456</b>	<b>1,266,471</b>	<b>36,323,194</b>	<b>6,938,635</b>	<b>22,148,390</b>	<b>3,724,919</b>	<b>(34,375,982)</b>	<b>(8,438,243)</b>	<b>(12,064,999)</b>	<b>(4,577,807)</b>
Minority interests	-	-	-	-	-	-	-	-	159,446	139,312	3,147	(3,795)	-	-
Assets:														
Fixed assets and Goodwill	810,439,065	670,366,775	2,420,460	2,185,293	62,290,049	44,197,945	1,877,696	2,000,086	877,027,270	718,750,100	457,411,157	452,294,954	1,334,438,427	1,171,045,054
Inventories	24,976,434	24,267,101	699,626	1,681,384	1,908,560	32,442	-	-	27,584,620	25,980,927	-	-	27,584,620	25,980,927
Financial investments	1,282,025	1,282,025	1,097,695	1,097,695	907,494	907,495	1,198,086,036	1,186,671,900	1,201,373,250	1,189,959,114	(1,199,408,859)	(1,188,016,178)	1,964,389	1,942,933
Other non current assets	105,749,668	58,587,997	-	1,373,336	2,455,799	1,654,078	579,703,030	500,298,651	687,908,497	561,914,062	(580,922,039)	(501,942,829)	106,986,289	59,971,233
Other current assets of the segment	<u>294,585,983</u>	<u>317,191,591</u>	<u>9,134,654</u>	<u>8,379,548</u>	<u>39,682,718</u>	<u>33,764,095</u>	<u>76,007,670</u>	<u>208,803,551</u>	<u>419,411,025</u>	<u>568,138,784</u>	<u>(94,875,700)</u>	<u>(134,051,129)</u>	<u>324,535,327</u>	<u>434,087,658</u>
	<u>1,237,033,175</u>	<u>1,071,695,489</u>	<u>13,352,435</u>	<u>14,717,256</u>	<u>107,244,620</u>	<u>80,556,055</u>	<u>1,855,674,432</u>	<u>1,897,774,188</u>	<u>3,213,304,662</u>	<u>3,064,742,987</u>	<u>(1,417,795,611)</u>	<u>(1,371,715,182)</u>	<u>1,795,509,052</u>	<u>1,693,027,805</u>
Liabilities:														
Liabilities of the segment	<u>911,958,031</u>	<u>704,215,969</u>	<u>16,123,376</u>	<u>17,532,199</u>	<u>48,592,121</u>	<u>28,422,738</u>	<u>530,083,832</u>	<u>437,494,621</u>	<u>1,506,757,359</u>	<u>1,187,665,527</u>	<u>(632,862,845)</u>	<u>(386,894,200)</u>	<u>873,894,514</u>	<u>800,771,325</u>
	<u>911,958,031</u>	<u>704,215,969</u>	<u>16,123,376</u>	<u>17,532,199</u>	<u>48,592,121</u>	<u>28,422,738</u>	<u>530,083,832</u>	<u>437,494,621</u>	<u>1,506,757,359</u>	<u>1,187,665,527</u>	<u>(632,862,845)</u>	<u>(386,894,200)</u>	<u>873,894,514</u>	<u>800,771,325</u>
CAPEX	163,572,738	69,856,879	700,302	424,455	(2,006,922)	2,888,491	3,492,655	41,444	165,758,772	73,211,269	(4,161,003)	(3,354,390)	161,597,770	69,856,879

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	
	June 08	June 07	June 08	June 07	June 08	June 07	June 08	June 07
Income:								
Services rendered	303,085,799	293,476,296	147,586,498	110,734,363	(27,165,068)	(27,114,950)	423,507,229	377,095,709
Other operating revenues	22,651,728	17,006,821	404,293	1,840,264	(18,010,998)	(14,881,531)	5,045,023	3,965,554
Total revenues	325,737,527	310,483,117	147,990,791	112,574,627	(45,176,066)	(41,996,481)	428,552,252	381,061,263
Depreciation and amortisation	(61,202,368)	(56,821,053)	(16,003,252)	(9,683,313)	-	-	(77,205,620)	(66,504,366)
Operational results of the segments	930,598	16,875,317	(11,992,247)	(8,913,725)	32,186	360,388	(11,029,462)	8,321,980
Assets								
Tangible assets and Goodwill	637,865,121	548,826,171	172,573,944	121,455,286	-	85,318	810,439,065	670,366,775
Inventories	21,176,123	22,689,749	3,800,311	1,577,352	-	-	24,976,434	24,267,101
Financial investments	1,282,025	1,282,025	-	-	-	-	1,282,025	1,282,025
CAPEX	146,351,497	40,638,156	17,221,241	26,431,451	-	2,787,273	163,572,738	69,856,879

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

	2008			
	Telecommunications	Multimedia	Information Systems	Others
Telecommunications	-	-	18,388,634	3,517,719
Multimedia	1,001,276	-	112,045	109,694
Information Systems	340,468	17,046	-	68,912
Sonaecom others	33,354	-	37,687	-
Others	422,132,131	17,212,951	35,934,849	298,568
	423,507,229	17,229,997	54,473,215	3,994,893

  

	2007			
	Telecommunications	Multimedia	Information Systems	Others
Telecommunications	-	-	12,496,642	2,986,930
Multimedia	286,832	-	277,706	82,745
Information Systems	196,141	15	-	53,567
Sonaecom others	29,983	46,533	37,997	11,246
Others	376,582,753	16,603,666	19,972,768	272,856
	377,095,709	16,650,213	32,785,113	3,407,343

## 26. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 12,227,592 negative in 2008 and Euro 4,713,324 negative in 2007) by the average number of shares outstanding during the semesters ended at 30 June 2008 and 2007, net of own shares (Euro 364,866,391 in 2008 and Euro 364,983,984 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 June 2008 can be summarised as follows:

		Vesting period		30-Jun-2008	
	Share price at award date *	Award date	Vesting date	Aggregate number of participations	Number of options/ shares
Sonaecom shares					
2005 Plan	4.093	10-Mar-06	09-Mar-09	366	858,784
2006 Plan	4.697	09-Mar-07	08-Mar-10	399	1,019,261
2007 Plan	2.24	10-Mar-08	09-Mar-11	413	1,905,966
Sonae SGPS shares					
2005 Plan	1.34	10-Mar-06	09-Mar-09	12	147,924
2006 Plan	1.68	09-Mar-07	08-Mar-10	6	153,968
2007 Plan	1.16	10-Mar-08	09-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 June 2008, the movements occurred in the plans can be summarised as follows:

	<b>Sonaecom shares</b>		<b>Sonae SGPS shares</b>	
	<b>Aggregate number of participations</b>	<b>Number of shares</b>	<b>Aggregate number of participations</b>	<b>Number of shares</b>
<b>Outstanding at 31.12.2007</b>				
Exercisable	-	-	-	-
Unvested	1,142	2,902,082	30	496,440
Total	1,142	2,902,082	30	496,440
<b>Movements in the semester</b>				
Awarded	416	1,916,077	7	254,715
Vested	(349)	(976,395)	(12)	(274,202)
Cancelled/Elapsed *	(31)	(57,753)	-	86,863
<b>Outstanding at 30.06.2008</b>				
Exercisable	-	-	-	-
Unvested	1,178	3,784,011	25	563,816
Total	1,178	3,784,011	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 2,632,843 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 374,259.

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 semester ended at 30 June 2008, were as follows:

	Amount
Costs recognised in previous years	21,950,820
Costs recognised in the semester	(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 semester	(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 semester ended at 30 June 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 June 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 an appeal to the 'Supremo Tribunal de Justiça' (Supreme Court) by TMN is still possible.

(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 24 July 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 June 2008, the related parties of Sonaecom Group are as follows:

Key management personnel	
Álvaro Carmona e Costa Portela Álvaro Cuervo Garcia Ângelo Gabriel Ribeirinho dos Santos Paupério António Bernardo Aranha da Gama Lobo Xavier António de Sampaio e Mello Belmiro de Azevedo David Hobley Duarte Paulo Teixeira de Azevedo Franck Emmanuel Dangeard George Christopher Lawrie Gervais Pellissier	Jean François Pontal Luís Filipe Campos Dias Castro Reis Luís Filipe Palmeira Lampreia Maria Cláudia Teixeira de Azevedo Michel Marie Bom Miguel Nuno Santos Almeida Nuno Manuel Moniz Trigos Jordão Nuno Miguel Teixeira Azevedo Paulo Jorge Henriques Pereira Pedro Miguel Freitas Ramalho Carlos
Sonae/Efanor Group Companies	
3DO Holding GmbH 3DO Shopping Centre GmbH 3shoppings - Holding,SGPS, S.A. Aegean Park,S.A. Agepan Eiweiler Management GmbH Agepan Flooring Products, S.A.RL Agepan Tarket Laminate Park GmbH Co. KG Agloma Investimentos, Sgps, S.A. Agloma-Soc.Ind.Madeiras e Aglom.,S.A. Águas Furtadas - Imobiliária, S.A. Airone - Shopping Center, Srl ALEXA Administration GmbH ALEXA Holding GmbH ALEXA Shopping Centre GmbH Alexa Site GmbH & Co. KG Algarveshopping- Centro Comercial, S.A. Andar - Sociedade Imobiliária, S.A. Aqualuz - Turismo e Lazer, Lda Aquapraia - Investimentos Turísticos,S.A. Arrábidasshopping- Centro Comercial, S.A. Aserraderos de Cuellar,S.A. Atlantic Ferries-Tráf.Loc,Flu.e Marít,S.A. Avenida M-40 B.V. Avenida M-40,S.A. Azulino Imobiliária, S.A. Bertimóvel - Sociedade Imobiliária, S.A. Best Offer-Prest. Inf. p/Internet,S.A. Bikini, Portal de Mulheres,S.A. Bloco Q-Sociedade Imobiliária,S.A.	Bloco W-Sociedade Imobiliária,S.A. Boavista Shopping Centre BV Box Lines Navegação,S.A. Campo Limpo, Lda Canasta-Empreendimentos Imobiliários,S.A. Carnes do Continente-Ind.Distr.Carnes,S.A. CarPlus – Comércio de Automóveis, S.A. Casa Agrícola de Ambrães, S.A. Casa Agrícola João e A. Pombo, S.A. Casa da Ribeira - Hotelaria e Turismo,S.A. Cascaishopping- Centro Comercial, S.A. Cascaishopping Holding I, SGPS, S.A. Centro Colombo- Centro Comercial, S.A. Centro Residencial da Maia,Urbán.,S.A. Centro Vasco da Gama-Centro Comercial,S.A. Change, SGPS, S.A. Chão Verde-Soc.Gestora Imobiliária,S.A. Choice Car - Comércio de Automóveis, S.A. Choice Car SGPS, S.A. Cia.de Industrias e Negócios,S.A. Cinclus Imobiliária,S.A. Citorres-Sociedade Imobiliária,S.A. Clérigosshopping- Gestão do C.Comerc.,S.A. CoimbraShopping- Centro Comercial, S.A. Colombo Towers Holding, BV Contacto Concessões, SGPS, S.A. Contacto-SGPS,S.A. Contibomba-Comérc.Distr.Combustíveis,S.A. Contimobe-Imobil.Castelo Paiva,S.A.

<p> Continente Hipermercados, S.A.  Contry Club da Maia-Imobiliária,S.A.  Cronosaúde - Gestão Hospitalar, S.A.  Cumulativa - Sociedade Imobiliária, S.A.  Darbo S.A.S  Developpement &amp; Partenariat Assurances, S.A.  Difusão-Sociedade Imobiliária,S.A.  Distrifin-Comercio y Prest.Servicios,S.A.  DMJB, SGPS, S.A.  Dortmund Tower GmbH  Dos Mares - Shopping Centre B.V.  Dos Mares-Shopping Centre, S.A.  Ecociclo - Energia e Ambiente, S.A.  Ecociclo II - Energias, S.A.  Edições Book.it, S.A.  Efanor Investimentos, SGPS, S.A.  Efanor Serviços de Apoio à Gestão, S.A.  Efanor-Design e Serviços,S.A.  Efanor-Indústria de Fios,S.A.  El Rosal Shopping, S.A.  Empreend.Imob.Quinta da Azenha,S.A.  Equador &amp; Mendes,Lda  Espimaia -Sociedade Imobiliária,S.A.  Estação Oriente-Gest.de Galerias Com.,S.A.  Estação Viana- Centro Comercial, S.A.  Estêvão Neves-Hipermercados Madeira,S.A.  Etablissement A. Mathe, S.A.  Euro Decorative Boards,Ltd  Euromegantic,Lteé  Euroresinas-Indústrias Químicas,S.A.  Finlog - Aluguer e Comércio de Automóveis, S.A.  Fozimo-Sociedade Imobiliária,S.A.  Fozmassimo - Sociedade Imobiliária, S.A.  Freccia Rossa- Shopping Centre S.r.l.  Friengineering International Ltda  Fundo de Invest. Imobiliário Imosede  Fundo Invest.Imob.Shopp. Parque D.Pedro  Gaiashopping I- Centro Comercial, S.A.  Gaiashopping II- Centro Comercial, S.A.  GHP GmbH  Gli Orsi - Shopping Centre, Srl  Global S-Hipermercado,Lda  Glunz AG </p>	<p> Glunz Service GmbH  Glunz UK Holdings Ltd  Glunz Uka GmbH  Golf Time-Golfe e Invest. Turísticos, S.A.  Guerin – Rent a Car (Dois), Lda.  Guimarãesshopping- Centro Comercial, S.A.  Hornitex Polska Sp z.o.o  Iberian Assets, S.A.  IGI-Investimento Imobiliário,S.A.  Igimo-Sociedade Imobiliária,S.A.  Iginha-Sociedade Imobiliária,S.A.  IM Impregnation Management GmbH  Imoareaia - Invest. Turísticos, SGPS, S.A.  Imobiliária da Cacela, S.A.  Imoclub-Serviços Imobiliários,S.A.  Imoconti- Soc.Imobiliária,S.A.  Imodivor - Sociedade Imobiliária, S.A.  Imoestrutura-Soc.Imobiliária,S.A.  Imoferro-Soc.Imobiliária,S.A.  Imohotel-Emp.Turist.Imobiliários,S.A.  Imomuro-Sociedade Imobiliária,S.A.  Imopenínsula - Sociedade Imobiliária, S.A.  Imoplamac Gestão de Imóveis,S.A.  Imoponte-Soc.Imobiliária,S.A.  Imoresort - Sociedade Imobiliária, S.A.  Imoresultado-Soc.Imobiliária,S.A.  Imosedas-Imobiliária e Serviços,S.A.  Imosistema-Sociedade Imobiliária,S.A.  Imosonae II  Impaper Europe GmbH &amp; Co. KG  Implantação - Imobiliária, S.A.  Infocfield-Informática,S.A.  Inparsi - Gestão Galeria Comercial, S.A.  Inparvi SGPS, S.A.  Insulatroia - Sociedade Imobiliária, S.A.  Integrum-Serviços Partilhados,S.A.  Interclean, S.A.  Interlog-SGPS,S.A.  Inventory-Acessórios de Casa,S.A.  Investalentejo, SGPS, S.A.  Invsaude - Gestão Hospitalar, S.A.  Ipaper-Industria Papeis Impregnados,S.A.  ISF - Imobiliário, Serviços e Participaç </p>
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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.
Le Terrazze - Shopping Centre S.r.l.	Norte Shop. Retail and Leisure Centre BV
Lembo Services Ltd (Euro)	Norteshopping-Centro Comercial, S.A.
Libra Serviços, Lda.	Nova Equador Internacional, Ag. Viag. T, Ld
Lidergraf - Artes Gráficas, Lda.	Nova Equador P.C.O. e Eventos
Lima Retail Park, S.A.	Novobord (PTY) Ltd.
Loureshopping- Centro Comercial, S.A.	Oeste Retail Park - Gestão G.Comerc., S.A.
Luso Assistência - Gestão de Acidentes, S.A.	Operscut - Operação e Manutenção de Auto-estradas, S.A.
Luz del Tajo - Centro Comercial S.A.	OSB Deustchland Gmbh
Luz del Tajo B.V.	Paracentro - Gest.de Galerias Com., S.A.
Madeirashopping- Centro Comercial, S.A.	Pareuro, BV
Maiashopping- Centro Comercial, S.A.	Pargeste SGPS, S.A.
Maiequipa-Gestão Florestal, S.A.	Park Avenue Develop. of Shop. Centers S.A.
Marcas MC, ZRT	Parque Atlântico Shopping - C.C., S.A.
Marimo -Exploração Hoteleira Imobiliária	Parque D. Pedro 1 B.V.
Marina de Tróia S.A.	Parque D. Pedro 2 B.V.
Marinamagic-Expl.Cent.Lúdicos Marít,Lda	Parque de Famalicão - Empr. Imob., S.A.
Marmagno-Expl.Hoteleira Imob.,S.A.	Parque Principado SL
Martimope - Sociedade Imobiliária, S.A.	Partnergiro - Empreend. Turísticos, Lda
Marvero-Expl.Hoteleira Imob.,S.A.	Pátio Boavista Shopping Ltda.
MC Property Management S.A.	Pátio Campinas Shopping Ltda
MDS Corretor de Seguros, S.A.	Pátio Goiânia Shopping Ltda
Mediterranean Cosmos Shop. Centre Investments, S.A.	Pátio Londrina Empreend. e Particip. Ltda
Megantic BV	Pátio Penha Shopping Ltda.
MJLF-Empreendimentos Imobiliários, S.A.	Pátio São Bernardo Shopping Ltda
Modalfa-Comércio e Serviços,S.A.	Pátio Sertório Shopping Ltda
Modelo - Dist.de Mat. de Construção,S.A.	Pátio Londrina Empreend.e Particip.Ltda
Modelo Cont. Seguros-Soc. De Mediação, Lda	Peixes do Continente-Ind.Dist.Peixes,S.A.
Modelo Continente - Oper.Retalho SGPS,S.A.	PHARMACONTINENTE - Saúde e Higiene, S.A.
Modelo Continente Hipermercados,S.A.	PJP - Equipamento de Refrigeração, Lda
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.
Movelpartes-Comp.para Ind.Mobiliária,S.A.	Plaza Mayor Shopping B.V.
Mundo Vip - Operadores Turísticos, S.A.	Plaza Mayor Shopping, S.A.
	Ploiesti Shopping Center (Euro)



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 Srl
Proj. Sierra Italy 2 - Dev.of Sh.C. Srl	Project Sierra Srl
Proj.Sierra 1 - Shopping Centre GmbH	Project Sierra Three Srl
Proj.Sierra Germany 2 (two)-Sh.C.GmbH	Project Sierra Two Srl
Proj.Sierra Germany 3 (three)-Sh.C.GmbH	Promessa Sociedade Imobiliária, S.A.
Proj.Sierra Hold. Portugal V, SGPS,S.A.	Promosedas-Prom.Imobiliária,S.A.
Proj.Sierra Italy 1 -Shop.Centre Srl	Prosa-Produtos e serviços agrícolas,S.A.
Proj.Sierra Italy 2 -Dev. Of Sh.C.Srl	Publimeios-Soc.Gestora Part. Finan.,S.A.
Proj.Sierra Italy 3 - Shop. Centre Srl	Racionaliz. y Manufact.Florestales,S.A.
Proj.Sierra Portugal I- C.Comerc., S.A.	Resoflex-Mob.e Equipamentos Gestão,S.A.
Proj.Sierra Portugal II-C.Comerc.,S.A.	Resolução, SGPS, S.A.
Proj.Sierra Portugal III-C.Comerc.,S.A.	Rio Sul - Centro Comercial, S.A.
Proj.Sierra Portugal IV-C.Comerc.,S.A.	River Plaza Mall, Srl
Proj.Sierra Portugal V-C.Comercial,S.A.	Rochester Real Estate,Limited
Proj.Sierra Portugal VI-C.Comercial,S.A.	S. C. Setler Mina Srl
Proj.Sierra Portugal VII - C. Comerc.,S.A.	S.C. Microcom Doi Srl
Proj.Sierra Portugal VIII - C.Comerc.,S.A.	Saúde Atlântica - Gestão Hospitalar, S.A.
Project 4, Srl	SC Aegean B.V.
Project SC 1 BV	SC Insurance Risks Services, SGPS, S.A.
Project SC 2 BV	SC Mediterranean Cosmos B.V.
Project Sierra 1 B.V.	SC-Consultadoria,S.A.
Project Sierra 2 B.V.	SC-Eng. e promoção imobiliária,SGPS,S.A.
Project Sierra 3 BV	SCS Beheer,BV
Project Sierra 4 BV	Selfrio,SGPS,S.A.
Project Sierra 5 BV	Selfrio-Engenharia do Frio,S.A.
Project Sierra 6 BV	Selifa-Empreendimentos Imobiliários,S.A.
Project Sierra 7 BV	Sempre à Mão - Sociedade Imobiliária,S.A.
	Sempre a Postos - Produtos Alimentares e Utilidades , Lda
Project Sierra Brazil 1 B.V.	Serra Shopping - Centro Comercial, S.A.
Project Sierra Charagonis 1 S.A.	Sesagest-Proj.Gestão Imobiliária,S.A.
Project Sierra Germany Shop. Center 1 BV	Sete e Meio - Invest. Consultadoria, S.A.
Project Sierra Germany Shop. Center 2 BV	

<p>Sete e Meio Herdades-Inv. Agr. e Tur.,S.A.  Shopping Centre Colombo Holding, BV  Shopping Centre Parque Principado B.V.  Shopping Penha B.V.  Siaf-Soc.Iniciat.Aprov.Florestais,S.A.  Sic Indoor - Gestão de Suportes Publicitários, S.A.  Sierra Asset Management Luxemburg, Sarl  Sierra Asset Management-Gest. Activos,S.A.  Sierra Brazil 1 B.V.  Sierra Charagionis Develop.Sh. Centre S.A.  Sierra Charagionis Propert.Management S.A.  Sierra Corporate Services- Ap.Gestão, S.A.  Sierra Corporate Services Holland, BV  Sierra Develop.Iberia 1, Prom.Imob.,S.A.  Sierra Development Greece, S.A.  Sierra Developments Germany GmbH  Sierra Developments Germany Holding B.V.  Sierra Developments Holding B.V.  Sierra Developments Italy S.r.l.  Sierra Developments Services Srl  Sierra Developments Spain-Prom.C.Com.SL  Sierra Developments, SGPS, S.A.  Sierra Developments-Serv. Prom.Imob., S.A.  Sierra Enplanta Ltda  Sierra European R.R.E. Assets Hold. B.V.  Sierra GP Limited  Sierra Investimentos Brasil Ltda  Sierra Investments (Holland) 1 B.V.  Sierra Investments (Holland) 2 B.V.  Sierra Investments Holding B.V.  Sierra Investments SGPS, S.A.  Sierra Italy Holding B.V.  Sierra Man.New Tech.Bus.-Serv.Comu.CC,S.A.  Sierra Management Germany GmbH  Sierra Management Hellas SA  Sierra Management II-Gestão de C.C. S.A.  Sierra Management Italy S.r.l.  Sierra Management Portugal-Gest. CC,S.A.  Sierra Management Spain-Gestión C.Com.S.A.  Sierra Management, SGPS, S.A.</p>	<p>Sierra Portugal Fund, Sarl  Sierra Property Management, Srl  SII - Soberana Invest. Imobiliários, S.A.  SIRS - Sociedade Independente de Radiodifusão Sonora, S.A.  Sistavac-Sist.Aquecimento,V.Ar C.,S.A.  SKK-Central de Distr.,S.A.  SKKFOR - Ser. For. e Desen. de Recursos  SMP-Serv. de Manutenção Planeamento  Soc.Inic.Aproveit.Florest.-Energias,S.A.  Sociedade de Construções do Chile, S.A.  Sociedade Imobiliária Troia - B3, S.A.  Société de Tranchage Isoroy S.A.S.  Société des Essences Fines Isoroy  Société Industrielle et Financière Isoroy  Socijofra-Sociedade Imobiliária,S.A.  Sociloures-Soc.Imobiliária,S.A.  Soconstrução BV  Sodesa, S.A.  Soflorin,BV  Soira-Soc.Imobiliária de Ramalde,S.A.  Sol Retail Park - Gestão G.Comerc., S.A.  Solaris Supermercados, S.A.  Solinca III-Desporto e S.A.úde,S.A.  Solinca-Investimentos Turísticos,S.A.  Solinfitness - Club Malaga, S.L.  Soltroia-Imob.de Urb.Turismo de Tróia,S.A.  Somit Imobiliária,S.A.  Somit-Soc.Mad.Ind.Transformadas,S.A.  Sona Capital Brasil, Lda  Sona Capital,SGPS,S.A.  Sona Center Serviçoss, SA  Sona Financial Participations BV  Sona Ind., Prod. e Com.Deriv.Madeira,S.A.  Sona Indústria Brasil, Ltda  Sona Industria de Revestimentos,S.A.  Sona Indústria-SGPS,S.A.  Sona International, Ltd  Sona Investments,BV  Sona Novobord (PTY) Ltd  Sona RE, S.A.</p>
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<p> Sonae Retalho Espana-Servicios Gen.,S.A.  Sonae Serviços de Gestão, S.A.  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  Tafisa-Tableros de Fibras, S.A.  Taiber,Tableros Aglomerados Ibéricos,SL </p>	<p> Tarkett Agepan Laminate Flooring SCS  Tavapan,S.A.  Tecmasa Recicladados de Andalucia, SL  Teconologias del Medio Ambiente,S.A.  Textil do Marco,S.A.  Tlantic 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.	Wirefree Services Belgium, S.A.

### **13.3. INDIVIDUAL FINANCIAL STATEMENTS**

SONAECON, S.G.P.S., S.A.  
BALANCE SHEETS FOR THE SEMESTERS ENDED AT 30 JUNE 2008 AND 2007 AND  
FOR THE YEAR ENDED AT 31 DECEMBER 2007

(Amounts expressed in Euro)

ASSETS	Notes	June 2008	June 2007	December 2007
<b>NON CURRENT ASSETS:</b>				
Tangible assets	1.a), 1.e) and 2	181,319	153,484	181,562
Intangible assets	1.b) and 3	59,563	81,095	71,121
Investments in group companies	1.c) and 5	898,096,556	824,190,572	920,727,475
Other non current assets	1.c), 1.f), 1.m), 4 and 6	561,911,005	488,106,626	492,695,948
Total non current assets		<u>1,460,248,443</u>	<u>1,312,531,777</u>	<u>1,413,676,106</u>
<b>CURRENT ASSETS:</b>				
Other current debtors	1.d), 1.f) and 4	7,628,863	7,139,096	9,022,179
Other current assets	1.f) and 1.m)	5,369,839	1,446,089	3,766,451
Investments recorded at fair value through profit or loss	1.d), 4 and 8	-	405,684	-
Cash and cash equivalents	1.g), 4 and 9	58,659,323	75,349,624	145,779,175
Total current assets		<u>71,658,025</u>	<u>84,340,493</u>	<u>158,567,805</u>
<b>Total assets</b>		<u><b>1,531,906,468</b></u>	<u><b>1,396,872,270</b></u>	<u><b>1,572,243,911</b></u>
<b>SHAREHOLDERS' FUNDS AND LIABILITIES</b>				
<b>SHAREHOLDERS' FUNDS:</b>				
Share capital	10	366,246,868	366,246,868	366,246,868
Own shares	1.o) and 11	(6,036,026)	(8,938,165)	(8,938,165)
Reserves	1.n)	777,052,395	793,660,832	794,137,940
Consolidated net income/(loss) for the period		21,366,009	4,824,800	(15,334,817)
		<u>1,158,629,246</u>	<u>1,155,794,335</u>	<u>1,136,111,826</u>
<b>LIABILITIES:</b>				
<b>NON CURRENT LIABILITIES:</b>				
Medium and long-term loans - net of short-term portion	1.h), 4 and 12.a)	355,086,523	147,082,979	373,680,136
Provisions for other liabilities and charges	1.j) and 13	26,206	23,706	23,706
Other non current liabilities	1.f), 1.m) and 1.r)	266,125	161,553	129,379
Total non current liabilities		<u>355,378,854</u>	<u>147,268,238</u>	<u>373,833,221</u>
<b>CURRENT LIABILITIES:</b>				
Short-term loans and other loans	1.h), 4, and 12.b)	14,465,000	88,319,012	17,860,473
Other creditors	4	1,370,573	1,432,669	41,292,121
Other current liabilities	1.f), 1.m) and 1.r)	2,062,795	4,058,016	3,146,270
Total current liabilities		<u>17,898,368</u>	<u>93,809,697</u>	<u>62,298,864</u>
<b>Total Shareholders' Funds and liabilities</b>		<u><b>1,531,906,468</b></u>	<u><b>1,396,872,270</b></u>	<u><b>1,572,243,911</b></u>

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

**The Chief Accountant**

Patrícia Maria Cruz Ribeiro da Silva

**The Board of Directors**

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho Paupério

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Gervais Gille Pellissier

Jean-François René Pontal

Nuno Miguel Moniz Trigo Santos Jordão

SONAECOM, S.G.P.S., S.A.  
 PROFIT AND LOSS ACCOUNT BY NATURE  
 FOR THE QUARTERS AND THE SEMESTERS ENDED AT 30 JUNE 2008 AND 2007 AND  
 FOR THE YEAR ENDED AT 31 DECEMBER 2007

(Amounts expressed in Euro)

	Notes	June 2008	April to June 2008 (Not audited)	June 2007	April to June 2007 (Not audited)	December 2007
Services rendered		3,570,351	1,918,744	3,032,468	1,518,777	6,776,984
Other operating revenues		20,138	1,300	184,737	115,910	24,183,266
		<u>3,590,489</u>	<u>1,920,044</u>	<u>3,217,205</u>	<u>1,634,687</u>	<u>30,960,250</u>
External supplies and services	14	(1,562,232)	(875,751)	(2,856,864)	(1,016,616)	(4,658,695)
Staff expenses		(2,363,018)	(995,623)	(2,524,080)	(1,325,636)	(5,170,239)
Depreciation and amortisation	1.a), 1.b), 1.q), 2 and 3	(46,878)	(23,313)	(34,964)	(17,958)	(72,718)
Provisions and impairment losses	1.j), 1.q) and 13	(2,653)	(153)	-	-	-
Other operating costs		<u>(30,787)</u>	<u>(16,646)</u>	<u>(35,044)</u>	<u>(20,097)</u>	<u>(76,530)</u>
		<u>(4,005,568)</u>	<u>(1,911,486)</u>	<u>(5,450,952)</u>	<u>(2,380,307)</u>	<u>(9,978,182)</u>
Gains and losses on group companies	15	16,841,093	16,841,093	4,592,872	-	(43,481,386)
Other financial expenses	1.c), 1.h), 1.q) and 15	(9,318,913)	(4,806,798)	(5,408,442)	(2,799,471)	(13,283,729)
Other financial income	15	<u>14,265,251</u>	<u>(13,804,359)</u>	<u>7,878,444</u>	<u>4,068,301</u>	<u>20,460,321</u>
Current income/(loss)		21,372,352	(1,761,506)	4,829,127	523,210	(15,322,726)
Income taxation	1.k) and 7	<u>(6,343)</u>	<u>22,755</u>	<u>(4,327)</u>	<u>(2,210)</u>	<u>(12,091)</u>
Net income/(loss)		21,366,009	(1,738,751)	4,824,800	521,000	(15,334,817)
Earnings per share	18					
Including discontinued operations						
Basic		0.06	(0.00)	0.01	0.00	(0.04)
Diluted		0.06	(0.00)	0.01	0.00	(0.04)
Excluding discontinued operations						
Basic		0.06	(0.00)	0.01	0.00	(0.04)
Diluted		0.06	(0.00)	0.01	0.00	(0.04)

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

**The Chief Accountant**

Patrícia Maria Cruz Ribeiro da Silva

**The Board of Directors**

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

## MOVEMENTS IN SHAREHOLDERS' FUNDS

## FOR THE SEMESTERS ENDED AT 30 JUNE 2008 AND 2007

(Amounts expressed in Euro)

	2008									Net income/(loss)	Total
	Share capital	Own shares (Note 11)	Share premium	Legal reserves	Reserves for Medium Term Incentive Plans	Own shares reserves	Hedging reserves	Other reserves	Total reserves		
Balance at 31 December 2007	366,246,868	(8,938,165)	775,290,377	1,002,287	304,296	8,938,165	412,910	8,189,905	794,137,940	(15,334,817)	1,136,111,826
Appropriation of the net result of 2007	-	-	-	-	-	-	-	(15,334,817)	(15,334,817)	15,334,817	-
Net income/(loss) for the semester ended at 30 June 2008	-	-	-	-	-	-	-	-	-	21,366,009	21,366,009
Delivery of own shares under Medium Term Incentive Plans	-	4,275,838	-	-	-	(4,275,838)	-	2,073,732	(2,202,106)	-	2,073,732
Acquisition of own shares	-	(1,373,699)	-	-	-	1,373,699	-	(1,373,699)	-	-	(1,373,699)
Hedging reserves	-	-	-	-	-	-	755,674	-	755,674	-	755,674
Medium Term Incentive Plans recognition	-	-	-	-	(304,296)	-	-	-	(304,296)	-	(304,296)
Balance at 30 June 2008	366,246,868	(6,036,026)	775,290,377	1,002,287	-	6,036,026	1,168,584	(6,444,879)	777,052,395	21,366,009	1,158,629,246

  

	2007									Net income/(loss)	Total
	Share capital	Own shares (Note 11)	Share premium	Legal reserves	Reserves for Medium Term Incentive Plans	Own shares reserves	Hedging reserves	Other reserves	Total reserves		
Balance at 31 December 2006	366,246,868	-	775,290,377	559,078	108,132	-	-	8,449,654	784,407,241	9,121,626	1,159,775,735
Appropriation of the net result of 2006	-	-	-	443,209	-	-	-	8,678,417	9,121,626	(9,121,626)	-
Net income/(loss) for the semester ended at 30 June 2007	-	-	-	-	-	-	-	-	-	4,824,800	4,824,800
Acquisition of own shares	-	(8,938,165)	-	-	-	8,938,165	-	(8,938,165)	-	-	(8,938,165)
Medium Term Incentive Plans recognition	-	-	-	-	131,965	-	-	-	131,965	-	131,965
Balance at 30 June 2007	366,246,868	(8,938,165)	775,290,377	1,002,287	240,097	8,938,165	-	8,189,905	793,660,832	4,824,800	1,155,794,335

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

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

CASH FLOW STATEMENTS

FOR THE SEMESTERS ENDED AT 30 JUNE 2008 AND 2007

(Amounts expressed in Euro)

	<u>30 June 2008</u>		<u>30 June 2007</u>	
<b>Operating activities</b>				
Payments to employees	(3,295,786)		(2,758,996)	
<b>Cash flows from operating activities</b>	<b>(3,295,786)</b>		<b>(2,758,996)</b>	
Payments/receipts relating to income taxes, net	(383,651)		(248,743)	
Other payments/receipts relating to operating activities, net	4,970,923		(9,399,261)	
<b>Cash flows from operating activities (1)</b>	<b>1,291,487</b>	<b>1,291,487</b>	<b>(12,407,000)</b>	<b>(12,407,000)</b>
<b>Investing activities</b>				
Receipts from:				
Investments	16,672,929		106,253,492	
Tangible assets	-		41	
Interest and similar income	12,435,241		5,308,392	
Dividends	21,414,813	50,522,983	4,592,872	116,154,797
Payments for:				
Investments	(44,325,000)		-	
Tangible assets	(10,438)		(22,093)	
Intangible assets	(140)		(315)	
Loans granted	(62,877,000)	(107,212,578)	(107,622,327)	(107,644,735)
<b>Cash flows from investing activities (2)</b>	<b>(56,689,594)</b>			<b>8,510,062</b>
<b>Financing activities</b>				
Receipts from:				
Loans granted	-	-	1,569,012	1,569,012
Payments for:				
Interest and similar expenses	(9,452,570)		(4,357,812)	
Own shares	(1,373,699)		(8,938,165)	
Loans obtained	(20,792,001)	(31,618,270)	-	(13,295,977)
<b>Cash flows from financing activities (3)</b>	<b>(31,618,270)</b>			<b>(11,726,965)</b>
Net cash flows ( 4 )=( 1 )+( 2 )+( 3 )	<b>(87,016,378)</b>			<b>(15,623,903)</b>
Effect of the foreign exchanges	-			-
Cash and cash equivalents at the beginning of the year	<b>(145,675,701)</b>			<b>(90,973,527)</b>
Cash and cash equivalents at end of the semester	<b>58,659,323</b>			<b>75,349,624</b>

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

Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo

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Nuno Miguel Moniz Trigo Santos Jordão



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

## NOTES TO THE CASH FLOW STATEMENTS

## FOR THE SEMESTERS ENDED AT 30 JUNE 2008 AND 2007

(Amounts expressed in Euro)

	30 June 2008	30 June 2007
<b>1 - Acquisition or sale of subsidiaries or other businesses</b>		
a) <b>Amount of other assets and liabilities acquired</b>		
Supplementary capital to Sonaetelecom BV	40,000,000	-
Supplementary capital to Be Artis - Conceção, Construção e Gestão de Redes de Comunicações, S.A.	4,325,000	-
	<u>44,325,000</u>	<u>-</u>
b) <b>Amount received from acquisitions of previous years (price adjustment)</b>		
Telemilénio Telecomunicações - Sociedade Unipessoal, Lda.	1,496,920	-
c) <b>Amount of other assets and liabilities sold</b>		
Supplementary capital from Sonae Telecom S.G.P.S., S.A.	15,176,009	-
Portugal Telecom, S.G.P.S., S.A. Shares	-	106,253,492
	<u>16,672,929</u>	<u>16,672,929</u>
<b>2 - Details of cash and cash equivalents</b>		
Cash in hand	9,227	10,047
Cash at bank	94,096	49,573
Treasury applications	58,556,000	75,290,004
Overdrafts	-	-
Cash and cash equivalents	<u>58,659,323</u>	<u>75,349,624</u>
Overdrafts	-	-
Cash assets	<u>58,659,323</u>	<u>75,349,624</u>
<b>3 - Description of non monetary financing activities</b>		
a) Bank credit granted and not used	127,500,000	90,000,000
b) Purchase of company through the issue of shares	Not applicable	Not applicable
c) Conversion of loans into shares	Not applicable	Not applicable

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

Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho Paupério

George Christopher Lawrie

Luís Filipe Campos Dias de Castro Reis

Maria Cláudia Teixeira de Azevedo

Miguel Nuno Santos Almeida

António Sampaio e Mello

David Charles Denholm Hobley

Frank Emmanuel Dangeard

Gervais Gille Pellissier

Jean-François René Pontal

Nuno Miguel Moniz Trigo Santos Jordão

## **13.4. Notes to the Individual Financial Statements**

**Notes  
to the financial statements  
at 30 June 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.

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 financial statements are presented in Euro, rounded at unit.

## 1. Basis of presentation

The accompanying financial statements have been prepared on a going concern basis, based on the Company's accounting records in accordance with International Financial Reporting Standards ("IAS/IFRS") as adopted by the European Union ("EU"). These financial statements have been based on IAS 34 - "Interim Financial Reporting".

The adoption of the International Financial Reporting Standards ("IFRS") as adopted by the European Union occurred for the first time in 2007 and as defined by IFRS1 – "First time adoption of International Financial Reporting Standards", 1 January 2006 was the date of transition from generally accepted accounting principles in Portugal to those standards.

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

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

- Review and Amendment of IAS 1 – "Presentation of Financial Statements" – (mandatory at 1 January 2009);
- Amendment to IAS 16 – "Property, Plant and Equipment" – (mandatory at 1 January 2009);
- Amendment to IAS 19 – "Employee Benefits" – (mandatory at 1 January 2009);
- Amendment to IAS 20 – "Government Grants" – (mandatory at 1 January 2009);
- Amendment to IAS 27 – "Consolidated and Separate Financial Statements" – (mandatory at 1 January and 1 July 2009);
- Amendment to IAS 28 – "Investments in Associates" – (mandatory at 1 January 2009);
- Amendment to IAS 29 – "Financial Reporting in Hyperinflationary Economies" – (mandatory at 1 January 2009);
- Amendment to IAS 31 – "Interests in Joint Ventures" – (mandatory at 1 January and 1 July 2009);
- Amendment to IAS 32 – "Financial Instruments: Disclosure and Presentation" – (mandatory at 1 January 2009);
- Amendment to IAS 36 – "Impairment of Assets" – (mandatory at 1 January 2009);
- Amendment to IAS 38 – "Intangible Assets" – (mandatory at 1 January 2009);
- Amendment to IAS 39 – "Financial Instruments" – (mandatory at 1 January 2009);
- Amendment to IAS 40 – "Investment Property" – (mandatory at 1 January 2009);
- Amendment to IAS 41 – "Agriculture" – (mandatory at 1 January 2009);
- Amendment to IFRS 1 – "First-time Adoption of International Financial Reporting Standards" – (mandatory at 1 January 2009);
- Amendment to IFRS 2 – "Share – based Payment" – (mandatory at 1 January 2009);
- Review of IFRS 3 – "Business Combinations" – (mandatory at 1 July 2009);
- Amendment to IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations" – (mandatory at 1 January 2009);
- IFRS 8 – "Operating Segments" – (mandatory at 1 January 2009);
- IFRIC 12 – "Service Concession Arrangements" – (mandatory at 1 January 2008, but not yet endorsed in the EU);
- IFRIC 13 – "Customer Loyalty Programmes" – (mandatory at 1 July 2008);
- IFRIC 14 – "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – mandatory at 1 January 2008, but not yet endorsed in the EU);
- IFRIC 15 – "Agreements for the Construction of Real Estate" - (mandatory at 1 January 2009);
- IFRIC 16 – "Hedges of a Net Investment in a Foreign Operation" – (mandatory at 1 October 2008).

The adoption of these standards and interpretations will not produce a material impact on the financial statements of the Company, in future.

## Main accounting policies

The main accounting policies used in the preparation of the accompanying financial statements are as follows:

### a) 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	10 - 20
Plant and machinery	1 - 8
Tools	2
Fixtures and fittings	1 - 10
Other tangible assets	1

Current maintenance and repair costs of fixed assets are recorded as costs in the year in which they occur. Improvements of significant amount, which increase the estimated useful life of the assets, are capitalised and depreciated in accordance with the remaining estimated useful life of the corresponding assets.

#### **b) Intangible assets**

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

Intangible assets correspond, essentially, to software and industrial property.

Amortisations are calculated on a straight-line monthly basis, over the estimated useful life of the assets (three years) as from the month in which the corresponding expenses are incurred.

Amortisation for the period is recorded in the profit and loss statement under the caption 'Depreciation and amortisation'.

#### **c) Investments in Group companies and other non current assets**

Investments in companies in which the Company has direct or indirect voting rights at Shareholders' General Meetings, in excess of 50%, or in which it has control over the financial and operating policies are recorded under the caption 'Investments in Group companies', at their acquisition cost, in accordance with IAS 27, as Sonaecom presents, separately, consolidated financial statements in accordance with those standards.

Loans and supplementary capital granted to affiliated companies with maturities, estimated or defined contractually, greater than one year, are recorded, at their nominal value, under the caption 'Other non current assets'.

Investments and loans granted to Group companies are evaluated whenever an event or change of circumstances indicates that the recorded amount may not be recoverable or impairment losses recorded in previous years no longer exist.

Impairment losses estimated for investments and loans granted to Group companies are recorded, in the year that they are estimated, under the caption 'Other financial expenses' in the profit and loss statement.

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

#### **d) Investments**

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

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

a) 'Financial assets at fair value through profit or loss'

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

b) 'Loans and receivables'

Loans and receivables are non-derivative financial assets with fixed or variable payments that are not quoted in an active market. These financial investments arise when the Company 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 caption 'other current debtors' in the balance sheet.

c) 'Held-to-maturity investments'

Held-to-maturity investments are non-derivative financial assets with fixed or variable payments and with fixed maturities that the Company's management has the positive intention and ability to hold 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 Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. The 'Financial assets at fair value through profit or loss' are initially recognised at fair value and the transaction costs are recorded in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or 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 income statement. Realised and unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss statement as gains or losses from investment securities.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to 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 Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In case of equity securities classified as available for sale, a significant or prolonged decline (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 the profit or loss statement– is removed from equity and recognised in the profit and loss statement. Impairment losses recognised in the profit and loss statement on equity securities are not reversed through the profit and loss statement.

#### **e) 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, interest included in lease payments and depreciation of the tangible assets are recognised as expenses in the profit and loss statement for the period to which they relate.

Assets under long term rental contracts are recorded in accordance with the operational lease method. In accordance with this method, the rents paid are recognised as an expense, over the rental period.

#### **f) Other current debtors**

Other current debtors are recorded at their net realisable value, and do not include interest, because the discount effect is not significant.

These financial investments arise when the Company provides money or 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'.

#### **g) Cash and cash equivalents**

Amounts included under the caption 'Cash and cash equivalents' correspond to amounts held in cash and term bank deposits and other treasury applications where the risk of any change in value is insignificant.

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

The cash flow statement is classified by operating, financing and investing activities. Operating activities include collections from customers, payments to suppliers, payments to personnel and other captions relating to operating activities.

Cash flows from investing activities include the acquisition and sale of investments in associated and subsidiaries companies and receipts and payments resulting from the purchase and sale of fixed assets.

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

All amounts included under this caption are likely to be realised in the short term and there are no amounts given or pledged as guarantee.

#### **h) Loans**

Loans are recorded as liabilities by the "amortised cost". Any expenses incurred in setting up loans are recorded as a deduction to the nominal debt and recognised during the period of the financing, based on the effective interest rate method. The interests incurred but not yet due are added to the loans caption till their payment.

## **i) Derivatives**

The Company only uses derivatives in the management of its financial risks to hedge against such risks. The Company does not use derivatives for trading purposes.

The cash flow hedges used by the Company are related to interest rate swaps 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.

## **j) Provisions and contingencies**

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

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

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

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

## **k) Income tax**

'Income tax' 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).

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 year 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 7).

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

Whenever deferred taxes derive from assets or liabilities directly registered in Shareholders' funds, its recording is also made in Shareholders' funds caption. In all other situations, deferred taxes are always registered in the profit and loss statement.

## **l) Accrual basis and revenue recognition**

Expenses and income are recorded in the 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 amount in the results of the periods that they relate to.



Non-current financial assets and liabilities are recorded at fair value and, in each period, the financial actualisation 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.

#### **m) Balance sheet classification**

Assets and liabilities due in more than one year from the date of the balance sheet are classified, respectively, as non-current assets and non-current liabilities.

In addition, considering their nature, the deferred taxes and the provisions for other liabilities and charges, are classified as non current assets and liabilities (Notes 7 and 13).

#### **n) 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 cannot 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.i) 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 June 2008, Sonaecom, SGPS, S.A., did not have any reserves which by their nature could be considered distributable.

#### **o) Own shares**

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

#### **p) Foreign currency**

All assets and liabilities expressed in foreign currency were translated into Euro using the exchange rates in force 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 profit and loss statement of the period, in financial results.

The following rates were used for the translation into Euro:

	2008		2007	
	30.06.08	Average	30.06.07	Average
Pound Sterling	1.26223	1.29082	-	-
Brazilian Real	0.39822	0.38563	0.38426	0.36805
American Dollar	0.63436	0.65407	-	-
Zloti (Poland)	0.29839	0.28668	-	-
Australian Dollar	0.61084	0.60473	-	-

#### q) Assets impairment

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

For financial investments, the recoverable amount is determined based on business plans duly approved by the Board of Directors of the Company and corroborated by reports prepared by independent entities.

Evidence of the existence of impairment in accounts receivables 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.

#### r) Medium Term Incentive Plans

The accounting treatment of Medium Term Incentive Plans is based on IFRS 2 – "Share-based Payments".

Under IFRS 2, when the settlement of plans established by the Company involves the delivery of Sonaecom's own shares, the estimated responsibility is recorded, as a credit entry, under the caption 'Reserves – Medium Term Incentive Plans', within the heading 'Shareholders' funds' and is charged as an expense under the caption 'Staff expenses' in the profit and loss statement.

The quantification of this responsibility is based on its fair value at the attribution date 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 income 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 income statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each balance sheet date.

At 30 June 2008, only one of the Sonaecom share plans was covered through the detention of 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 income statement caption 'Staff expenses'.

In relation to plans which shall be liquidated through the delivery of shares of the parent company, the Company signed contracts with an external entity, under which the price for the acquisition of those shares was fixed. The responsibility associated to those plans is recorded based on that fixed price, proportionally to the period of time elapsed since the award date until the date of record, in captions 'Other non current liabilities' and 'Other current liabilities'. The cost is recognised in the income statement caption 'Staff expenses'.

During the semester ended at 30 June 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.

#### **s) Subsequent events**

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

#### **t) Judgements and estimates**

The most significant accounting estimates reflected in the financial statements of the semesters ended at 30 June 2008 and 2007, include mainly impairment analysis of assets, particularly financial investments in Group companies.

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

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

#### **u) Financial risk management**

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

These risks arise from the unpredictability of financial markets, which affect the capacity of project cash flows and profits. The Company 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. i)).

## Market risk

### a. Foreign exchange risk

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

Whenever possible, the Company uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such procedure is not possible, the Company adopts derivative financial hedging instruments.

Considering the reduced values of assets and liabilities in foreign currency, the impact of a change in exchange rate will not have significant impacts in the financial statements.

### b. 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 Company 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 Company's 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 Company 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 Company's business plan.

As all Sonaecom's borrowings (Note 12) are at variable rates, interest rate swaps and other derivatives are used to hedge future changes in cash flow relating to interest payments. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, being the Company's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions. In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

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

The fair value of the derivatives contracted, that are considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions established in IAS 39), 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 Company, 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 Company 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 Company maximize the value / minimize 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 Company 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 12, considering undiscounted amounts and the worst case scenario, i.e., the short period in which the liability is due.

### **d. Credit Risk**

The Company'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 Company 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 Company.

The amounts included in the financial statements related to other current debtors, net from impairment losses, represent the maximum exposure of the Company to credit risk.

## 2. Tangible Assets

In the semesters ended at 30 June 2008 and 2007, the movement in Tangible assets and in the corresponding accumulated depreciation and impairment losses, was as follows:

2008						
	Buildings and other constructions	Plant and machinery	Tools	Fixtures and fittings	Other tangible assets	Total
<b>GROSS ASSETS:</b>						
Balance at 31.12.2007	321,863	25,444	171	211,689	103	559,270
Additions	24,638	2,827	-	7,472	-	34,937
Disposals	-	-	-	-	-	-
Transfers and write-offs	-	-	-	-	-	-
<b>Balance at 30.06.2008</b>	<b>346,501</b>	<b>28,271</b>	<b>171</b>	<b>219,161</b>	<b>103</b>	<b>594,207</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:</b>						
Balance at 31.12.2007	227,887	2,330	7	147,473	11	377,708
Depreciation for the semester	16,194	2,726	43	16,163	54	35,180
Disposals	-	-	-	-	-	-
<b>Balance at 30.06.2008</b>	<b>244,081</b>	<b>5,056</b>	<b>50</b>	<b>163,636</b>	<b>65</b>	<b>412,888</b>
<b>Net value</b>	<b>102,420</b>	<b>23,215</b>	<b>121</b>	<b>55,525</b>	<b>38</b>	<b>181,319</b>

  

2007						
	Buildings and other constructions	Plant and machinery	Tools	Fixtures and fittings	Other tangible assets	Total
<b>GROSS ASSETS:</b>						
Balance at 31.12.2006	313,312	4,365	-	157,283	-	474,960
Additions	8,388	-	-	26,996	2	35,386
Disposals	-	-	-	(2,372)	-	(2,372)
Transfers and write-offs	-	-	-	-	(2)	(2)
<b>Balance at 30.06.2007</b>	<b>321,700</b>	<b>4,365</b>	<b>-</b>	<b>181,907</b>	<b>-</b>	<b>507,972</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:</b>						
Balance at 31.12.2006	196,720	1,098	-	136,111	-	333,929
Depreciation for the semester	15,405	436	-	7,090	-	22,931
Disposals	-	-	-	(2,372)	-	(2,372)
Transfers and write-offs	-	-	-	-	-	-
<b>Balance at 30.06.2007</b>	<b>212,125</b>	<b>1,534</b>	<b>-</b>	<b>140,829</b>	<b>-</b>	<b>354,488</b>
<b>Net value</b>	<b>109,575</b>	<b>2,831</b>	<b>-</b>	<b>41,078</b>	<b>-</b>	<b>153,484</b>

## 3. Intangible Assets

In the semesters ended at 30 June 2008 and 2007, the movement in Intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

2008				
	Brands and patents and other rights	Software	Intangible assets in progress	Total
<b>GROSS ASSETS:</b>				
Balance at 31.12.2007	6,509	168,027	13,917	188,453
Additions	140	-	-	140
<b>Balance at 30.06.2008</b>	<b>6,649</b>	<b>168,027</b>	<b>13,917</b>	<b>188,593</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:</b>				
Balance at 31.12.2007	4,844	112,488	-	117,332
Depreciation for the semester	396	11,302	-	11,698
<b>Balance at 30.06.2008</b>	<b>5,240</b>	<b>123,790</b>	<b>-</b>	<b>129,030</b>
<b>Net value</b>	<b>1,409</b>	<b>44,237</b>	<b>13,917</b>	<b>59,563</b>

2007				
	Brands and patents and other rights	Software	Intangible assets in progress	Total
<b>GROSS ASSETS:</b>				
Balance at 31.12.2006	4,982	167,051	13,917	185,950
Additions	317	-	-	317
Balance at 30.06.2007	5,299	167,051	13,917	186,267
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:</b>				
Balance at 31.12.2006	4,203	88,936	-	93,139
Depreciation for the semester	307	11,726	-	12,033
Balance at 30.06.2007	4,510	100,662	-	105,172
<b>Net value</b>	<b>789</b>	<b>66,389</b>	<b>13,917</b>	<b>81,095</b>

The intangible assets in progress were mainly composed by software development.

#### 4. Breakdown of Financial Instruments

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

2008							
	Investments recorded at fair value through profit and loss	Loans and receivables	Investments held to maturity	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
<b>Non current Assets:</b>							
Other non current assets	-	561,911,005	-	-	561,911,005	-	561,911,005
	-	561,911,005	-	-	561,911,005	-	561,911,005
<b>Current Assets:</b>							
Other current debtors	-	6,234,370	-	-	6,234,370	1,394,493	7,628,863
Cash and cash equivalents	-	58,659,323	-	-	58,659,323	-	58,659,323
	-	64,893,693	-	-	64,893,693	1,394,493	66,288,186
	-	64,893,693	-	-	64,893,693	1,394,493	66,288,186
2007							
	Investments recorded at fair value through profit and loss	Loans and receivables	Investments held to maturity	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
<b>Non current Assets:</b>							
Other non current assets	-	488,106,626	-	-	488,106,626	-	488,106,626
	-	488,106,626	-	-	488,106,626	-	488,106,626
<b>Current Assets:</b>							
Other current debtors	-	4,152,374	-	-	4,152,374	2,986,722	7,139,096
Investments recorded at fair value through profit and loss	405,684	-	-	-	405,684	-	405,684
Cash and cash equivalents	-	75,349,624	-	-	75,349,624	-	75,349,624
	405,684	79,501,998	-	-	79,907,682	2,986,722	82,894,404
	405,684	79,501,998	-	-	79,907,682	2,986,722	82,894,404

2008							
	Liabilities recorded at fair value through profit and loss	Derivatives	Liabilities recorded at amortized cost	Other financial liabilities	Subtotal	Others not covered by IFRS 7	Total
<b>Non current liabilities:</b>							
Medium and long-term loans - net of short-term portion	-	(1,168,584)	356,255,107	-	355,086,523	-	355,086,523
	-	(1,168,584)	356,255,107	-	355,086,523	-	355,086,523
<b>Current Liabilities:</b>							
Short-term loans and other loans	-	-	14,465,000	-	14,465,000	-	14,465,000
Other creditors	-	-	-	1,022,081	1,022,081	348,492	1,370,573
	-	-	14,465,000	1,022,081	15,487,081	348,492	15,835,573
2007							
	Liabilities recorded at fair value through profit and loss	Derivatives	Liabilities recorded at amortized cost	Other financial liabilities	Subtotal	Others not covered by IFRS 7	Total
<b>Non current liabilities:</b>							
Medium and long-term loans - net of short-term portion	-	-	147,082,979	-	147,082,979	-	147,082,979
	-	-	147,082,979	-	147,082,979	-	147,082,979
<b>Current Liabilities:</b>							
Short-term loans and other loans	-	-	88,319,012	-	88,319,012	-	88,319,012
Other creditors	-	-	-	1,275,817	1,275,817	156,851	1,432,669
	-	-	88,319,012	1,275,817	89,594,829	156,851	89,751,681

Considering the nature of the balances, the amounts to be paid and received to/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 such amounts are not within the scope of IFRS 7.

## 5. Investments in Group Companies

At 30 June 2008 and 2007, this caption included the following investments in Group companies:

Company	2008	2007
Sonaecom Serviços de Comunicações, S.A. ("Sonaecom SC", ex Novis Telecom, S.A.)	749,628,393	141,872,488
Sonae Telecom, S.G.P.S., S.A. ("Sonae Telecom")	105,799,987	105,799,987
Sonaetelecom BV	44,209,902	4,209,902
Sonae.com – Sistemas de Informação, S.G.P.S., S.A. ("Sonae.com SI")	26,641,587	26,641,587
Telemilénio, Telecomunicações, Sociedade Unipessoal, Lda. ("Tele 2")	13,076,489	-
Miauger – Organização e Gestão de Leilões Electrónicos, S.A. ("Miauger")	4,568,100	4,568,100
Sonaecom BV	100,000	100,000
Be Artis – Concepção, Construção e Gestão de Redes de Comunicações, S.A. ("Be Artis")	50,000	-
Optimus Telecomunicações S.A. ("Optimus")	-	551,255,906
Sonae Matrix Multimédia, S.G.P.S., S.A. ("Sonae Matrix")	-	40,782,208
	<u>944,074,458</u>	<u>875,230,178</u>
Impairment losses (Note 13)	(45,977,902)	(51,039,606)
Total investments in Group companies	<u>898,096,556</u>	<u>824,190,572</u>

The movements occurred in investments in Group companies, during the semesters ended at 30 June 2008 and 2007 were as follows:



Company	Balance at 31-12-2007	Additions	Disposals	Transfers and write-offs	Balance at 30-06-2008
Sonaecom SC	749,628,393	-	-	-	749,628,393
Sonae Telecom	105,799,987	-	-	-	105,799,987
Sonaetelecom BV	44,209,902	-	-	-	44,209,902
Sonae.com SI	26,641,587	-	-	-	26,641,587
Miauger	4,568,100	-	-	-	4,568,100
Tele 2	178,409	(868,135)	-	13,766,215	13,076,489
Sonaecom BV	100,000	-	-	-	100,000
Be Artis	50,000	-	-	-	50,000
	<u>931,176,378</u>	<u>(868,135)</u>	<u>-</u>	<u>13,766,215</u>	<u>944,074,458</u>
Impairment losses	(10,448,903)	-	-	(35,528,999)	(45,977,902)
	<u>920,727,475</u>	<u>(868,135)</u>	<u>-</u>	<u>(21,762,784)</u>	<u>898,096,556</u>

  

Company	Balance at 31-12-2006	Additions	Disposals	Transfers and write-offs	Balance at 30-06-2007
Sonaecom SC	141,872,488	-	-	-	141,872,488
Optimus	551,255,906	-	-	-	551,255,906
Sonae Telecom	105,799,987	-	-	-	105,799,987
Sonaetelecom BV	4,209,902	-	-	-	4,209,902
Sonae Matrix	40,782,208	-	-	-	40,782,208
Sonae.com SI	26,641,587	-	-	-	26,641,587
Miauger	4,568,100	-	-	-	4,568,100
Sonaecom BV	100,000	-	-	-	100,000
	<u>875,230,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>875,230,178</u>
Impairment losses	(22,573,509)	-	-	(28,466,097)	(51,039,606)
	<u>852,656,669</u>	<u>-</u>	<u>-</u>	<u>(28,466,097)</u>	<u>824,190,572</u>

On 2 November 2007, Optimus Telecomunicações, S.A. merged by incorporation into Novis Telecom, S.A.. After merger, Novis changed its corporate name to Sonaecom - Serviços de Comunicações, S.A..

The amount of Euro 13,766,215 in the heading 'Transfers and write-offs' relates to the transfer of 'Supplementary capital' to cover accumulated losses in Tele2. The amount of Euro 868,135 in the heading 'Additions' is due to a correction to the acquisition price of Tele2, which occurred during the first semester of 2008.

During the semester ended at 30 June 2008, the amount of Euro 35,528,999 in Transfers correspond to a reclassification to the heading 'Impairment losses in investments in group companies' from the heading 'Impairment losses in other non current assets' (Notes 6 and 13).

The Company presents separate consolidated financial statements at 30 June 2008, in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union, which presents total consolidated assets of Euro 1,795,509,052, total consolidated liabilities of Euro 873,894,514, consolidated operational revenues of Euro 479,913,633 and consolidated Shareholders' funds of Euro 921,614,538 including a consolidated net loss (attributable to the shareholders of the parent company – Sonaecom, S.G.P.S., S.A.) of Euro 12,227,592.

At 30 June 2008 and 2007, the main financial information regarding the owned subsidiaries is as follows (values in accordance with IAS/IFRS):

Company	Head Office	2008			2007		
		% holding	Shareholders' funds	Net profit/(loss)	% holding	Shareholders' funds	Net profit/(loss)
Sonaecom SC (ex Novis Telecom, S.A.)	Maia	53.54%	477,068,175	(13,041,294)	58.33%	12,066,911	(10,622,041)
Optimus	Maia	-	-	-	50.94%	398,174,740	7,755,211
Sonae Telecom	Maia	100%	175,000,345	15,171,561	100%	217,212,299	4,424,887
Sonae Matrix	Maia	-	-	-	100%	90,312,394	(56,203)
Sonaecom SI	Maia	100%	46,808,168	12,082	100%	44,009,227	10,364,289
Miauger	Maia	100%	900,258	451,478	100%	333,815	119,984
Sonaetelecom BV	Amsterdam	100%	2,601,897	(966,105)	100%	5,669,335	(1,710,126)
Tele 2	Lisbon	100%	(1,325,371)	775,779	-	-	-
Sonaecom BV	Amsterdam	100%	(11,677,282)	254,677	100%	(9,131,472)	(669,024)
Be Artis (ex Optimus Artis)	Maia	100%	1,777,158	1,747,328	-	-	-

At 30 June 2008, Sonaecom owned, indirectly, through Sonae Telecom S.G.P.S., S.A. and Sonaecom BV, an additional shareholding of 37.94% and 8.52% in Sonaecom - Serviços de Comunicações, respectively.

## 6. Other non current assets

At 30 June 2008 and 2007 this caption was made up as follows:

	2008	2007
<b>FINANCIAL ASSETS:</b>		
Medium and long-term loans granted to Group companies:		
Sonaecom SC (ex Novis)	228,795,000	82,040,000
Be Artis	135,860,000	-
Sonaecom BV	116,127,000	120,660,000
Sonaetelecom BV	35,725,000	46,390,000
Tele 2	961,782	50,000
Sonae.com SI	390,000	150,000
	<u>517,858,782</u>	<u>249,290,000</u>
Supplementary capital:		
Sonae.com SI	33,574,188	33,574,188
Sonae Telecom SGPS	15,788,458	107,414,467
Be Artis	4,325,000	-
Sonae Matrix	-	70,327,971
Sonaecom SC (ex Novis)	-	27,500,000
	<u>53,687,646</u>	<u>238,816,626</u>
Accumulated impairment losses (Note 13)	<u>(9,635,423)</u>	<u>-</u>
	<u>561,911,005</u>	<u>488,106,626</u>

During the semesters ended at 30 June 2008 and 2007, the loans granted to Group companies, that are not Supplementary capital, earned interest at market rates, with an average interest rate of 5.175% and 4.796%, respectively. Supplementary capital is non interest bearing.

The increase in Loans granted to Sonaecom SC resulted from the fact that the Company concentrated in itself all the debt of the Group and internal funding movements are used to allocate cash between the subsidiaries.

The movement in the caption 'Accumulated impairment losses' is due to the reinforce performed during the semester in the amount of Euro 4,573,720 (Notes 13 and 15), and due to the transfers from the caption 'Investments in group companies' (Notes 5 and 13).

As the loans granted to group companies, as well, the Supplementary capital do not have a defined maturity, no information about the aging of those loans is presented.

## 7. Deferred tax assets

The detail of deferred tax assets by nature at 30 June 2008 was as follows:

Year which were originated	Tax losses	Adjustments to IAS/IFRS	Provisions not acceptable for tax purposes	Total	Deferred tax assets
2001	-	-	3,463,000	3,463,000	917,695
2002	23,608,725	-	11,431,819	35,040,544	8,931,613
2003	-	-	31,154,781	31,154,781	8,256,017
2004	-	-	9,662,981	9,662,981	2,560,690
2005	2,176,736	-	(3,033,899)	(857,163)	(259,799)
2006	24,341,554	(257,438)	(149,858)	23,934,258	5,977,455
2007	54,563,604	81,031	(537,036)	54,107,599	13,520,060
2008	-	43,500	4,573,720	4,617,220	1,223,564
	104,690,619	(132,907)	56,565,508	161,123,220	41,127,295

Following a conservative approach and because its recovery is uncertain, the Company did not recognise the deferred tax assets related to the tax losses carried forward, as well as the deferred tax assets related to temporary differences in the total amount of Euro 41,127,295.

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

Portuguese Tax Authorities can review the income tax returns of the Company for a period of four years (ten years for Social Security 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 believe that any correction that may arise as a result of such review would not produce a significant impact in the accompanying 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 June 2008.

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

During the semester ended 30 June 2008 and 2007, the movements in this heading were as follows:

	2008	2007
Opening balance	-	849,375
Acquisitions during the semester	-	-
Sales during the semester	-	(738,634)
Increases/ reductions to fair value (Note 15)	-	294,943
	-	405,684

At 30 June 2007, 'Investments recorded at fair value through profit and loss' refers 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.

## 9. Cash and cash equivalents

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

	2008	2007
Cash	9,227	10,047
Bank deposits repayable on demand	94,096	49,573
Treasury applications	58,556,000	75,290,004
	<u>58,659,323</u>	<u>75,349,624</u>

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

	2008	2007
Funds placed in Sonae SGPS	-	69,420,004
Short term applications:		
Sonaecom - Serviços de Comunicações (ex Novis)	41,626,000	-
Wedo	12,125,000	-
Público	2,775,000	5,870,000
Tele 2	1,240,000	-
Banco Espírito Santo	495,000	-
Banco Santander Totta	295,000	-
	<u>58,556,000</u>	<u>75,290,004</u>

During the semester ended at 30 June 2008, the above referred treasury applications bearded interests at an average rate of 5.052% (4.285% in 2007).

## 10. Share Capital

At 30 June 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	194,423,837	53.09%	183,489,681	50.10%
Shares traded on the Portuguese Stock Exchange ('Free float')	70,782,961	19.33%	81,411,344	22.23%
Wirefree Services Belgium, S.A.	70,276,868	19.19%	70,276,868	19.19%
093X (EDP)	29,150,000	7.96%	29,150,000	7.96%
Own shares	1,588,553	0.43%	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.

## 11. Own shares

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

Additionally, during the semester Sonaecom acquired 620,000 shares (at an average price of Euro 2.22), holding at the end of the semester 1,588,553 own shares, representative of 0.43% of its share capital, with an average price of Euro 3.80.

## 12. Loans

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

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

Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
				2008	2007
"Obrigações Sonaecom SGPS 2005"	150,000,000	Jun-13	Final	150,000,000	150,000,000
Costs associated with setting-up the financing	-	-	-	(2,661,755)	(3,132,146)
Interests incurred but not yet due	-	-	-	200,067	215,125
Fair value of swaps	-	-	-	(542,778)	-
				<u>146,995,534</u>	<u>147,082,979</u>
Commercial paper	250,000,000	Jul-12	-	207,500,000	-
Costs associated with setting-up the financing	-	-	-	(448,392)	-
Interests incurred but not yet due	-	-	-	1,665,187	-
Fair value of swaps	-	-	-	(625,806)	-
				<u>208,090,989</u>	<u>-</u>
				<u>355,086,523</u>	<u>147,082,979</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, organized 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 Argentina (Portugal), Banco Comercial Português and BNP Paribas (in Portugal).

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

With this refinancing, the group was able to, under the current favorable market conditions, increase the weighted average maturity, 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 market 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 June 2008 and 2007, the repayment schedule of medium and long term loans and of interests, for both bonds and commercial paper was as follows:

<b>2008</b>						
	N+1	N+2	N+3	N+4	N+5	After N+5
Bond Loan						
Reimbursements	-	-	-	-	150,000,000	-
Interests	9,153,050	9,153,050	9,153,050	9,178,058	8,902,967	-
Commercial paper						
Reimbursements	-	-	57,500,000	-	150,000,000	-
Interests	9,781,390	9,781,390	8,669,902	7,149,334	605,545	-
	<u>18,934,440</u>	<u>18,934,440</u>	<u>75,322,952</u>	<u>16,327,392</u>	<u>309,508,512</u>	<u>-</u>

  

<b>2007</b>						
	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	7,553,540
	<u>7,765,718</u>	<u>7,744,500</u>	<u>7,744,500</u>	<u>7,744,500</u>	<u>7,765,718</u>	<u>157,553,540</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 June 2008 and 2007, the available credit lines of the Company are as follows:

<b>2008</b>					
					Maturity
Company	Credit	Limit	Amount outstanding	Amount available	Until 12 months    More than 12 months
Sonaecom	Commercial paper	250,000,000	207,500,000	42,500,000	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
		<b>485,000,000</b>	<b>357,500,000</b>	<b>127,500,000</b>	

  

<b>2007</b>					
					Maturity
Company	Credit	Limit	Amount outstanding	Amount available	Until 12 months    More than 12 months
Sonaecom	Bond loan	150,000,000	150,000,000	-	x
Sonaecom	Commercial paper	70,000,000	-	70,000,000	x
Sonaecom	Overdraft facilities	20,000,000	-	20,000,000	x
		<b>240,000,000</b>	<b>150,000,000</b>	<b>90,000,000</b>	

The following interest rate hedging instruments were outstanding at 30 June 2008 and 2007:

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%	(625,806)
Sonaecom	Bond loan	75,000,000	Jun-09	Euribor 6m	4.565%	(542,778)
						<u>(1,168,584)</u>

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 semester ended at 30 June 2008, the movements occurred in the fair value of the swaps related to the Commercial Paper Programme, in the amount of Euro 156,702 and the bonds loans, in the amount of Euro 598,972, were recorded in reserves, as the hedging is effective, in accordance with IAS 39.

Through the execution of these derivative financial instruments, at 30 June 2008, approximately 52% of gross debt is, in an indirect way, subject to fixed interest rates. The remaining 48% of gross debt is exposed to changes in the interest rates.

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

The caption 'Short-term loans and other loans', at 30 June 2008 and 2007, include an amount of Euro 14,465,000 and Euro 88,319,012, respectively, related to Treasury applications received from subsidiaries and was composed as follows:

	2008	2007
Be Towering - Gestão de Torres de Telecomunicações, S.A. ("Be Towering")	6,250,000	11,155,000
Digitmarket - Sistemas de Informação, S.A. ("Digitmarket")	2,660,000	1,490,000
Sonae.com SI	2,620,000	-
Mainroad - Serviços em Tecnologias de Informação, S.A. ("Mainroad")	1,940,000	-
Miauger	615,000	370,000
Sonae Telecom	380,000	4,424,012
Optimus	-	61,860,000
WeDo	-	9,020,000
	<u>14,465,000</u>	<u>88,319,012</u>

The Treasury applications received from Group companies are payable in less than three months and earn interests at market rates. During the semester ended at 30 June 2008, the Treasury applications earned an average interest rate of 4.226% (3.825% at 2007).

### 13. Provisions and accumulated impairment losses

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

Heading	2008					Closing balance
	Opening balance	Increases	Transfers	Utilisations	Decreases	
Accumulated impairment losses on accounts receivables	806	153	-	-	-	959
Accumulated impairment losses on investments in Group companies (Note 5)	10,448,903	-	35,529,000	-	-	45,977,903
Accumulated impairment losses on other non current assets (Notes 6 and 15)	40,590,703	4,573,720	(35,529,000)	-	-	9,635,423
Provisions for other liabilities and charges	23,706	2,500	-	-	-	26,206
	<u>51,064,118</u>	<u>4,576,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,640,491</u>

The increases in provisions and impairment losses are recorded against the caption 'Provisions and impairment losses' in the profit and loss statement with the exception of the impairment losses in other current assets, which, due to their nature, are recorded as a financial expense in the caption 'Gains and losses on group companies'.

Heading	Opening balance	2007				Closing balance
		Increases	Transfers	Utilisations	Decreases	
Accumulated impairment losses on accounts receivables	806	-	-	-	-	806
Accumulated impairment losses on investments in Group companies (Note 5)	22,573,509	-	28,466,097	-	-	51,039,606
Accumulated impairment losses on other non current assets (Notes 6 and 15)	28,466,097	-	(28,466,097)	-	-	-
Provisions for other liabilities and charges	31,979	-	-	-	(8,273)	23,706
	<u>51,072,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,273)</u>	<u>51,064,118</u>

#### 14. External supplies and services

At 30 June 2008 and 2007 this caption was made up as follows:

	2008	2007
Specialized works	843,943	1,730,809
Travelling costs	207,911	171,554
Rents	161,952	185,290
Fees	148,689	243,394
Other external supplies and services	199,736	525,816
	<u>1,562,232</u>	<u>2,856,864</u>

#### 15. Financial results

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

	2008	2007
Gains and losses on investments in Group companies		
Losses related to Group companies (Notes 5 and 13)	(4,573,720)	-
Gains related to Group companies	21,414,813	4,592,872
	<u>16,841,093</u>	<u>4,592,872</u>
Other financial expenses:		
Interest expenses		
Bank loans	(4,616,665)	(3,594,800)
Other loans	(4,651,625)	(1,453,647)
Overdrafts and others	(38,236)	(34,460)
	<u>(9,306,525)</u>	<u>(5,082,907)</u>
Foreign currency exchange losses	-	(13)
Other financial expenses		
Charges of setting-up the financing	-	(241,157)
Others	(12,388)	(84,365)
	<u>(12,388)</u>	<u>(325,522)</u>
	<u>(9,318,913)</u>	<u>(5,408,442)</u>
Other financial income:		
Interest income	14,264,720	7,578,540
Foreign currency exchange gains	531	4,961
Fair value adjustments of investments recorded at fair value through profit and loss (Note 8)	-	294,943
	<u>14,265,251</u>	<u>7,878,444</u>

The caption 'Gains related to Group companies' relates to the dividends received from Sonaecom – Serviços de Comunicações, S.A.. At 30 June 2007 this caption was comprised by dividends received from Optimus.



## 16. Related parties

The most significant balances and transactions with related parties (which are detailed in the appendix) at 30 June 2008 and 2007 were as follows:

Balances at 30 June 2008					
	Accounts receivable	Accounts payable	Treasury applications	Other assets/ (liabilities)	Loans granted/ (obtained)
Sonaecom Serviços de Comunicações (ex Novis)	3,812,008	146,489	41,626,000	3,452,613	228,795,000
Sonaecom BV	1,572,417	80,000	-	402,092	116,127,000
Artis	706,063	488	-	524,306	135,860,000
Sonaetelecom BV	474,017	-	-	161,939	35,725,000
MCH SGPS	88,219	4,838	-	-	-
Público	16,186	363	2,775,000	36,348	-
Tele 2	15,215	-	1,240,000	4,379	961,782
Wedo	11,263	-	12,125,000	405,180	-
Sonae.com SI	9,861	4,766	-	(61,343)	(2,230,000)
Others	65,680	228,195	-	(195,891)	(11,845,000)
	<u>6,770,929</u>	<u>465,139</u>	<u>57,766,000</u>	<u>4,729,623</u>	<u>503,393,782</u>

Balances at 30 June 2007					
	Accounts receivable	Accounts payable	Treasury applications	Other assets/ (liabilities)	Loans granted/ (obtained)
Sonaecom BV	1,490,064	80,000	-	506,169	120,660,000
Novis	1,170,528	1,536	-	209,508	81,902,500
Sonaetelecom BV	746,917	-	-	194,607	46,390,000
Optimus	598,228	161,628	-	(1,321,428)	(61,860,000)
Público	37,354	363	5,870,000	62,499	-
Sonae	-	-	69,420,004	136,975	-
Others	28,816	8,288	-	(615,699)	(26,259,012)
	<u>4,071,907</u>	<u>251,816</u>	<u>75,290,004</u>	<u>(827,370)</u>	<u>160,833,488</u>

Transactions at 30 June 2008				
	Sales and services rendered	External supplies and services	Interest and similar income/ (expense)	Supplementary income
Sonaecom Serviços de Comunicações (ex Novis)	3,402,460	680,720	7,990,544	5,983
Público	82,220	2,121	66,853	635
Wedo	55,850	-	295,197	900
Be Artis	-	684	1,362,688	(413)
Sonaecom BV	-	-	3,150,633	-
Star-Viagens e Turismo	-	165,804	-	-
Sonaetelecom BV	-	-	904,315	-
Others	29,820	9,634	(285,291)	13,543
	<u>3,570,351</u>	<u>858,963</u>	<u>13,484,939</u>	<u>20,648</u>

Transactions at 30 June 2007				
	Sales and services rendered	External supplies and services	Interest and similar income/ (expense)	Supplementary income
Optimus	2,125,000	430,881	(1,191,959)	112,935
Novis	750,000	(27,065)	1,837,016	27,337
Público	82,500	41,359	86,566	5,838
Wedo	40,000	(2,018)	(153,620)	4,615
Sonae	-	1,400	1,298,084	-
Sonaecom BV	-	-	2,855,422	-
Sonaetelecom BV	-	-	1,471,513	-
Others	18,904	(6,932)	(79,982)	9,910
	<u>3,016,404</u>	<u>437,625</u>	<u>6,123,040</u>	<u>160,633</u>

## 17. Guarantees provided to third parties

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

Beneficiary	Description	2008	2007
BBVA – Portugal, ING Belgium Portugal and Millennium BCP	Commercial paper	320,000,000	70,000,000
Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT Reimbursements	5,499,720	2,096,589
		<u>325,499,720</u>	<u>72,096,589</u>

## 18. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the net income of the semester (Euro 21,336,009 in 2008 and Euro 4,824,800 in 2007) by the average number of shares outstanding during the semesters ended at 30 June 2008 and 2007, net of own shares (Euro 364,658,315 in 2008 and Euro 364,983,984 in 2007).

## 19. Medium Term Incentive Plans

In June 2000, the Company 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 Company. In some annual plans, beneficiaries can chose between options or shares. Options are valued using the Black Scholes options pricing Model.

The Sonaecom plans outstanding at 30 June 2008 can be summarized as follows:

	Share price at award date *	Vesting period		Exercise period		30-Jun-08	
		Award date	Vesting date	From	To	Aggregate number of participants	Number of options/ shares
Sonaecom shares							
2005 Plan	4.093	10-Mar-06	09-Mar-09	-	-	20	86,440
2006 Plan	4.697	09-Mar-07	08-Mar-10	-	-	20	116,911
2007 Plan	2.447	10-Mar-08	09-Mar-11	-	-	20	261,501
Sonae SGPS shares							
2005 Plan	1.34	10-Mar-06	09-Mar-09	-	-	4	93,747
2006 Plan	1.68	09-Mar-07	08-Mar-10	-	-	4	118,675
2007 Plan	1.16	10-Mar-08	09-Mar-11	-	-	5	222,219

\* Average share price in the month prior to the award date for Sonaecom shares and the lower of the average share price for the month prior to the Annual General Meeting and the share price on the day after the Annual General Meeting for Sonae SGPS shares. However, for the 2006 Plans the share price was: Sonaecom shares - the average share price between 3rd March and 5th April 2007; Sonae SGPS shares - The average share price between 13rd February and 26th March 2007. This exception was due to the timing of the end of the Portugal Telecom bid and was approved by the Board Nomination and Remuneration Committee.

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

	Sonaecom shares		Sonae SGPS shares	
	Aggregate number of participants	Number of shares	Aggregate number of participants	Number of shares
Outstanding at 31.12.2007				
Exercisable	-	-	-	-
Unvested	59	313,162	12	313,462
Total	59	313,162	12	313,462
Movements in the semester				
Awarded	20	261,501	5	216,103
Vested	(18)	(105,455)	(4)	(151,936)
Advance vested	-	-	-	-
Exercisable	-	-	-	-
Exercised	-	-	-	-
Cancelled/Elapsed*	(1)	(4,356)	-	57,012
Outstanding at 30.06.2008				
Exercisable	-	-	-	-
Unvested	60	464,852	13	434,641
Total	60	464,852	13	434,641

\* The adjustments are made for dividends paid and for share capital changes.

For Sonaecom's share plans, the total responsibility, calculated taking in consideration «the share price at balance sheet date, is Euro 368,135 and was recorded under the headings of 'Other current liabilities' and 'Other non current liabilities'. For the Sonae SGPS share plan 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 229,766.

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

	Amount
Costs recognised in previous years	3,179,083
Costs recognised in the period	267,936
Costs of plans vested on previous years	(2,239,310)
Costs of plans vested in the year	(669,808)
	<b>537,901</b>
Recorded in Other current liabilities	271,776
Recorded in Other non current liabilities	266,125

During the semester ended at 30 June 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.

## 20. Others matters

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, S.A. at 70% of its actual value. Maxistar has appealed against the decision of the Arbitration Court but that appeal was 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 financial statements were approved by the Board of Directors on 24 July 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 June 2008, the related parties of Sonaecom, S.G.P.S, are as follows:

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

Sonaecom Group Companies	
Be Artis - Concepção, Construção e Gestão de Redes de Comunicações, S.A.	Público – Comunicação Social, S.A.
Be Towering – Exploração de Torres de Telecomunicações, S.A.	Saphety Level – Trusted Services, S.A.
Cape AsiaPac PTY Limited	Sociedade Independente de Radiodifusão Sonora, S.A.
Cape Poland Sp. Z.o.o.	Sonae Telecom, S.G.P.S., S.A.
Cape Technologies (UK) Limited	Sonae.com - Sistemas de Informação, S.G.P.S., S.A.
Cape Technologies Americas, Inc	Sonaecom - Serviços de Comunicações, S.A.
Cape Technologies Limited	Sonaecom BV
Digitmarket – Sistemas de Informação, S.A.	Sonaetelecom BV
M3G – Edições Digitais, S.A.	Tecnológica Telecomunicações, LTDA.
Mainroad – Serviços em Tecnologias de Informação, S.A.	Telemilénio Telecomunicações - Sociedade Unipessoal, Lda.
Miauger – Organização e Gestão de Leilões Electrónicos, S.A.	Unipress – Centro Gráfico, Lda.
Net Mall, S.G.P.S., S.A.	Vipu Ace
Per-Mar – Sociedade de Construções, S.A.	We Do Consulting – Sistemas de Informação, S.A.
Praesidium Services Limited	We Do Technologies (UK) Limited
Praesidium Technologies Limited	Wedo do Brasil Soluções Informáticas, Ltda.

Sonae Group Companies	
3DO Holding GmbH	Agepan Flooring Products, S.A.RL
3DO Shopping Centre GmbH	Agepan Tarket Lamine Park GmbH Co. KG
3shoppings - Holding,SGPS, S.A.	Aglom Investimentos, Sgps, S.A.
Aegean Park,S.A.	Aglom-Soc.Ind.Madeiras e Aglom.,S.A.
Agepan Eiweiler Management GmbH	Águas Furtadas - Imobiliária, S.A.

Airone - Shopping Center, Srl	Colombo Towers Holding, BV
ALEXA Administration GmbH	Contacto Concessões, SGPS, S.A.
ALEXA Holding GmbH	Contacto-SGPS, S.A.
ALEXA Shopping Centre GmbH	Contibomba-Comérc.Distr.Combustíveis, S.A.
Alexa Site GmbH & Co. KG	Contimobe-Imobil.Castelo Paiva, S.A.
Algarveshopping- Centro Comercial, S.A.	Continente Hipermercados, S.A.
Andar - Sociedade Imobiliária, S.A.	Contry Club da Maia-Imobiliária, S.A.
Aqualuz - Turismo e Lazer, Lda	Cronosaúde - Gestão Hospitalar, S.A.
Aquapraia - Investimentos Turísticos, S.A.	Cumulativa - Sociedade Imobiliária, S.A.
Arrábidasshopping- Centro Comercial, S.A.	Darbo S.A.S
Aserraderos de Cuellar, S.A.	Developpement & Partenariat Assurances, S.A.
Atlantic Ferries-Tráf.Loc,Flu.e Marít,S.A.	Difusão-Sociedade Imobiliária, S.A.
Avenida M-40 B.V.	Distrifin-Comercio y Prest.Servicios, S.A.
Avenida M-40, S.A.	DMJB, SGPS, S.A.
Azulino Imobiliária, S.A.	Dortmund Tower GmbH
Bertimóvel - Sociedade Imobiliária, S.A.	Dos Mares - Shopping Centre B.V.
Best Offer-Prest. Inf. p/Internet, S.A.	Dos Mares-Shopping Centre, S.A.
Bikini, Portal de Mulheres, S.A.	Ecociclo - Energia e Ambiente, S.A.
Bloco Q-Sociedade Imobiliária, S.A.	Ecociclo II - Energias, S.A.
Bloco W-Sociedade Imobiliária, S.A.	Edições Book.it, S.A.
Boavista Shopping Centre BV	Efanor Investimentos, SGPS, S.A.
Box Lines Navegação, S.A.	Efanor Serviços de Apoio à Gestão, S.A.
Campo Limpo, Lda	Efanor-Design e Serviços, S.A.
Canasta-Empreendimentos Imobiliários, S.A.	Efanor-Indústria de Fios, S.A.
Carnes do Continente-Ind.Distr.Carnes, S.A.	El Rosal Shopping, S.A.
CarPlus – Comércio de Automóveis, S.A.	Empreend.Imob.Quinta da Azenha, S.A.
Casa Agrícola de Ambrães, S.A.	Equador & Mendes, Lda
Casa Agrícola João e A. Pombo, S.A.	Espimaia -Sociedade Imobiliária, S.A.
Casa da Ribeira - Hotelaria e Turismo, S.A.	Estação Oriente-Gest.de Galerias Com., S.A.
Cascaishopping- Centro Comercial, S.A.	Estação Viana- Centro Comercial, S.A.
Cascaishopping Holding I, SGPS, S.A.	Estêvão Neves-Hipermercados Madeira, S.A.
Centro Colombo- Centro Comercial, S.A.	Etablissement A. Mathe, S.A.
Centro Residencial da Maia, Urban., S.A.	Euro Decorative Boards, Ltd
Centro Vasco da Gama-Centro Comercial, S.A.	Euromegantic, Lteé
Change, SGPS, S.A.	Euroresinas-Indústrias Químicas, S.A.
Chão Verde-Soc.Gestora Imobiliária, S.A.	Finlog - Aluguer e Comércio de Automóveis, S.A.
Choice Car - Comércio de Automóveis, S.A.	Fozimo-Sociedade Imobiliária, S.A.
Choice Car SGPS, S.A.	Fozmassimo - Sociedade Imobiliária, S.A.
Cia.de Industrias e Negócios, S.A.	Freccia Rossa- Shopping Centre S.r.l.
Cinclus Imobiliária, S.A.	Friengineering International Ltda
Citorres-Sociedade Imobiliária, S.A.	Fundo de Invest. Imobiliário Imosede
Clérigosshopping- Gestão do C.Comerc., S.A.	Fundo Invest.Imob.Shopp. Parque D.Pedro
Coimbrashopping- Centro Comercial, S.A.	Gaiashopping I- Centro Comercial, S.A.

Gaiashopping II- Centro Comercial, S.A.	Interlog-SGPS,S.A.
GHP GmbH	Inventory-Acessórios de Casa,S.A.
Gli Orsi - Shopping Centre, Srl	Investalentejo, SGPS, S.A.
Global S-Hipermercado,Lda	Invsaude - Gestão Hospitalar, S.A.
Glunz AG	Ipaper-Industria Papeis Impregnados,S.A.
Glunz Service GmbH	ISF - Imobiliário, Serviços e Participaç
Glunz UK Holdings Ltd	Isoroy SAS
Glunz Uka GmbH	KLC Holdings XII SA
Golf Time-Golfe e Invest. Turísticos, S.A.	La Farga - Shopping Center, SL
Guerin – Rent a Car (Dois), Lda.	Larissa Develop. Of Shopping Centers, S.A.
Guimarãesshopping- Centro Comercial, S.A.	Lazam Corretora, Ltda.
Hornitex Polska Sp z.o.o	Le Terrazze - Shopping Centre S.r.l.
Iberian Assets, S.A.	Lembo Services Ltd (Euro)
IGI-Investimento Imobiliário,S.A.	Libra Serviços, Lda.
Igimo-Sociedade Imobiliária,S.A.	Lidergraf - Artes Gráficas, Lda.
Iginha-Sociedade Imobiliária,S.A.	Lima Retail Park, S.A.
IM Impregnation Management GmbH	Loureshopping- Centro Comercial, S.A.
Imoareia - Invest. Turísticos, SGPS, S.A.	Luso Assistência - Gestão de Acidentes, S.A.
Imobiliária da Cacela, S.A.	Luz del Tajo - Centro Comercial S.A.
Imoclub-Serviços Imobiliários,S.A.	Luz del Tajo B.V.
Imoconti- Soc.Imobiliária,S.A.	Madeirashopping- Centro Comercial, S.A.
Imodivor - Sociedade Imobiliária, S.A.	Maiashopping- Centro Comercial, S.A.
Imoestrutura-Soc.Imobiliária,S.A.	Maiequipa-Gestão Florestal,S.A.
Imoferro-Soc.Imobiliária,S.A.	Marcas MC, ZRT
Imohotel-Emp.Turist.Imobiliários,S.A.	Marimo -Exploração Hoteleira Imobiliária
Imomuro-Sociedade Imobiliária,S.A.	Marina de Tróia S.A.
Imopenínsula - Sociedade Imobiliária, S.A.	Marinamagic-Expl.Cent.Lúdicos Marít,Lda
Imoplamac Gestão de Imóveis,S.A.	Marmagno-Expl.Hoteleira Imob.,S.A.
Imoponte-Soc.Imobiliária,S.A.	Martimope - Sociedade Imobiliária, S.A.
Imoresort - Sociedade Imobiliária, S.A.	Marvero-Expl.Hoteleira Imob.,S.A.
Imoresultado-Soc.Imobiliária,S.A.	MC Property Management S.A.
Imosedas-Imobiliária e Seviços,S.A.	MDS Corretor de Seguros, S.A.
Imosistema-Sociedade Imobiliária,S.A.	Mediterranean Cosmos Shop. Centre Investments, S.A.
Imosona II	Megantic BV
Impaper Europe GmbH & Co. KG	MJLF-Empreendimentos Imobiliários, S.A.
Implantação - Imobiliária, S.A.	Modalfa-Comércio e Serviços,S.A.
Infofield-Informática,S.A.	Modelo - Dist.de Mat. de Construção,S.A.
Inparsa - Gestão Galeria Comercial, S.A.	Modelo Cont. Seguros-Soc. De Mediação, Lda
Inparvi SGPS, S.A.	Modelo Continente - Oper.Retalho SGPS,S.A.
Insulatroia - Sociedade Imobiliária, S.A.	Modelo Continente Hipermercados,S.A.
Integrum-Serviços Partilhados,S.A.	Modelo Continente, SGPS,S.A.
Interclean, S.A.	Modelo Hiper Imobiliária,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.
Movelpartes-Comp.para Ind.Mobiliária, S.A.	Plaza Mayor Shopping B.V.
Mundo Vip - Operadores Turísticos, S.A.	Plaza Mayor Shopping, S.A.
NAB, Sociedade Imobiliária, S.A.	Ploiesti Shopping Center (Euro)
NA-Comércio de Artigos de Desporto, S.A.	Poliface Brasil, Ltda
NA-Equipamentos para o Lar, S.A.	Poliface North America
Net Mall SGPS, S.A.	Porturbe-Edifícios e Urbanizações, S.A.
Norscut - Concessionária de Scut Interior Norte, S.A.	Praedium II-Imobiliária, S.A.
Norte Shop. Retail and Leisure Centre BV	Praedium III-Serviços Imobiliários, S.A.
Norteshopping-Centro Comercial, S.A.	Praedium SGPS, S.A.
Nova Equador Internacional, Ag. Viag. T, Ld	Predicomercial-Promoção Imobiliária, S.A.
Nova Equador P.C.O. e Eventos	Prédios Privados Imobiliária, S.A.
Novobord (PTY) Ltd.	Predisedas-Predial das Sedas, S.A.
Oeste Retail Park - Gestão G.Comerc., S.A.	Pridelease Investments, Ltd
Operscut - Operação e Manutenção de Auto-estradas, S.A.	Profimetrics - Software Solutions, S.A.
OSB Deutschland GmbH	Proj. Sierra Germany 1 - Shop.C. GmbH
Paracentro - Gest.de Galerias Com., S.A.	Proj. Sierra Germany 4 (four)-Sh.C.GmbH
Pareuro, BV	Proj. Sierra Italy 2 - Dev.of Sh.C. Srl
Pargeste SGPS, S.A.	Proj.Sierra 1 - Shopping Centre GmbH
Park Avenue Develop. of Shop. Centers S.A.	Proj.Sierra Germany 2 (two)-Sh.C.GmbH
Parque Atlântico Shopping - C.C., S.A.	Proj.Sierra Germany 3 (three)-Sh.C.GmbH
Parque D. Pedro 1 B.V.	Proj.Sierra Hold. Portugal V, SGPS, S.A.
Parque D. Pedro 2 B.V.	Proj.Sierra Italy 1 -Shop.Centre Srl
Parque de Famalicão - Empr. Imob., S.A.	Proj.Sierra Italy 2 -Dev. Of Sh.C.Srl
Parque Principado SL	Proj.Sierra Italy 3 - Shop. Centre Srl
Partnergiro - Empreend. Turísticos, Lda	Proj.Sierra Portugal I- C.Comerc., S.A.
Pátio Boavista Shopping Ltda.	Proj.Sierra Portugal II-C.Comerc., S.A.
Pátio Campinas Shopping Ltda	Proj.Sierra Portugal III-C.Comerc., S.A.
Pátio Goiânia Shopping Ltda	Proj.Sierra Portugal IV-C.Comerc., S.A.
Pátio Londrina Empreend. e Particip. Ltda	Proj.Sierra Portugal V-C.Comercial, S.A.
Pátio Londrina Empreend.e Particip.Ltda	Proj.Sierra Portugal VI-C.Comercial, S.A.
Pátio Penha Shopping Ltda.	Proj.Sierra Portugal VII - C. Comerc., S.A.
Pátio São Bernardo Shopping Ltda	Proj.Sierra Portugal VIII - C.Comerc., S.A.
Pátio Sertório Shopping Ltda	Project 4, Srl
Peixes do Continente-Ind.Dist.Peixes, S.A.	Project SC 1 BV
PHARMACONTINENTE - Saúde e Higiene, S.A.	Project SC 2 BV
PJP - Equipamento de Refrigeração, Lda	Project Sierra 1 B.V.
Plaza Eboli B.V.	Project Sierra 2 B.V.
Plaza Eboli - Centro Comercial S.A.	Project Sierra 3 BV



Project Sierra 4 BV	SC-Eng. e promoção imobiliária,SGPS,S.A.
Project Sierra 5 BV	SCS Beheer,BV
Project Sierra 6 BV	Selfrio,SGPS,S.A.
Project Sierra 7 BV	Selfrio-Engenharia do Frio,S.A.
Project Sierra Brazil 1 B.V.	Selifa-Empreendimentos Imobiliários,S.A.
Project Sierra Charagionis 1 S.A.	Sempre à Mão - Sociedade Imobiliária,S.A.
Project Sierra Germany Shop. Center 1 BV	Sempre a Postos - Produtos Alimentares e Utilidades , Lda
Project Sierra Germany Shop. Center 2 BV	Serra Shopping - Centro Comercial, S.A.
Project Sierra Italy 5 Srl	Sesagest-Proj.Gestão Imobiliária,S.A.
Project Sierra One Srl	Sete e Meio - Invest. Consultadoria, S.A.
Project Sierra Spain 1 B.V.	Sete e Meio Herdades-Inv. Agr. e Tur.,S.A.
Project Sierra Spain 2 B.V.	Shopping Centre Colombo Holding, BV
Project Sierra Spain 2-Centro Comer. S.A.	Shopping Centre Parque Principado B.V.
Project Sierra Spain 3 B.V.	Shopping Penha B.V.
Project Sierra Spain 3-Centro Comer. S.A.	Siaf-Soc.Iniciat.Aprov.Florestais,S.A.
Project Sierra Spain 5 BV	Sic Indoor - Gestão de Suportes Publicitários, S.A.
Project Sierra Spain 6 B.V.	Sierra Asset Management Luxemburg, Sarl
Project Sierra Spain 6-Centro Comer. SA	Sierra Asset Management-Gest. Activos,S.A.
Project Sierra Spain 7 B.V.	Sierra Brazil 1 B.V.
Project Sierra Spain 7-Centro Comer. SA	Sierra Charagionis Develop.Sh. Centre S.A.
Project Sierra Srl	Sierra Charagionis Propert.Management S.A.
Project Sierra Srl	Sierra Corporate Services- Ap.Gestão, S.A.
Project Sierra Three Srl	Sierra Corporate Services Holland, BV
Project Sierra Two Srl	Sierra Develop.Iberia 1, Prom.Imob.,S.A.
Promessa Sociedade Imobiliária, S.A.	Sierra Development Greece, S.A.
Promosedas-Prom.Imobiliária,S.A.	Sierra Developments Germany GmbH
Prosa-Produtos e serviços agrícolas,S.A.	Sierra Developments Germany Holding B.V.
Publimeios-Soc.Gestora Part. Finan.,S.A.	Sierra Developments Holding B.V.
Racionaliz. y Manufact.Florestales,S.A.	Sierra Developments Italy S.r.l.
Resoflex-Mob.e Equipamentos Gestão,S.A.	Sierra Developments Services Srl
Resolução, SGPS, S.A.	Sierra Developments Spain-Prom.C.Com.SL
Rio Sul - Centro Comercial, S.A.	Sierra Developments, SGPS, S.A.
River Plaza Mall, Srl	Sierra Developments-Serv. Prom.Imob., S.A.
Rochester Real Estate,Limited	Sierra Enplanta Ltda
S. C. Setler Mina Srl	Sierra European R.R.E. Assets Hold. B.V.
S.C. Microcom Doi Srl	Sierra GP Limited
Saúde Atlântica - Gestão Hospitalar, S.A.	Sierra Investimentos Brasil Ltda
SC Aegean B.V.	Sierra Investments (Holland) 1 B.V.
SC Insurance Risks Services, SGPS, S.A.	Sierra Investments (Holland) 2 B.V.
SC Mediterraneum Cosmos B.V.	Sierra Investments Holding B.V.
SC-Consultadoria,S.A.	Sierra Investments SGPS, S.A.

Sierra Italy Holding B.V.	Sonae Indústria Brasil, Ltda
Sierra Man.New Tech.Bus.-Serv.Comu.CC,S.A.	Sonae Industria de Revestimentos,S.A.
Sierra Management Germany GmbH	Sonae Indústria-SGPS,S.A.
Sierra Management Hellas SA	Sonae International, Ltd
Sierra Management II-Gestão de C.C. S.A.	Sonae Investments,BV
Sierra Management Italy S.r.l.	Sonae Novobord (PTY) Ltd
Sierra Management Portugal-Gest. CC,S.A.	Sonae RE, S.A.
Sierra Management Spain-Gestión C.Com.S.A.	Sonae Retalho Espana-Servicios Gen.,S.A.
Sierra Management, SGPS, S.A.	Sonae Serviços de Gestão, S.A.
Sierra Portugal Fund, Sarl	Sonae SGPS, S.A.
Sierra Property Management, Srl	Sonae Sierra Brasil Ltda
SII - Soberana Invest. Imobiliários, S.A.	Sonae Sierra Brazil B.V.
SIRS - Sociedade Independente de Radiodifusão Sonora, S.A.	Sonae Sierra, SGPS, S.A.
Sistavac-Sist.Aquecimento,V.Ar C.,S.A.	Sonae Tafibra (UK),Ltd
SKK-Central de Distr.,S.A.	Sonae Tafibra Benelux, BV
SKKFOR - Ser. For. e Desen. de Recursos	Sonae Turismo Gestão e Serviços,S.A.
SMP-Serv. de Manutenção Planeamento	Sonae Turismo-SGPS,S.A.
Soc.Inic.Aproveit.Florest.-Energias,S.A.	Sonae UK,Ltd.
Sociedade de Construções do Chile, S.A.	Sonaecenter Serviços, SA
Sociedade Imobiliária Troia - B3, S.A.	Sonaegest-Soc.Gest.Fundos Investimentos
Société de Tranchage Isoroy S.A.S.	Sondis Imobiliária,S.A.
Société des Essences Fines Isoroy	Sontaria-Empreend.Imobiliários,S.A.
Société Industrielle et Financière Isoroy	Sontel Bv
Socijofra-Sociedade Imobiliária,S.A.	Sontur BV
Sociloures-Soc.Imobiliária,S.A.	Sonvecap BV
Soconstrução BV	Sopair, S.A.
Sodesa, S.A.	Sótaqua - Soc. de Empreendimentos Turist
Soflorin,BV	Spanboard Products,Ltd
Soira-Soc.Imobiliária de Ramalde,S.A.	Spinarg,S.A.
Sol Retail Park - Gestão G.Comerc., S.A.	Spinveste - Promoção Imobiliária, S.A.
Solaris Supermercados, S.A.	Spinveste-Gestão Imobiliária SGII,S.A.
Solinca III-Desporto e S.A.úde,S.A.	Sport Zone-Comércio Art.Desporto,S.A.
Solinca-Investimentos Turísticos,S.A.	SRP Development, SA
Solinfitness - Club Malaga, S.L.	SRP-Parque Comercial de Setúbal, S.A.
Soltroia-Imob.de Urb.Turismo de Tróia,S.A.	Star-Viagens e Turismo,S.A.
Somit Imobiliária,S.A.	Tableros Tradema,S.L.
Somit-Soc.Mad.Ind.Transformadas,S.A.	Tafiber,Tableros de Fibras Ibéricas,SL
Sonae Capital Brasil, Lda	Tafibras Participações, S.A.
Sonae Capital,SGPS,S.A.	Tafisa Brasil, S.A.
Sonae Center Serviçoss, SA	Tafisa Canadá Societé en Commandite
Sonae Financial Participations BV	Tafisa Brasil, S.A.
Sonae Ind., Prod. e Com.Deriv.Madeira,S.A.	Tafisa Canadá Societé en Commandite

Tafisa France, S.A.	Troia Market, SA
Tafisa UK,Ltd	Troiaresort-Investimentos Turísticos, S.A.
Tafisa-Tableros de Fibras, S.A.	Troiaverde-Expl.Hoteleira Imob.,S.A.
Taiber,Tableros Aglomerados Ibéricos,SL	Tulipamar-Expl.Hoteleira Imob.,S.A.
Tarkett Agepan Laminate Flooring SCS	Unipress - Centro Gráfico, Lda
Tavapan,S.A.	Unishopping Administradora Ltda.
Tecmasa Reciclados de Andalucia, SL	Unishopping Consultoria Imob. Ltda.
Teconologias del Medio Ambiente,S.A.	Urbisedas-Imobiliária das Sedas,S.A.
Textil do Marco,S.A.	Valecenter Srl
Tlantic Portugal-Sist. de Informação, SA	Valor N, S.A.
Tlantic Sistemas de Informação Ltdª	Vastgoed One - Sociedade Imobiliária, S.A.
Todos os Dias-Com.Ret.Expl.C.Comer.,S.A.	Vastgoed Sun - Sociedade Imobiliária, S.A.
Tool GmbH	Venda Aluga-Sociedade Imobiliária,S.A.
Torre Colombo Ocidente-Imobiliária,S.A.	Via Catarina- Centro Comercial, S.A.
Torre Colombo Oriente-Imobiliária,S.A.	World Trade Center Porto, S.A.
Torre São Gabriel-Imobiliária,S.A.	Worten España, S.A.
TP - Sociedade Térmica, S.A.	Worten-Equipamento para o Lar,S.A.

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

## **13.5. EXTERNAL AUDITOR REPORT**

## RELATÓRIO DE REVISÃO LIMITADA ELABORADO POR AUDITOR REGISTRADO NA CMVM SOBRE INFORMAÇÃO SEMESTRAL

### Introdução

1. Nos termos do Código dos Valores Mobiliários, apresentamos o nosso Relatório de Revisão Limitada sobre a informação financeira do período de seis meses findo em 30 de Junho de 2008 da SONAECON, S.G.P.S., S.A. ("Empresa") incluída: no Relatório de Gestão, nos Balanços Consolidado e Individual (que evidenciam um total de 1.795.509.052 Euros e 1.531.906.468 Euros, respectivamente, e capitais próprios consolidados e individuais de 921.614.538 Euros e 1.158.629.246 Euros, respectivamente, incluindo um resultado líquido consolidado negativo atribuível aos accionistas da Empresa de 12.227.592 Euros e um resultado líquido individual de 21.366.009 Euros), nas Demonstrações Consolidadas e Individuais dos resultados por naturezas, das alterações no capital próprio e dos fluxos de caixa do período de seis meses findo naquela data e nos correspondentes Anexos.
2. As quantias das demonstrações financeiras, bem como as da informação financeira consolidada e individual adicional, são as que constam dos registos contabilísticos da Empresa e suas filiais.

### Responsabilidades

3. É da responsabilidade do Conselho de Administração da Empresa: (i) a preparação de informação financeira consolidada e individual que apresente de forma verdadeira e apropriada a posição financeira da Empresa e do conjunto das empresas incluídas na consolidação e o resultado consolidado e individual das suas operações; as alterações no capital próprio consolidado e individual e os seus fluxos de caixa consolidados e individuais; (ii) que a informação financeira histórica, seja preparada de acordo com as Normas Internacionais de Relato Financeiro tal como adoptadas na União Europeia, e que seja completa, verdadeira, actual, clara, objectiva e lícita, conforme exigido pelo Código dos Valores Mobiliários; (iii) a adopção de políticas e critérios contabilísticos adequados; (iv) a manutenção de um sistema de controlo interno apropriado; e (v) a informação de qualquer facto relevante que tenha influenciado a sua actividade, posição financeira ou resultados.
4. A nossa responsabilidade consiste em verificar a informação financeira contida nos documentos acima referidos, designadamente sobre se, para os aspectos materialmente relevantes, é completa, verdadeira, actual, clara, objectiva, lícita e em conformidade com o exigido pelo Código dos Valores Mobiliários, competindo-nos emitir um relatório de segurança moderada, profissional e independente, sobre essa informação financeira baseada no nosso trabalho.

### Âmbito

5. O trabalho a que procedemos teve como objectivo obter uma segurança moderada quanto a se a informação financeira anteriormente referida está isenta de distorções materialmente relevantes. O nosso trabalho foi efectuado com base nas Normas Técnicas e Directrizes de Revisão/Auditoria emitidas pela Ordem dos Revisores Oficiais de Contas, foi planeado de acordo com aquele objectivo, e consistiu principalmente, em indagações e procedimentos analíticos destinados a rever: (i) a fiabilidade das asserções constantes da informação financeira; (ii) a adequação das políticas contabilísticas adoptadas, tendo em conta as circunstâncias e a consistência da sua aplicação; (iii) a aplicabilidade, ou não, do princípio da continuidade; (iv) a apresentação da informação financeira; e (v) se, para os aspectos materialmente relevantes, a informação financeira é completa, verdadeira, actual, clara, objectiva e lícita em conformidade com o exigido pelo Código dos Valores Mobiliários.

A expressão Deloitte refere-se a uma ou várias sociedades que operam ao abrigo de um acordo com a Deloitte Touche Tohmatsu, uma Swiss Verein, bem como às suas respectivas representadas e afiliadas. Deloitte Touche Tohmatsu é uma associação mundial de sociedades dedicadas à prestação de serviços profissionais de excelência, concentradas no serviço ao cliente sob uma estratégia global, aplicada localmente em, aproximadamente, 140 países. Como Swiss Verein (associação), nem a Deloitte Touche Tohmatsu nem qualquer das suas sociedades membro assumem qualquer responsabilidade isolada ou solidária pelos actos ou omissões de qualquer das outras sociedades membro. Cada uma das sociedades membro é uma entidade legal e separada que opera sob a marca "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu" ou outros nomes relacionados.

Capital Social: 500.000,00 euros - Matricula na CRC de Lisboa e NIPC 501 776 311  
Sede: Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 - 6º, 1050-094 Lisboa  
Tel: +(351) 210 427 500 Fax: +(351) 210 427 950 - [www.deloitte.com/pt](http://www.deloitte.com/pt)  
• Porto: Bom Sucesso Trade Center, Praça do Bom Sucesso, 61 - 13º, 4150-146 Porto - Tel +(351) 225 439 200 - Fax +(351) 225 439 650

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6. O nosso trabalho abrangeu ainda a verificação da concordância da informação financeira constante do Relatório de Gestão com os restantes documentos anteriormente referidos.
7. Entendemos que o trabalho efectuado proporciona uma base aceitável para a emissão do presente relatório de revisão limitada sobre a informação semestral.

## **Parecer**

8. Com base no trabalho efectuado, o qual foi executado tendo em vista a obtenção de uma segurança moderada, nada chegou ao nosso conhecimento que nos leve a concluir que a informação financeira consolidada e individual do período de seis meses findo em 30 de Junho de 2008 referida no parágrafo 1 acima da SONAE COM, S.G.P.S., S.A., não esteja isenta de distorções materialmente relevantes que afectem a sua conformidade com as Normas Internacionais de Relato Financeiro tal como adoptadas pela União Europeia e que, nos termos das definições incluídas nas directrizes mencionadas no parágrafo 5 acima, não seja completa, verdadeira, actual, clara, objectiva e lícita.

Porto, 24 de Julho de 2008



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DELOITTE & ASSOCIADOS, SROC, S.A.  
Representada por Jorge Manuel Araújo de Beja Neves

## SAFE HARBOUR

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

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

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

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[www.sonae.com](http://www.sonae.com)

### Media and Investor Contacts

Isabel Borgas  
Public Relations Manager  
[isabel.borgas@sonae.com](mailto:isabel.borgas@sonae.com)  
Tel: +351 93 100 20 20

António Castro  
Investor Relations Manager  
[antonio.gcastro@sonae.com](mailto:antonio.gcastro@sonae.com)  
Tel: +351 93 100 20 99

**Sonaecom SGPS, SA**  
Rua Henrique Pousão, 432 – 7th floor  
4460-841 Senhora da Hora  
Portugal