

# MANAGEMENT REPORT AND ACCOUNTS – 2008

Many are surprised that we put more emphasis on people than on technology. But we believe that giving people the freedom to communicate whenever they want and wherever they are significantly enhances the quality of their lives and enriches their contribution to the world around them. That's why we always place their needs and aspirations at the heart of our business.

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# 1.0

## **Our year**

The strength of our performance during this turbulent year underlines the resilience of the people-first strategy and values that define our business. Despite unprecedented global and domestic pressures, we accelerated investment in our brands, our networks – and, above all, in the quality of service to our customers.

## 1.1 Group at a glance

Sonaecom's ambition is to be Portugal's best communications service provider. Its portfolio comprises three main business units: Telecommunications (mobile and wireline), Software and System Information Services ('SSI') and Media. Its defining strengths lie in its ambition, innovation, marketing skills and execution together with its proprietary telecommunications infrastructure and ability to understand and exceed customers' expectations.

### 1.1.1 About Sonaecom

#### Our mission

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

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

### 1.1.2 Our values

#### Customer centric

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

#### Innovation

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

#### Social responsibility

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

#### People oriented

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

#### Value driven

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

#### Ambition

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

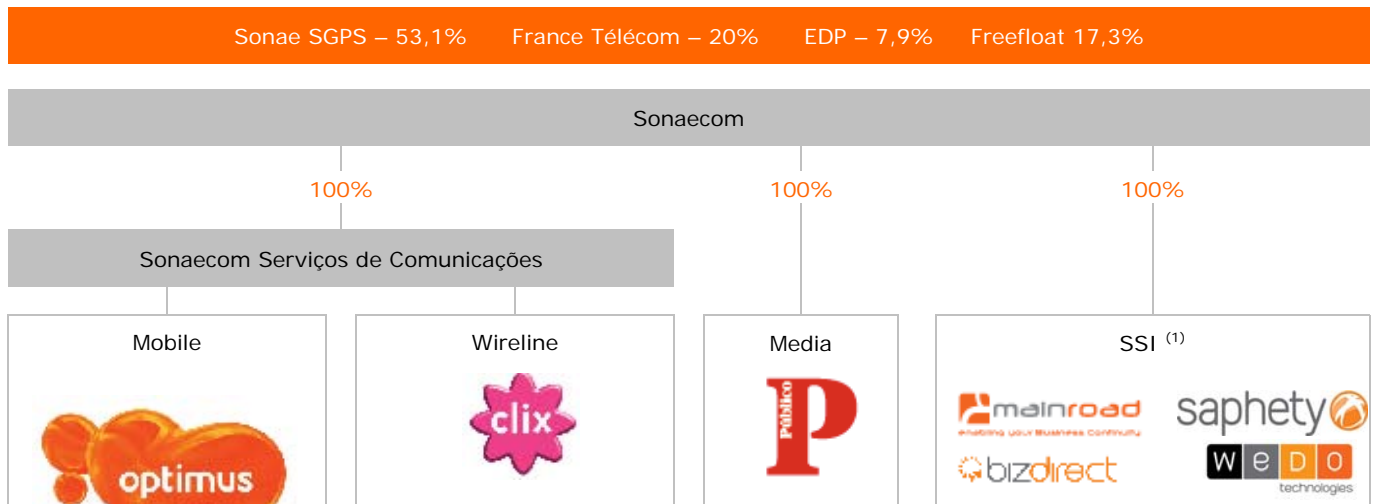
### 1.1.3 Structure and corporate profile

Sonaecom is an operating holding company that controls and actively manages a portfolio of companies, divided into three main business units: Telco (mobile and wireline), SSI and Media. Sonaecom has two main reference shareholders, Sonae SGPS and France Telecom, both providing significant strategic support to the business. Sonaecom is currently one of the largest communication traffic generators in Portugal, based on a proprietary national telecommunications infrastructure.

## 1.1 Group at a glance (continued)

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

### Sonaecom's simplified structure



(1) Software and systems information

### Mobile communication services

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

Until 2007, Optimus Telecomunicações, S.A. was the subsidiary that carried out our mobile communications activities. During 2007, this entity was merged into Novis Telecom, S.A. (our previous wireline subsidiary) and the new company adopted the name of Sonaecom – Serviços de Comunicações, S.A.

Optimus offers a broad range of mobile communications services to residential, SME (Small and Medium Enterprises) and corporate customers in Portugal, including traditional voice, data, a large range of mobile solutions and roaming services, as well as wholesale services to third parties. With its innovative, convergent fixed-mobile substitution product Optimus Home, its leading mobile broadband product Kanguru and its low-cost offer brand Rede4, Optimus has further consolidated its position in the Portuguese market. It had 3.2 million subscribers and a market share of around 20%, at the end of 2008.

### Wireline communication services

Sonaecom's residential wireline activities are carried out under the brand Clix (residential market) and Optimus (corporate and SME markets). During 2008, the Optimus brand was extended to the wireline corporate and SME offers and was adopted as the 'umbrella' brand for all telco businesses.

Wireline operations were launched after the liberalisation of the market in Portugal in 2000 and Novis Telecom, S.A. was, until 2007, the subsidiary that carried out our activities in this segment. As mentioned above, during 2007, Novis was merged with Optimus Telecomunicações, S.A. and adopted the name of Sonaecom – Serviços de Comunicações, S.A.

We have consistently strengthened our position as the leading altnet operator in Portugal, providing voice and internet services to its residential, SME and corporate customers, as well as providing voice and data capacity and connectivity services to telecommunications operators around the globe. During 2007, we further strengthened our wireline services with the acquisitions of Tele2 Portugal and the residential and SOHO customer base of one of our competitors (Oni).

### Media

Sonaecom's presence in the Media sector is carried out through its subsidiary Público, a reference daily newspaper in Portugal launched in 1992. The newspaper ranks third in terms of audience share, reaching, at the end of 2008, approximately 4.5% of the addressable market, and also third in share of advertising (13.2%, until December 2008). During 2008, among several commercial initiatives implemented in the year, Público introduced new contents in its weekly Economy supplement; (ii) launched a new, redesigned Sunday magazine ('Pública'), which now carries a completely revised content; and (iii) launched,

## 1.1 Group at a glance (continued)

in partnership with Optimus, an access to an iPhone optimised version of Público on-line (especially designed for iPhone users).

### Software and system information services

These activities are carried out by our SSI division. Created at the end of 2002, today its portfolio comprises four main companies: WeDo, Bizdirect, Mainroad and Saphety.

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

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

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

Saphety, a company carved out from our wireline operations in 2006, is a provider of trusted services, such as electronic invoice and secure messaging on B2B transactions.

At the end of 2008, Bizdirect's business portfolio was restructured. Taking into account the high complementarities between Saphety and the B2B unit of Bizdirect, the shareholders of the company (Sonaecom, BPI and AITEC) decided to integrate this business line into Saphety. As such, in light of the very positive recent evolution of the BizProducts business unit (mostly dedicated to equipment sales) and of its future growth prospects, the shareholders decided to concentrate Bizdirect in this specific area.

Additionally, SSI has a minority (11.5%) participation in Altitude Software, a leading independent contact centre vendor, with a wide international customer base and with a local presence in 18 different countries.

### 1.1.4 Competitive strengths

Since the incorporation of Sonaecom and the launch of our various businesses, we have surprised the market with new products and services, better segmentation, significant operational gains, continuous improvements and exploitation of synergies between our businesses.

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

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

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

## 1.1 Group at a glance (continued)

The search for operational efficiency, process improvement and cost-effective synergies led to an integrated management and an organisational structure that includes a highly developed shared services division and integrated customer service, IT/IS platform and Technical (Network) team. When implementing this strategy, our objectives have been to maximise our ability to develop new business opportunities, encourage product development and promote cross-marketing opportunities between our mobile and fixed businesses.



## 1.1 Group at a glance (continued)

Sonaecom's organisational structure and headcount as at 31 December 2008

<b>Corporate centre - 43</b> Senior Management, Corporate finance, Internal Audit, Investor Relations Planning and Control, Legal		
<b>Shared services – 138</b> Financial and accounting, Human Resources, Public Relations, Regulation, Environment, Facilities		
<b>Integrated services - 603</b> Customer Service, IT/IS, Technical (Network)		
Telco – 442	Media – 267	SSI – 475

Furthermore, Sonaecom aims to implement a fully integrated multi-service network, for both the mobile and wireline businesses, to enhance network capacity and flexibility while minimising operational costs. During 2008, further significant steps were taken towards the convergence of networks (see 'Our Network' section).

## 1.1 Group at a glance (continued)

### 1.1.5 Main events 2008

Key corporate developments	2008	Key market developments
	◀ Jan ▶	Relaunch of Optimus brand
Announcement of three-year FTTH deployment plan	◀ Feb ▶	
	◀ Mar ▶	Launch of TAG, an innovative multi-platform offer aimed at the youth market
	◀ Apr ▶	
	◀ May ▶	Optimus launches an innovative PC + Broadband offer in the market
	◀ Jun ▶	
Enlargement of Board of Directors to 12 members through the appointment of Franck Dangeard	◀ Jul ▶	Adoption of Optimus brand for all corporate and SME offers (both mobile and wireline)
	◀ Aug ▶	
	◀ Sep ▶	Clix launches the first commercial fibre offers in Portugal
Renewal of the Strategic Partnership Agreement with France Télécom	◀ Oct ▶	
	◀ Nov ▶	
Completion of a EUR 100m securitisation transaction (future receivables)	◀ Dec ▶	Clix improves video quality in its IPTV services and introduces second HD channel

## 1.2 Key figures

The Consolidated Financial Information contained in this report is based on Financial Statements that have been prepared in accordance with International Financial Reporting Standards ('IAS/IFRS') issued by the International Accounting Standards Board ('IASB'), as adopted by the European Union.

The 2006 and 2007 full year results include costs associated with the public tender offer for Portugal Telecom. To isolate these non-recurrent costs from the operational performance of the year, 2006 and 2007 figures have been restated for comparative purposes. All comparisons, when stated, are made on this 'like-for-like' or restated basis.

Million euros	2008	2007	Year on year
<b>Consolidated income statement</b>			
<b>Turnover</b>	<b>976.2</b>	892.7	9.4%
Mobile	<b>629.1</b>	619.4	1.6%
Wireline	<b>291.4</b>	255.4	14.1%
Público	<b>32.4</b>	33.2	(2.2%)
SSI	<b>120.1</b>	79.5	51.1%
<b>EBITDA</b>	<b>160.4</b>	162.0	(1.0%)
Mobile	<b>142.4</b>	153.7	(7.3%)
Wireline	<b>14.0</b>	9.8	43.8%
Público	<b>(3.2)</b>	(3.3)	1.5%
SSI	<b>7.1</b>	4.6	55.3%
EBITDA margin (%)	<b>16.4%</b>	18.1%	(1.7pp)
EBIT	<b>2.8</b>	22.0	(87.2%)
Net financial results	<b>(17.8)</b>	(21.5)	17.3%
EBT	<b>(15.0)</b>	0.5	-
Net results group share <sup>(1)</sup>	<b>5.0</b>	36.8	(86.4%)
<b>CAPEX and levered free cash flow</b>			
Operating CAPEX <sup>(2)</sup>	<b>192.1</b>	162.8	18.0%
Operating CAPEX as % of turnover	<b>19.7%</b>	18.2%	1.4pp
EBITDA – operating CAPEX	<b>(31.7)</b>	(0.8)	-
Total CAPEX	<b>289.7</b>	235.8	22.8%
Operating cash flow <sup>(3)</sup>	<b>(59.5)</b>	55.5	-
Levered FCF <sup>(4)</sup>	<b>14.1</b>	59.6	(76.4%)
<b>Consolidated balance sheet</b>			
Total net assets	<b>1,973.4</b>	1,758.6	12.2%
Tangible and intangible assets	<b>858.6</b>	722.6	18.8%
Liquidity	<b>105.7</b>	83.9	26.1%
Shareholders' funds	<b>929.0</b>	935.4	(0.7%)
Minority interests	<b>0.5</b>	0.9	(47.7%)
Gross debt	<b>405.5</b>	393.7	3.0%
Net debt	<b>299.7</b>	309.8	(3.3%)
Net debt/ EBITDA last 12 months	<b>1.9x</b>	1.9 x	-
Debt/(debt + shareholders' funds)	<b>30.4%</b>	29.6%	0.8pp

### Key operating data – mobile

## 1.2 Key figures (continued)

Million euros	2008	2007	Year on year
Customers (EOP) ('000)	<b>3,191.6</b>	2,893.5	10.3%
Net additions ('000)	<b>298.1</b>	291.6	2.2%
Data as % service revenues	<b>22.5%</b>	17.7%	4.8pp
MOU <sup>(5)</sup> (min.)	<b>128.4</b>	118.1	8.7%
ARPU (euros)	<b>16.8</b>	18.2	(7.6%)
% pre-paid customers	<b>69.9%</b>	73.1%	(3.3pp)
<b>Key operating data – wireline</b>			
Total accesses (EOP)	<b>592,900</b>	775,623	(23.6%)
Direct accesses	<b>455,027</b>	470,673	(3.3%)
Direct access as % customer revenues	<b>71.4%</b>	70.1%	1.3pp
Average revenue per access (retail) <sup>(6)</sup>	<b>21.5</b>	23.1	(6.7%)
Unbundled central offices with ADSL2+	<b>166</b>	161	3.1%
<b>Sonaecom operating data</b>			
Employees	<b>1,968</b>	1,961	0.4%
Turnover/employee ('000 euros)	<b>496</b>	455	9.0%
EBITDA/employee ('000 euros)	<b>81</b>	83	(1.3%)

(1) Net results after minority interests.

(2) Operating CAPEX excludes financial investments and provisions for sites dismantling and other non-operational investments.

(3) Operating cash flow = EBITDA – Operating CAPEX – Change in WC – Non-cash items and other.

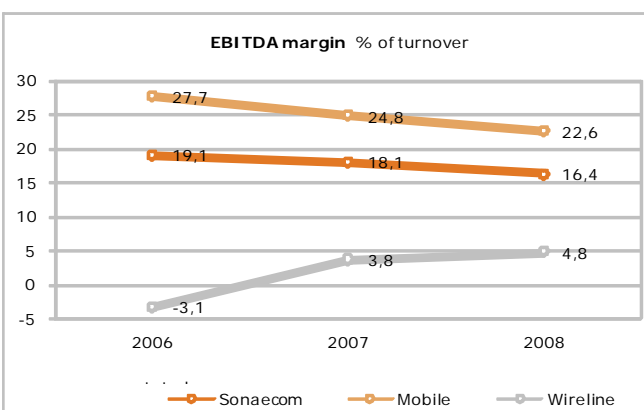
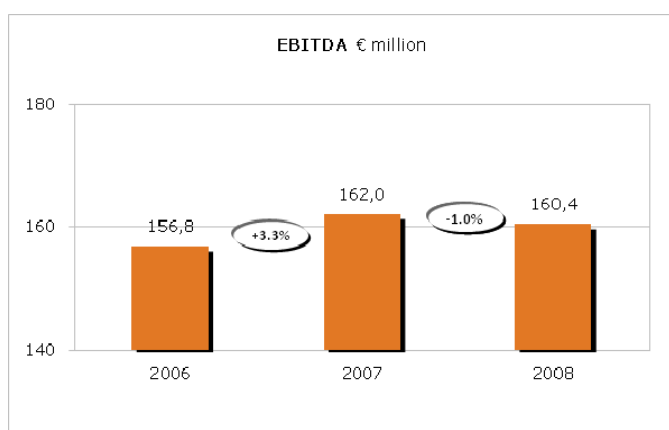
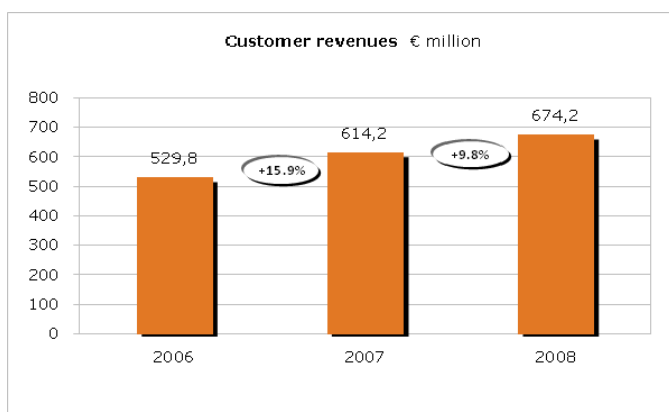
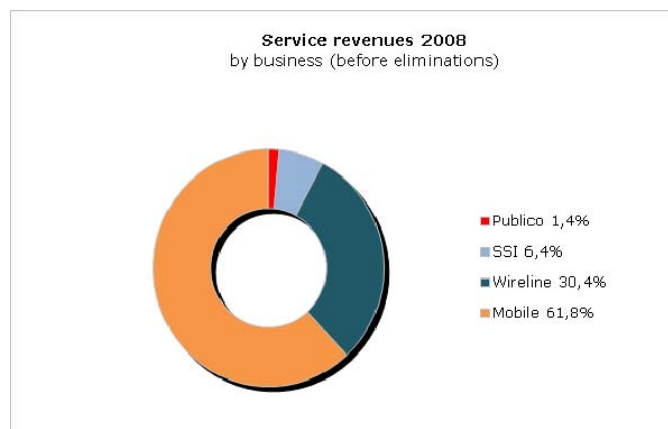
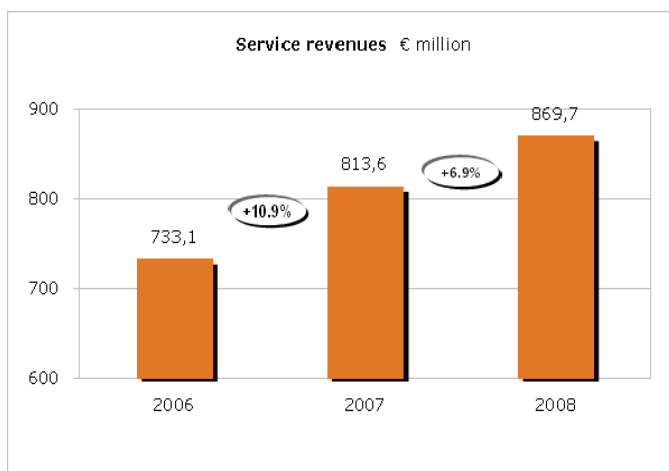
(4) FCF Levered after financial expenses but before capital flows and raising finance related up-front costs.

(5) Minutes of use per customer (including 'Optimus home').

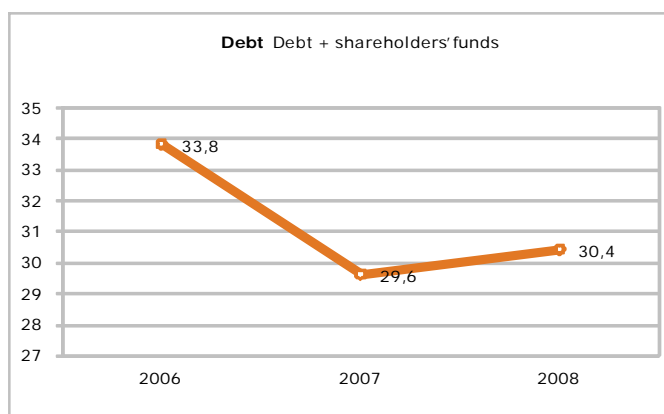
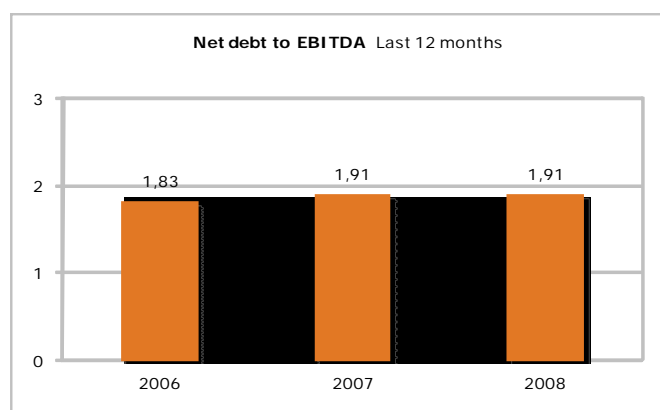
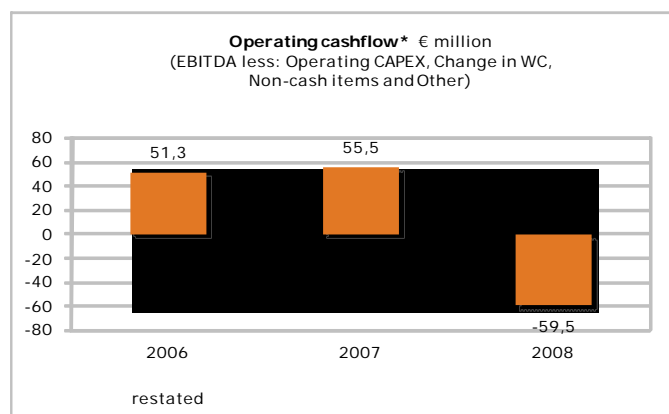
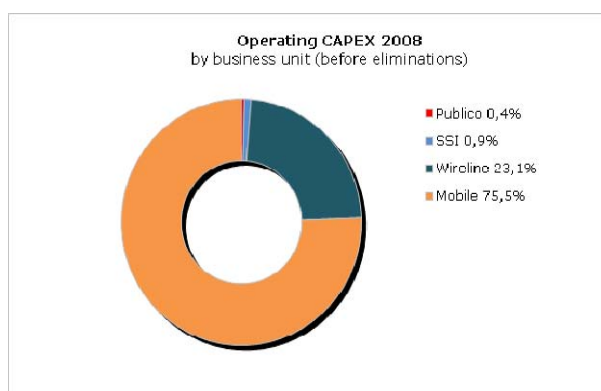
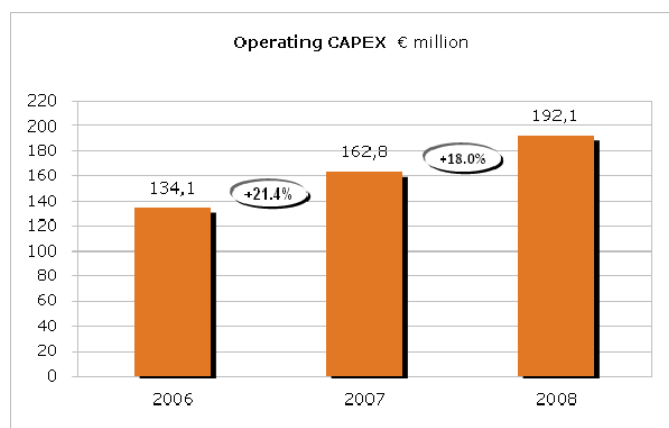
(6) Excluding mass calling services' revenues.

## 1.2 Key figures (continued)

### Group highlights



## 1.2 Key figures (continued)



## 1.3 CEO's message

2008 was a positive year for Sonaecom. We achieved the more important operational objectives that we had set ourselves at the beginning of the year particularly in respect of the reinvigoration of our brands, the extension of coverage and capacity and thus quality of our networks, the improvement in customer service through our 'customer-first' initiatives, product innovation (such as TAG), and the initial deployment of our fibre network. We also achieved a strong set of financial results for the full year 2008 despite the global economic downturn and unprecedented competition in the domestic telecoms market.

### Highlights

I would like to emphasise the following headline achievements of the year:

- Significant consolidated top line growth, with turnover up 9.4% to 976 million euros and customer revenue up 9.8% to 674.2 million euros;
- An EBITDA of 160.4 million euros, similar to the level achieved in 2007, despite the highly competitive environment, reductions in roaming in tariffs and the strong investment in marketing & sales;
- Positive Net Results (Group Share) of €5 million;
- Strong investment in our mobile access network and customer service, with operating capital expenditure reaching 192.1 million euros, 18% up on 2007, consistent with our investment plan;
- Solid growth in the mobile sector, with 298 thousand new subscribers taking our total number of mobile customers to 3.2 million (+10.3%);
- Positive customer feedback as the deployment of our fibre to the home ('FTTH') network progressed according to plan including the launch of the first commercial fibre offer in Portugal;
- A strong performance from Software and Systems Information ('SSI'), with record revenues of 120 million euros, 51% up on 2007, and a positive EBITDA margin of 6%; and
- A reinforced capital structure following the completion of a 100 million euros securitisation transaction.

### Setting the context

#### *Macroeconomic and competitive challenges*

It is important to place last year's achievements in context. Throughout 2008, macroeconomic conditions continued to deteriorate sharply worldwide. Contracting credit markets and falling real estate values triggered failures in the global financial system and significant losses in the equity markets.

Inevitably, these factors eroded business and consumer confidence in Portugal and in all world economies. In addition, Portugal's telecommunications sector experienced one of the most competitive years in its history. Price cutting was particularly fierce in the wireline sector, where

our competitors pursued short-term growth at the expense of long-term value and sustainable profitability.

### Our achievements

Despite such a challenging macroeconomic and competitive environment, we succeeded in meeting the strategic objectives that we set ourselves at the beginning of the year. Designed to sharpen our competitive edge and nurture sustainable growth, our strategy involved accelerating our investments across the business starting with an ambitious investment programme in our brands and extended to the reinforcement of the coverage and capacity of our networks and of our distribution channels, the successful deployment of our fibre to the home ('FTTH') network and, above all, intensive investment in customer service. Alongside these achievements, SSI made good progress particularly with WeDo successfully integrating the acquisitions made during 2007 while achieving record revenue growth.

### *Telco business*

#### *Mobile*

The performance of our mobile business provides compelling proof that our efforts and investments are translating into positive customer growth. Despite the challenging market conditions, we grew our customer numbers by 10.3% with 298 thousand net additions and increased our customer revenues by 3.8%. This growth was shared across our mobile business, particularly the residential mass market segment and mobile broadband segment.

#### *Wireline*

Our wireline ULL business faced unprecedented competition during 2008 with pricing tensions across the sector, eroding long-term value and sustainable profitability. We responded by concentrating on minimising churn, protecting margin and giving our existing customers the best possible service and value. In the face of unfavourable and volatile market dynamics, our wireline business still generated a margin of 4.8% and a positive EBITDA of 14 million euros, up 43.8% on 2007.

The deployment of our fibre to the home ('FTTH') network was among the year's most important developments. It has already enabled us to launch Portugal's first fibre commercial offer and subsequent positive customer feedback indicates that this asset is set to play an important role in driving future broadband growth.

## 1.3 CEO's message (continued)

### Software and Systems Information

Following the successful integration of WeDo's acquisitions made during 2007, the performance of SSI was another success story. As well as WeDo Technologies, the SSI portfolio includes Mainroad, Bizdirect, and Saphety. Driven by rising service revenues and equipment sales, their combined turnover grew by 51% while its EBITDA result was up 55% against 2007.

### Media

Despite falling circulation figures across the printed newspaper sector, Público's performance in terms of audience indicators showed an increase in the total number of readers, with Público ranking third among daily paid generalist and showing more resilience in the numbers of total readers when compared to its main competitors. Even though advertising revenue contracted by 5.7%, Público was able to increase newspaper sales by 1.8% and reduce EBITDA losses versus 2007 by 1.5%.

### Putting customers first

Putting our customers at the heart of our business remains one of our principal strategic objectives. During 2008, we made measurable progress towards meeting this objective with a series of important initiatives.

These included the reorganisation of our call centres to create a closer connection between the services we offer and the customers who buy them; the integration of the marketing and commercial teams from our recently-merged wireline and mobile businesses; uniting these businesses under the Optimus brand; and improving the coverage, capacity and sound quality of our GSM and 3G networks.

With the emphasis on exceeding our customers' expectations, we also launched two notable innovations: the Optimus concept store in Porto's Casa da Música that offers customers first hand interaction with our full range of products and services; and TAG, an exciting new multiplatform mobile service offering unlimited communications tailored specifically for the dynamic youth market.

The quality and professionalism of our customer service won us several prestigious awards, including Best National Contact Centre from the Portuguese Association of Contact Centres; and a Quality of Service award from IFE Portugal in collaboration with *Call Centre* magazine.

### Corporate responsibility

The principles of corporate responsibility and sustainable development are embedded in Sonaecom's corporate DNA. In line with our people-centric philosophy, we are committed to serving the communities we work in and the environment we share.

With invaluable input from our community stakeholders, we re-launched our 'Smile' programme to speed the transfer of vital business skills from the corporate sector into the voluntary and community sectors.

We are equally committed to helping our own people fulfil their personal and professional potential. To this end, we continued to invest extensively in their training.

Meanwhile, we are taking further steps towards minimising our impact on the environment by launching a study to quantify our carbon footprint. And looking beyond our own business, we were among the businesses that sponsored a regional follow-up to the Climate Group's SMART 2020 international report on creating a global low-carbon economy.

### Looking ahead

- Our capital structure, enhanced by the 100 million euro securitisation transaction at the end of 2008, has given us the financial capacity to continue delivering our strategy despite constraints in the financial markets. However, we may have to adjust the rate of implementation of our investment strategy as we continually assess the impacts the financial and economic crisis has on our businesses;
- Building on solid foundations established during 2008, our mobile business will continue to push for growth through innovative products/services combined with an uncompromising focus on our customer's needs;
- We will strive to identify and unlock competitive advantages created by the integration of our wireline and mobile businesses, spearheading the development of convergent products/services for the residential and corporate markets;
- We will look to manage churn and protect margins of our residential ULL business and will monitor any regulatory and market developments that might impact on our residential ULL services to assess future opportunities;
- We will build on SSI's solid performance during 2008 by pushing for more growth at home and abroad;
- Público is likely to endure another challenging year. To offset the forecast drop in general advertising investment and circulation, we will continue to explore brand extension opportunities, expand the newspaper's on-line presence, focus on expanding circulation and rationalise costs wherever possible.



## 1.3 CEO's message (continued)

### Final Note

Finally, I would like to state that, in the face of significant challenges during 2008, the organisation has once again demonstrated a remarkable resilience, flexibility and energy, and credit should be given to our people for their competence, determination, commitment and combative spirit. I am confident that we are strongly positioned to face the challenges ahead and achieve our objectives for 2009 and beyond.

Angelo Paupério, CEO, Sonaecom

March 2009

## 1.4 Corporate developments in 2008

These were the main corporate developments during 2008.

### Fibre Plan Announcement

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

Sonaecom further announced that it would invest 240 million euros during a three-year period in developing this Next Generation Network, which will allow coverage of over 1 million homes and approximately 25% of the Portuguese population.

### AGM held on 16 April 2008

At the Shareholders' General Meeting held on 16 April 2008, the following proposals, amongst others, were approved by the shareholders of Sonaecom:

- Approval of the Full Year Management Report and Individual and Consolidated Accounts of Sonaecom, SGPS, SA for the year ended 31 December 2007, including the proposal for appropriation of the Net Results for 2007, as presented;
- Appointment of the following members to the statutory governing bodies of Sonaecom, SGPS, S.A., for the mandate beginning in 2008 and ending in 2011:

#### 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

#### Statutory Audit Board

Arlindo Dias Duarte Silva (Chairman)  
Armando Luís Vieira de Magalhães  
Óscar José Alçada da Quinta  
Substitute: Jorge Manuel Felizes Morgado

#### Shareholders' Remuneration Committee

SONAE, SGPS, S.A., represented by Duarte Paulo de Azevedo;  
SONTEL, B.V., represented by Bruno Lehmann

- Appointment of the audit firm Deloitte & Associados, SROC, S.A., represented by Jorge Manuel Araújo de Beja Neves or by João Luís Falua Costa da Silva as Statutory External Auditor ('Revisor Oficial de Contas') of Sonaecom, SGPS, SA, for the mandate beginning in 2008 and ending in 2011;
- Change of Sonaecom's shares from book-entry bearer shares to book-entry registered shares and, as a consequence thereof, approval of the corresponding amendments to the Company's Articles of Association;
- Authorisation for Sonaecom SGPS, S.A. or companies which are directly or indirectly controlled (as defined in Article 486 of Portuguese Company Law) to purchase and hold shares issued by Sonaecom, within the limits permitted by law and exclusively for delivery to executive members of the Board of Directors and employees, under the terms of the Sonaecom Medium Term Incentive Plan.

### EGM held on 2 July 2008

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

- 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 12 members;
- To increase the maximum number of members of the Board of Directors from 11 to 12 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);
- 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.

### Transfer of Qualifying Shareholding

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

### Renewal of Strategic Partnership Agreement with France Télécom

On 24 October 2008, Sonaecom reached an agreement with France Télécom, S.A. regarding the extension, for an

## 1.4 Corporate developments in 2008 (continued)

additional period of three years, of the Strategic Partnership Agreement (SPA) initially signed in June 2005. The agreement foresees the continued cooperation between both parties in the following key areas: equipment and handset procurement, access to multimedia content and services, roaming, interconnection and network services.

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

### Acquisition of own shares

From 23 June to 3 November 2008, Sonaecom purchased, through the Euronext Lisbon Stock Exchange, a total of 4,962,090 own shares representing approximately 1.36% of its share capital. The weighted average price of all the purchases referred above stood at 1.78 euros per share.

As at the end of 2008, Sonaecom was the holder of 5,930,643 own shares, representing approximately 1.62% of its share capital.

### Securitisation Transaction

The subsidiary Sonaecom – Serviços de Comunicações, S.A. (our operating Telco company) completed, on 30 December 2008, a securitisation transaction in the amount of approximately 100 million euros, under which it has assigned to TAGUS – Sociedade de Titularização de Créditos, S.A. ('Tagus') future receivables to be generated under a portfolio of existing "Corporate" customer contracts.

Future receivables in the amount required for Tagus to perform payments of quarter interest and principal instalments due to bondholders and payments to other creditors of this transaction shall be allocated by Sonaecom – Serviços de Comunicações, S.A. throughout the calendar years of 2009/2013.

The completion of this transaction generated an increase in the funds available at the Sonaecom consolidated level and the corresponding proceeds will be used, together with the other available financing sources, for general corporate purposes. The transaction did not determine any change in the accounting treatment of the underlying receivables or in the relationship with the respective customers.

### Merger of Telemilénio with Sonaecom - Serviços de Comunicações

Telemilénio Telecomunicações, Sociedade Unipessoal, Lda. (former 'Tele2 Portugal') was merged in operational terms into Sonaecom – Serviços de Comunicações, S.A. This process is aimed at assuring both the quality of service and the possibility to provide all existing Sonaecom functionalities and services to previous Tele2 customers and

has finally eliminated all the hurdles, namely in terms of network, that have delayed the achievement of the expected synergies during part of 2008. The merger became effective for accounting purposes from 2 January 2009.

## 1.5 Proposal for the application of results

As at 31 December 2008, Sonaecom's Consolidated Accounts presented a positive net result of 4,998,142 euros and the Individual Accounts a positive net result of 19,657,889 euros. The Board of Directors proposes that the net results in the Individual Accounts are transferred to legal reserves, in the amount of 982,894 euros, to accumulated results, in the amount of 7,402,356 euros, and the remainder, in the amount of 11,272,639 euros, to other reserves.

## 1.6 Acknowledgements

Sonaecom would like to thank its Statutory External Auditor for the valuable advice and help given during 2008 and its Statutory Audit Board for the close monitoring of our business.

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

Sonaecom's Executive Committee would like to thank the Non-Executive Directors for another year of hard work and valuable advice.

Finally, Sonaecom expresses its gratitude to all its employees who constitute the most valuable resource of the Company and who have, once again, demonstrated during 2008 a remarkable resilience, flexibility and innovative spirit, decisively contributing to Sonaecom's success and achievements in the year.

## 1.7 Subsequent events

N.A.

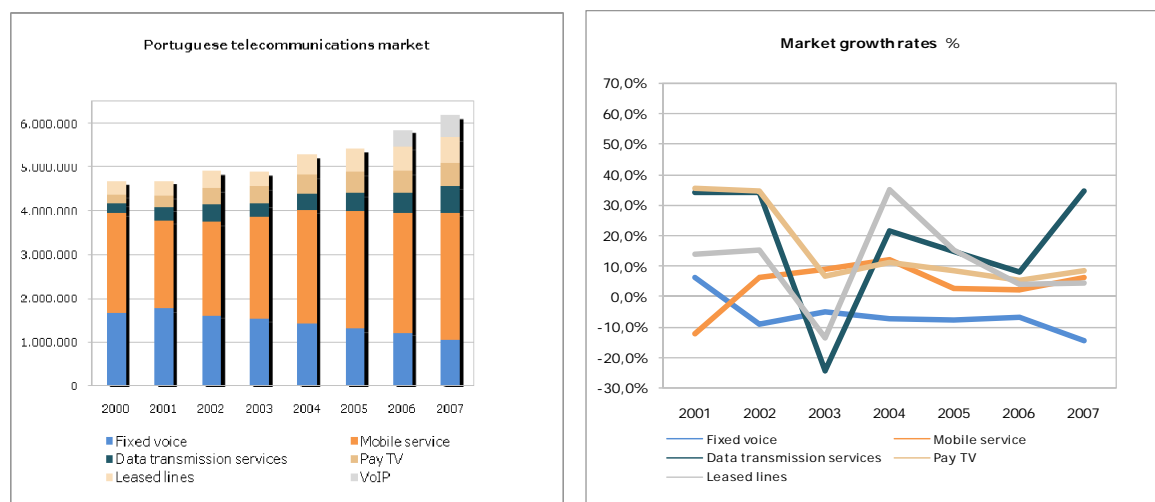
# 2.0

## **Our business**

While investing heavily in our brands and infrastructure throughout 2008, we also made significant progress towards achieving our top strategic objective: placing our customers at the heart of our business. The quality and professionalism of our customer service won us several prestigious awards, including Best National Contact Centre from the Portuguese Association of Contact Centres.

## 2.1 The Portuguese telecoms market

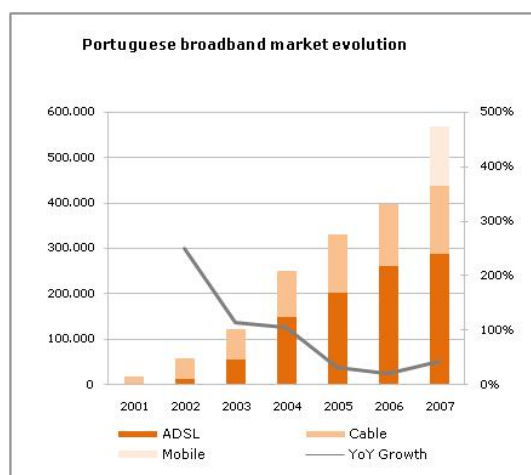
According to Anacom, the value of the Portuguese telecom market was 6.18 billion euros in 2007 (the latest available data), representing an increase of 5.4% over the previous year<sup>1</sup>. The weight of the telecommunications sector on the national GDP has decreased at a stable rate of 0.2pp over the last three years, reaching 4.5% of total GDP in 2007. The decreasing trend also applies to the weight of the sector on national employment, with a total contribution of 0.25% in 2007.



Although the total telecoms market has been growing significantly, the trend is not consistent across all types of services. Of the total 6.18 billion euros generated in 2007, 47.2% was related to mobile services (a 0.3pp increase from 2006), 16.9% to fixed voice (a decrease of 3.9pp from 2006), leased lines accounted for 9.3% (0.1pp decrease from 2006), data transmission services – which includes narrow/broadband, cable and mobile internet access and other data services/legacy technologies – accounted for 9.9% of the market (an increase of 2.1pp from 2006), Pay-TV accounted for 8.7% (an increase of 0.2pp from 2006), and VoIP services accounted for 8.0% of the overall market (an increase of 1.3pp from 2006).

Data transmission services continue to post one of the most interesting and sustained growth rates within the Portuguese telecommunications market in the past few years. This trend is largely supported by two internet access technologies: ADSL and mobile internet access. Notwithstanding this growth, according to 2007 data, and comparing to the EU15, Portugal registered one of the lowest increases in wireline broadband penetration (Portugal registered a year-on-year increase of 16pp versus a 24pp average growth in OECD countries).

### Broadband market – revenues evolution (Cable+ADSL+Mobile)



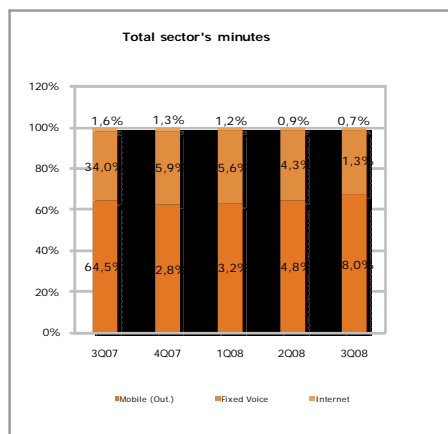
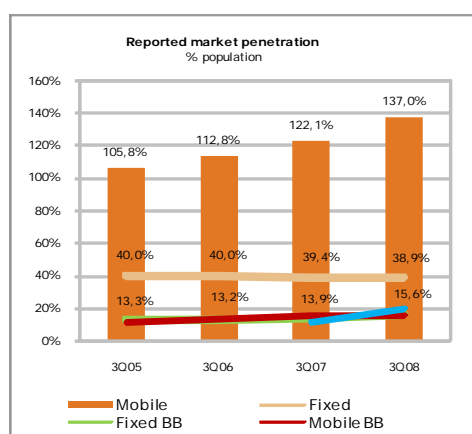
<sup>1</sup> ANACOM has restated market figures from 2003 onwards. All figures in this section are the updated values.



## 2.1 The Portuguese telecoms market (continued)

Based on Anacom's latest market data, as at 3Q08 mobile market penetration in Portugal stood at 137% (from 122.1% at the end of 2006), above the EU27 average of 118% (October 2007 figure). This level was partly driven by dual SIM-card ownership, machine-to-machine usage and mobile broadband. In 3Q08, wireline internet broadband penetration reached 15.1% of the market compared to 14.8% at the end of 2007. Due to the launch of mobile broadband offers, where Optimus was the pioneer with the launch of Kanguru, mobile broadband active users reached 19.8% of the population in the same period, while wireline penetration decreased slightly to 38.9% (-0.5pp from 3Q07). In addition, it is worth noting that in September 2008 cable penetration (cable subscribers/population) presented an year-on-year increase of 1.7pp, achieving a penetration rate of 15.6%.

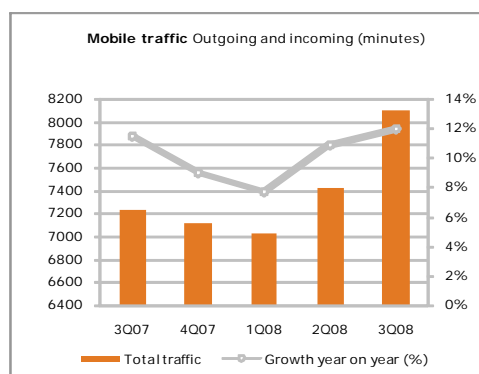
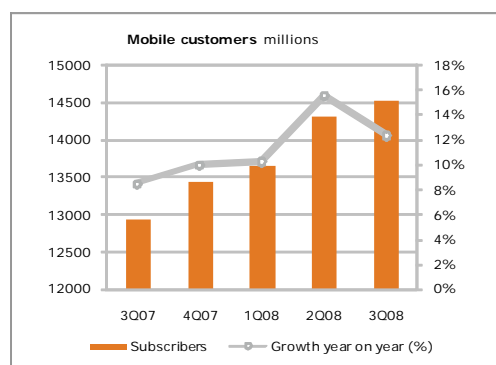
During the first nine months of 2008, the telecommunications sector generated an average of 5.45 billion minutes per quarter, representing an increase of 4.67% compared to the previous year. This was driven by the growth in mobile minutes (outgoing) of 10.7%, which more than compensated for the decrease of 2.3% of wireline voice traffic and 53% decrease in internet narrowband traffic.



### Mobile market

In the 12-month period to September 2008, total mobile subscribers increased by 12.4%. This was driven not only by growth in pre-paid customers (+7.5%), but mainly by the high growth in post-paid subscribers (29.9%). At 3Q08, post-paid subscribers represented 25.2% of total subscribers in the market, compared to 24.6% in the previous year. During that same 12 month period, the total volume of mobile traffic, expressed in minutes, increased by 11.9%, with SMS usage continuing to grow above voice traffic and registering a 21.4% rise when compared with the same period in 2007. Multimedia messages service also increased 83.5% when comparing to September 2007, although total traffic related to this service is still limited. The number and volume in minutes of video calls also increased considerably, by 61.4% and 307.7%, respectively, over the same period.

Voice traffic associated to roaming-in and roaming-out presented year-on-year increases of 10.4% and 7.7%, respectively, continuing the positive trend albeit at a slower pace.



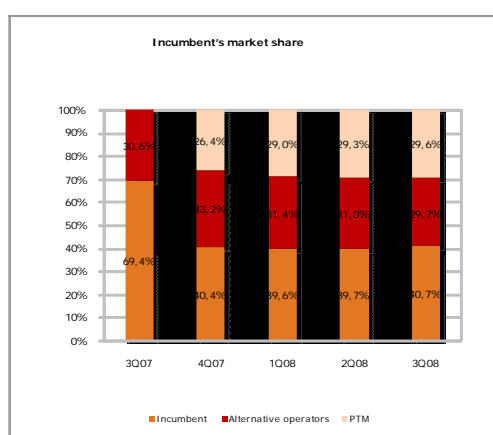
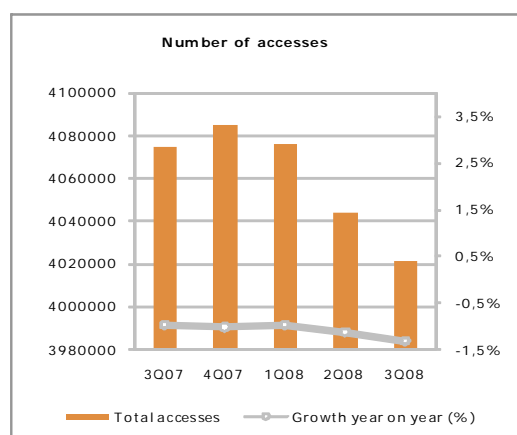
## 2.1 The Portuguese telecoms market (continued)

### Wireline market

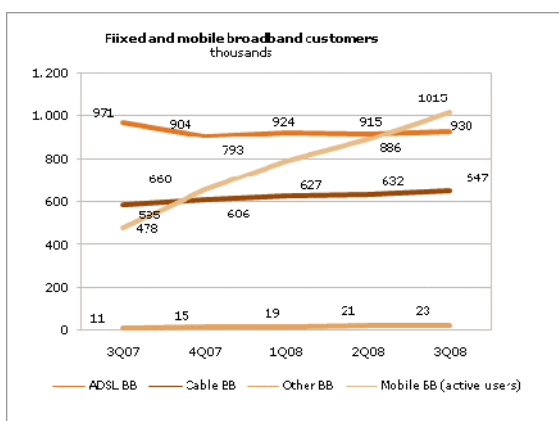
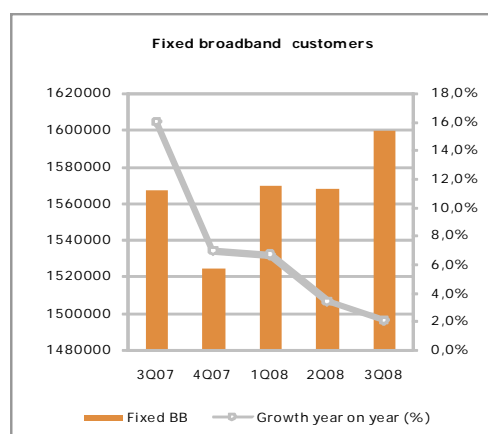
In the 12-month period to September 2008, the total number of wireline accesses installed decreased by 1.3% to 4.021 million accesses due to the decrease of voice-only lines (-13.2%), notwithstanding the strong growth in wireline accesses based on GSM technology (+20.2%). In the same period, wireline traffic decreased by 5.8% in terms of number of calls and 2.4% in terms of voice traffic in minutes. This was a result of: (i) continued migration of narrowband customers to internet Broadband solutions (ADSL, Cable and Mobile), which translated to a 51.5% reduction in narrowband traffic, compared to the same period in 2007; and (ii) fixed-to-mobile substitution, demonstrated by the fact that total voice traffic in the sector continues to increase.

During 2008, alternative wireline operators continued to gain market share against the incumbent. At the end of 3Q08, alternative operators accounted for 33.9% of the total Portuguese voice traffic expressed in minutes (from 33.6% in the comparable period of 2007) and achieved, approximately 31% of total direct accesses (from 28.6% in 3Q07). This evolution represented a market share gain of approximately 13.1%. Although the incumbent still has a dominant position in these markets, the continued growth of fixed accesses based on GSM technology has mostly determined these changes in the wireline market in Portugal.

With respect to internet customers, in the 12 months to 30 September 2008, fixed broadband users grew by 2.6%, to more than 1.64 million, mainly driven by the cable modem customer growth of 10.5%, which has more than offset the 3.5% decrease of ADSL customers. As at 3Q08, the fixed broadband market comprised ADSL accesses, which accounted for 58.1% of the total (from 58.3% one year before), cable accesses representing 40.4% (from 40.3% in 3Q07) and other accesses accounting for 1.5%. As regards market shares amongst operators, at the end of 3Q08, the fixed broadband market was mostly divided between PT (with 40.7% of market share) and Zon (with 29.6%). The remaining operators, in aggregate (including other cable), have a market share of 29.7% (30.6% in Sept 2007).



The substantial growth of mobile broadband penetration (year-on-year growth of 112.4% in 3Q08, to a total of 1.01 million active users) may have, in part, led to the slower growth of fixed broadband (year-on-year growth of only 2.1%, to a total of 1.59 million users).

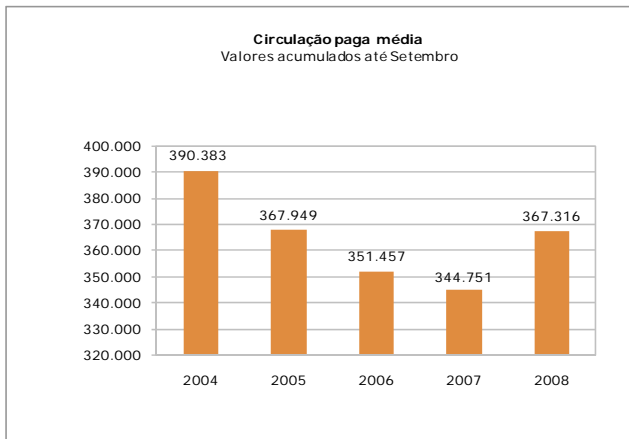


## 2.1 The Portuguese telecoms market (continued)

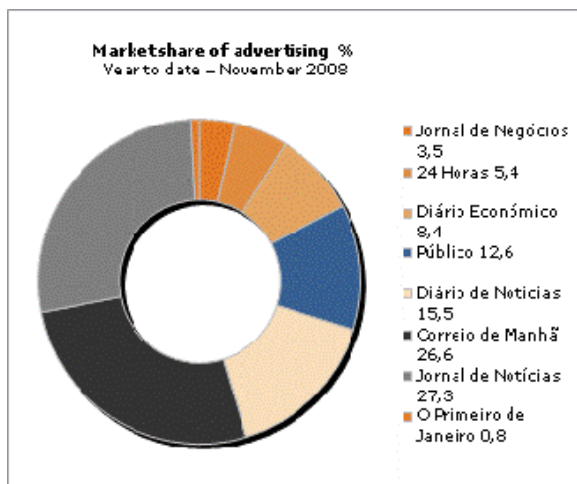
### Media

According to the latest data available (3Q08), the daily generalist paid press has increased its average paid circulation, marking the end of a downward trend that lasted for three consecutive years. Average daily paid circulation in 2008 (January to September) increased by 6.6% compared to the same period in 2007.

During this period, Correio da Manhã's market share fell by 1.5pp, followed by Público, which saw its share of circulation fall 1.0pp to 11.3%. All the other daily titles under analysis either held or, in some cases, increased their market share.



As for the advertising market, total advertising spend in the daily press rose by 8.6% for the 11-month period to the end of November 2008. This rise was clearly driven by growth in free newspapers, which more than compensated for the 0.8% decrease in the daily generalist paid advertising market. During the same period, advertising spend in free newspapers increased by around 57%.



Source: Marktest/Media Monitor

## 2.1 The Portuguese telecoms market (continued)

### 2.1.1. Regulatory Environment

The following are some of the more relevant regulatory developments during 2008:

#### 1. Licensing of frequencies in the 450-470 MHz

During 2008, Anacom launched a tender process related to the allocation of frequencies, on a national basis, for the provision of publicly available mobile services in the 450-470 MHz frequency band. The current mobile operators, as well as operators that offer services supported in CDMA450, were excluded from this process. The only contender and designated winner was Rede Nacional de Telecomunicações ('RNT'), a company that is 85% owned by a British company (Telephony Holding) and 15% by Radiomóvel, a Portuguese trunking operator (the terms of the contest limited its participation in the contender to 20%). Sonaecom challenged Anacom's decision, having brought an action in court against the attribution of this license to RNT.

#### 2. Universal service

In February 2008, Anacom launched a public consultation regarding 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. Meanwhile, the launch of a public contest for the designation of universal service provider(s) was announced by Anacom but the precise schedule is yet to be known.

#### 3. Anacom's formal view on the spin-off of Zon Multimédia

Anacom published in 1Q08 its formal view on the spin-off of Zon Multimédia, clarifying that it considers Zon no longer a 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, which was concluded by the end of the year (see summary below).

#### 4. Mobile Termination Rates (MTRs)

Anacom issued in 3Q08 the final decision in relation to the new MTRs, a glide path determining the maximum tariffs applicable from 15 July 2008. The decision envisaged 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.

	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 in Euros

Subsequently, TMN and Vodafone filed an injunction against this decision, aimed at suspending the introduction of terms of the new Anacom deliberation on MTRs. On 22 August 2008, Anacom presented a resolution defending that courts should not accept these injunctions. Accordingly, it was the understanding of Anacom that new MTRs, deliberated in July 2008 and that foresee the introduction of a 20% asymmetry in favour of Sonaecom, would become effective as from 23 August 2008.

#### 5. Next Generation Networks

Anacom launched a public consultation on the subject of Next Generation Networks ('NGNs'). The Regulator has asked for comments in respect of 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 ended on 1 August and Sonaecom expected that the subsequent regulatory guidelines for the deployment of NGNs in Portugal would be released until October 2008. These expectations have not been met.

It should also be noted that the Portuguese Government released a resolution of the Council of Ministries held on 30 July 2008, defining certain guidelines for the development of NGNs in Portugal and defining, as a strategic priority for the country, the investments in these networks. Within this scope, the Government defined concrete objectives to be achieved in 2010, among which was the goal to connect, by 2010, 1 million people to these new networks. It has also asked the regulator to analyse the geographic segmentation of the market and to develop a regulatory framework which, while incentivising the investments in the Portuguese economy, guarantees the sustainability of the market competition. Finally, the government

## 2.1 The Portuguese telecoms market (continued)

also announced that it would include, within the scope of the 2009 Public Budget, measures aimed at promoting the investment in NGNs in remote or less populated areas, and new legislation aimed at solving the main bottlenecks identified in relation with NGNs is currently being discussed.

### 6. Number Portability

As a result of several problems wireline operators were facing in relation to the number portability process, Sonaecom requested during 2Q08 an urgent intervention from Anacom, so as to ensure that: (i) the incumbent fulfilled 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 more efficient number portability as well as a simplification of the process required for customers to migrate from one operator to another, thus promoting competition in the market. A public consultation regarding the change of the portability regulation was launched in 4Q08, which has only partially accommodated Sonaecom's concerns. The new portability regulation was already published.

### 7. Proposals to amend the EC Roaming Directive

The European Commission announced during the 3Q08 new proposals to amend the roaming regulation, which included: (i) the extension to Short Messaging Services (with a definition of maximum retail and wholesale services at 0.11 euros and 0.04 euros, respectively); (ii) increased transparency and regulation over wholesale data services (€1/MB); (iii) the extension until 2012 of the regulation over roaming tariffs (voice services); and (iv) the introduction, from 1 July 2009, of per second billing on roaming calls.

The EU Council of Ministries approved on 27 November 2008, a generic orientation on the proposed extension, to 2012, of the roaming regulation and of its enlargement to SMS and usage of data services when roaming within EU countries. Member States have generally accepted the proposals of the European Commission. The text approved by the Ministries foresees that, from 1 July 2009, the maximum price per message of an intra-EU SMS is set at 0.11 euros (excluding VAT).

In addition, the Council backed the proposed extension of the validity of the Eurotariff, applicable on intra-EU voice calls on roaming, for an additional period of three years, as well as a progressive reduction until 2012 of the maximum amount to be charged (from the current 0.46 euros to 0.34 euros, in the case of calls made, and from 0.22 euros to 0.10 euros in the case of received calls).

The European Parliament is now expected to decide on this matter by the end of April 2009.

### 8. Analysis of markets 4 and 5 (Shared Access e Wholesale Broadband markets)

At the beginning of December 2008, Anacom submitted its analysis of the Shared Access and Wholesale Broadband markets to the European Commission. Anacom's proposal divides the country between so-called 'competitive' and 'non-competitive' areas and eliminates certain obligation for the PT group in the 'competitive' regions. Additionally, the regulator opened up the possibility of regulating Next Generation Access Networks ('NGNs'), namely via the regulation of fibre deployments, but has postponed the definition of the precise terms of such regulation to a later stage. The European Commission has approved Anacom's proposal, alerting, nevertheless, to the fact that such regulation should be adopted after the analysis of NGNs, namely in what concerns remedies for fibre deployments.

### 9. New model of fees payable to Anacom

During 4Q08 a new model for the calculation of fees payable to Anacom was published, that comprises three different types of costs:

- a) Fees per customer number range assigned;
- b) Administrative fees, related to the costs of regulation incurred by Anacom, variable according to each operator's turnover; and
- c) Spectrum fees, variable according to the attributed spectrum.

In addition, within the scope of spectrum fees, and taking into account the previous model, the Government defined a 30% reduction – from 2.38 euros to 1.65 euros – in the amount payable per each mobile subscriber in the second semester of 2008.

In order to take advantage of this new model of spectrum fees, we have re-evaluated our frequencies and decided to return to the Regulator the 2x28 MHz block that we previously had rights over in the 3.6GHz-3.8GHz frequency range (Sonaecom maintains other frequencies, assigned for the same purposes – FWA, in the 24-25 GHz range) and, also considering the absence of opportunities for a viable commercial exploitation, to return 5 MHz of UMTS – TDD spectrum.

## 2.1 The Portuguese telecoms market (continued)

### 10. UMTS licenses – Information Society obligations

In October 2008, the committee responsible for the approval of mobile operators contributions for the promotion of the 'Information Society', within the scope of the UMTS licenses, accepted additional projects reported by Sonaecom. At the same time investments in the amount of 130 million euros had already acknowledged by the competent committee. Sonaecom has reported additional investments that should be analysed by the responsible committee.

## 2.2 Business overview

Sonaecom's full year 2008 results show a successful implementation of the announced strategy, particularly in terms of investments in commercial activities and in the expansion of the mobile network, coupled with scale benefits from the integration of the businesses acquired in 2007 and further efficiency efforts. During the year Sonaecom increased its mobile customer base and reinforced customer revenue growth while generating an EBITDA result similar to that achieved in 2007. The positive performance in terms of customer revenues reflects the organisation's ability to identify and focus on specific growth opportunities across its markets.

### 2.2.1. Consolidated perspective

#### 2.2.2. Consolidated income statement

Million euros	2008	2007	Year on year
<b>Turnover</b>	<b>976.2</b>	892.7	9.4%
Mobile	629.1	619.4	1.4%
Wireline	291.4	255.4	14.1%
Público	32.4	33.2	(2.2%)
SSI	120.1	79.5	51.1%
<b>Other and eliminations</b>	<b>(96.9)</b>	(94.8)	(2.2%)
<b>Other revenues</b>	<b>10.5</b>	6.4	63.4%
<b>Operating costs</b>	<b>804.5</b>	724.9	11.0%
COGS	132.8	108.6	22.3%
Network costs <sup>(1)</sup>	320.1	298.3	7.3%
Personnel costs	94.8	95.0	(0.2%)
Marketing and sales	103.0	96.5	6.8%
Outsourcing services <sup>(2)</sup>	82.4	65.6	25.7%
General and administrative expenses	57.1	47.2	20.9%
Other operating costs	14.2	13.8	2.8%
<b>Provisions and impairment losses</b>	<b>21.9</b>	12.2	79.7%
<b>EBITDA</b>	<b>160.4</b>	162.0	(1.0%)
<b>EBITDA margin (%)</b>	<b>16.4%</b>	18.1%	(1.7pp)
Mobile	142.4	153.7	(7.3%)
Wireline	14.0	9.8	43.8%
Público	(3.2)	(3.3)	1.5%
SSI	7.1	4.6	55.3%
Other and eliminations	0.0	(2.8)	-
Depreciation and amortisation	157.6	140.0	12.6%
<b>EBIT</b>	<b>2.8</b>	22.0	(87.2%)
<b>Net financial results</b>	<b>(17.8)</b>	(21.5)	17.3%
Financial income	3.8	18.0	(79.1%)
Financial expenses	21.5	39.5	(45.5%)
<b>EBT</b>	<b>(15.0)</b>	0.5	-
Tax results	20.2	36.6	(44.9%)
<b>Net results</b>	<b>5.2</b>	37.2	(85.9%)
Group share	5.0	36.8	(86.4%)
Attributable to minority interests	0.2	0.4	(41.3%)

(1) Network costs = Interconnection plus leased lines plus content plus other network operating costs.

(2) Outsourcing services = Customer services plus consultants plus subcontracts.

## 2.2 Business overview (continued)

### Turnover

Consolidated turnover totalled 976.2 million euros in 2008, 9.4% above 2007, as a result of the combination of higher service revenues (+6.9%), driven by the 9.8% improvement in customer revenues, and significantly higher product and equipment sales (+34.8%).

Consolidated service revenues increased to 869.7 million euros, on the back of increased contributions from our Telco and SSI businesses. The breakdown of this consolidated performance was as follows:

- a) 14.0% higher service revenues at our Wireline Business;
- b) 1.7% increase in service revenues at our Mobile Business, despite: (i) the impact, in operator revenues, of lower roaming-in revenues and of the new MTR programme; and (ii) the increased competitiveness in certain segments of the market, that led to a decrease in the average revenue per minute;
- c) 29.4% higher service revenues at SSI, driven by the positive performance of all its businesses, particularly WeDo, that registered a 33% year-on-year top line growth;
- d) 5.7% reduction in advertising revenues at Público, as a result of the overall deterioration particularly of the advertising newspaper market.

Importantly, consolidated customer revenues grew at a high pace in 2008: 9.8% when compared to the previous year, driven mostly by strong customer revenue growth at both our Wireline (+23.7%) and SSI (+29.4%) businesses but also by the 3.8% increase in our Mobile business, a positive achievement in the current competitive and economic environment.

### Operating costs

Total operating costs excluding Cost of Goods Sold ('COGS') reached 671.7 million, 9% above 2007 and representing 77.2% of 2008 service revenues (approximately 1.5pp above the level registered in 2007). It should also be noted that, in 4Q08, total operating costs excluding COGS were 5.7% lower than in 4Q07.

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

- a) **network costs** increased by 7.3% when compared to 2007 driven by: (i) a 7.7% increase in interconnection and content costs, due to higher level of traffic volumes and to the enlarged average ULL customer base, which led to higher ULL monthly fee related costs; and (ii) a 11.4% increase in leased lines costs;
- b) **marketing and sales costs** increased by 6.8% driven mainly by the Telco Business investments in customer acquisition, in the launch of new products and services and related advertising campaigns and in the Optimus rebranding operation, carried out at the beginning of 2008;
- c) **general and administrative and other operating costs** increased by 10.3 million against 2007, mainly as a consequence of: (i) the increased customer base at our Mobile Business and related license costs; (ii) the significant growth of post-paid mobile customers and larger customer base at our Wireline Business with the consequent billing and support requirements and related expenses; and (iii) higher costs associated with the enlarged international footprint of our SSI Businesses;
- d) **outsourcing costs** increased by 16.8 million, mainly driven by: (i) higher customer service costs, aimed at improving customer satisfaction across our Telco Businesses; and (ii) higher outsourcing costs at SSI, due to requirement to support its material top line growth.

**Staff costs** decreased by 0.2% against 2007 as a consequence of an approximately stable total headcount and due to the impact of the re-evaluation, at market prices, of the cash settled liability associated with the employees' medium-term incentive plan.

**Provisions and impairment losses** increased year-on-year in 2008 by approximately 9.7 million euros mainly as a result of higher provisions for bad debt, driven by our decision, in 3Q08, to reinforce such provisions due to the combination of higher sustained level of billing and the deteriorating economic environment.

### EBITDA

As a result of the performance detailed above, in terms of revenues and costs, consolidated EBITDA deteriorated by 1.0% to 160.4 million euros in 2008 generating a margin of 16.4%, compared to a margin of 18.1% in 2007. Importantly, in terms of quarterly performance, EBITDA margin improved from 16.7% in 4Q07 to 17.4% in 4Q08. The breakdown of EBITDA performance by business was as follows:



## 2.2 Business overview (continued)

- a) EBITDA at our Mobile Business was of 142.4 million euros, down by 7.3% when compared to 2007, mainly explained by lower roaming-in revenues, the higher volume of handset subsidies, the 11.0% increase in marketing & sales costs in the year and by the 22.3% increase in outsourcing costs (including customer service);
- b) The Wireline Business generated an EBITDA of 14.0 million euros (43.8% above 2007), reflecting the improved scale benefits resulting from the larger average direct access customer base;
- c) EBITDA at SSI increased by 55.3% to 7.1 million euros in 2008, with improved EBITDA performance at all its operating companies, particularly at WeDo and Bizdirect;
- d) Público's EBITDA was negative 3.2 million euros, which nevertheless represented an improvement of 1.5% when compared to 2007, with the improved performance in newspaper sales (1.8% above 2007) and the 0.5% reduction in total OPEX, almost fully off-set by the negative performance in advertising revenues.

### Net profit

Net results group share were positive by 5.0 million euros in 2008, compared to the positive 36.8 million euros result in 2007 due to a lower EBT level but also to movements in deferred tax assets mainly at our Telco Business unit.

Depreciation and amortization charges increased by 17.6 million euros compared to 2007 to 157.6 million euros, driven by the increased asset base resulting from our investments in expanding both our mobile and wireline access networks as well as from the businesses acquired during 2007. It should be noted that, during 3Q08 we began to depreciate the 91.3 million euros intangible asset, recognised as CAPEX in 2008, in relation to the obligations assumed under the 'e-Initiatives' programme.

When compared to 2007, net financial charges decreased by 17.3%, to 17.8 million euros in 2008, reflecting:

- a) lower financial expenses, down by 18.0 million euros. It should be noted that, in 2007, interest expense includes an amount of interest paid on a loan from Sontel BV, associated with the Tender Offer for PT, and the recognition of deferred up-front fees (11.1 million euros) in relation to the Optimus' syndicated bank facility which was cancelled in September 2007. Excluding these effects, financial expenses would still have decreased by approximately 1.8%, due to the lower average gross debt in 2008, which was made possible by the refinancing of the Optimus debt completed in 3Q07 and despite the slight increase in the average cost of debt (from 4.8% in 2007 to 5.1% in 2008), as a reflection of movements in market rates; and
- b) a 14.2 million reduction in financial income, due to the lower level of average liquidity in 2008 and to the one-off impacts, in 2007, associated with the capital gain generated from the sale of our shareholding in 'Despegar' (3.0 million euros) and from the sale of PT shares (2.3 million euros).

The tax line in 2008 showed a benefit of 20.2 million euros, compared to a benefit of 36.6 million euros in 2007, driven mainly by movements in deferred tax assets at our Telco Business.

## 2.2 Business overview (continued)

### 2.2.3 Consolidated balance sheet

Million euros	2008	2007	Year on year
<b>Total net assets</b>	<b>1,973.4</b>	1,758.6	12.2%
Non-current assets	<b>1,510.7</b>	1,353.9	11.6%
Tangible and intangible assets	<b>858.6</b>	722.6	18.8%
Goodwill	<b>526.0</b>	528.2	(0.4%)
Investments	<b>1.2</b>	2.0	(38.2%)
Deferred tax assets	<b>124.9</b>	101.1	23.5%
Current assets	<b>462.8</b>	404.7	14.3%
Trade debtors	<b>173.7</b>	192.0	(9.5%)
Liquidity	<b>105.7</b>	83.9	26.1%
Others	<b>183.4</b>	128.8	42.3%
<b>Shareholders' funds</b>	<b>929.0</b>	935.4	(0.7%)
Group share	<b>928.5</b>	934.6	(0.6%)
Minority interests	<b>0.5</b>	0.9	(47.7%)
<b>Total liabilities</b>	<b>1,044.5</b>	823.2	26.9%
Non-current liabilities	<b>572.4</b>	422.6	35.4%
Bank loans	<b>381.7</b>	373.2	2.3%
Provisions for other liabilities and charges	<b>32.2</b>	30.9	4.3%
Others	<b>158.5</b>	18.5	-
Current liabilities	<b>472.1</b>	400.6	17.8%
Bank loans	<b>5.0</b>	0.6	-
Trade creditors	<b>179.1</b>	185.3	(3.4%)
Others	<b>288.0</b>	214.6	34.2%
Operating CAPEX <sup>(1)</sup>	<b>192.1</b>	162.8	18.0%
Operating CAPEX as % of turnover	<b>19.7%</b>	18.2%	1.4pp
Total CAPEX	<b>289.7</b>	235.8	22.8%
EBITDA – Operating CAPEX	<b>(31.7)</b>	(0.8)	-
Operating cash flow <sup>(2)</sup>	<b>(59.5)</b>	55.5	-
FCF <sup>(3)</sup>	<b>14.1</b>	59.6	(76.4%)
Gross debt	<b>405.5</b>	393.7	3.0%
Net debt	<b>299.7</b>	309.8	(3.3%)
Net debt/EBITDA last 12 months	<b>1.9x</b>	1.9x	-
EBITDA/interest expenses <sup>(4)</sup> (last 12 months)	<b>8.1x</b>	5.9x	2.2x
Debt/(debt + shareholders' funds)	<b>30.4%</b>	29.6%	0.8pp
<b>Excluding the securitisation transaction:</b>			
Net debt	<b>399.0</b>	309.8	28.8%
Net debt/EBITDA last 12 months	<b>2.5x</b>	1.9x	0.6x
EBITDA/interest expenses (last 12 months)	<b>8.1x</b>	5.9x	2.2x

(1) Operating CAPEX excludes financial investments, provisions for sites dismantling and other non-operational investments.

(2) Operating cash flow = EBITDA – operating CAPEX – change in working capital – non-cash item & other.

(3) FCF levered after financial expenses but before capital flows and financing related up-front costs.

(4) Interest cover.

### Capital structure

Consolidated gross debt continued to be primarily contracted by Sonaecom SGPS and efficient internal cash management is being used to allocate cash between our subsidiaries. At the end of 2008, the weighted average maturity of Sonaecom Group credit lines stood at approximately 2.9 years.

Consolidated gross debt totalled 405.5 million euros, 11.8 million euros above the level at the end of 2007 and comprised:

- 150 million euros long-term privately placed Bonds, due in June 2013;
- 211.0 million euros used under the 250 million euros underwritten committed Commercial Paper Programme contracted in 2007 and with final maturity in July 2012;

## 2.2 Business overview (continued)

- 20 million euros used under the 70 million euros underwritten committed Commercial Paper Programme contracted in 2005 and committed for a rolling period of 364 days;
- 5.0 million euros of short-term bank debt, out of a total of approximately 20 million of short term credit facilities; and
- 18.7 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 46% of the consolidated gross debt is currently based on fixed rates.

Consolidated net debt at the end of 2008 stood at 299.7 million euros, a decrease of 10.1 million euros compared to 2007, mainly reflecting the FCF evolution in the year, including the proceeds from the securitisation transaction, explained below.

It should be noted that, on 30 December 2008, Sonaecom – Serviços de Comunicações, S.A., a wholly owned subsidiary, completed a 100 million euros securitization transaction, under which it has assigned future receivables to be generated under a portfolio of existing 'Corporate' customer contracts. Future receivables in the amount required for the buying entity to perform payments of quarter interest and principal instalments due to bondholders and payments to other creditors of this transaction shall be allocated by Sonaecom – Serviços de Comunicações throughout the calendar years of 2009-2013. The completion of this transaction generated an increase in the funds available at the Sonaecom consolidated level.

Excluding the impact of the securitisation transaction, consolidated net debt at the end of 2008 stood at 399.0 million euros, an increase of 89.2 million euros compared to end of 2007, basically reflecting the underlying negative FCF generated during 2008.

At the end of 2008, Net Debt to annualised EBITDA was stable, when compared to 2007, at 1.9x, reflecting the decrease in net debt registered in the 4Q08, resulting mainly from the securitisation transaction, while 12 months' trailing Interest Cover improved from 5.9x at the end of 2007 to 8.1x at the end of 2008. The ratio of Consolidated Debt to Total Funds also remained approximately stable, having reached 30.4% in 2008 (against 29.6% in 2007), reflecting the above mentioned movements in gross debt and the 6.4 million euros decrease in Shareholder's Funds. The latter resulted mainly from the acquisition of own shares in the year totalling 8.8 million euros, pursuant to the authorisations granted by shareholders at Sonaecom's Shareholders' General Meetings held during 2008, which has more than off-set the positive net income generated in the year.

At the end of 2008, the sum of cash and non-utilised committed credit lines at the Sonaecom Group stood at approximately 209 million euros. As indicated above no amortisations of bank loans are scheduled until 2010.

### CAPEX

Total consolidated CAPEX during 2008 was 289.7 million euros while Operating CAPEX reached 192.1 million euros, 18.0% above 2007, and representing 19.7% of turnover.

Total CAPEX was significantly affected by the recognition, as a license cost, of the net present value (91.3 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 2008, 130 million euros had already been made and acknowledged by the competent committee. 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.

The increase in Operating CAPEX in 2008 was determined by the announced ambitious investment plan for the year, which involved a higher level of investment in our Mobile Business (+ 28.6% when compared to 2007), mainly aimed at increasing the coverage and capacity of our mobile access network.

### Shareholders' Funds

At the end of 2008, shareholders' funds totalled 929.0 million euros, compared to 935.4 million euros at the end of 2007, reflecting mainly the net profit of 5.2 million euros generated in the year, which was more than off-set by the acquisition of own shares with a market value of 8.8 million euros.

## 2.2 Business overview (continued)

### FCF

#### Levered free cash flow

Million euros	2008	2007	Year on year
<b>EBITDA – operating CAPEX</b>	<b>(31.7)</b>	<b>(0.8)</b>	-
Change in WC	<b>(30.6)</b>	12.8	-
Non-cash items and other	<b>2.8</b>	43.5	(93.5%)
<b>Operating cash flow</b>	<b>(59.5)</b>	55.5	-
Financial investments	<b>(0.2)</b>	48.0	-
Securitisation transaction	<b>99.3</b>	-	-
Own shares	<b>(8.8)</b>	(8.9)	1.1%
Public tender offer	<b>(0.1)</b>	(20.6)	99.4%
Financial results	<b>(16.6)</b>	(14.0)	(19.1%)
Income taxes	<b>0.0</b>	(0.5)	100%
<b>FCF</b>	<b>14.1</b>	59.6	(76.4%)

### FCF

Consolidated FCF in 2008 was positive 14.1 million euros, compared to a positive 59.6 million euros in 2007 and comprised the following main elements:

- A negative EBITDA minus Operating Capex of 31.7 million euros;
- A Working Capital deterioration of 30.6 million euros, reflecting an increase in accounts receivable and in stocks and notwithstanding the higher credit from trade creditors and fixed asset suppliers. It should also be noted that the Working Capital deterioration for the full year included an extraordinary amount to be received of 19 million euros from 'Fundação para a Sociedade de Informação', an institute created by the Portuguese State to promote the information society in Portugal, in relation to our participation in the 'e-Initiatives' programme. In accordance with the agreement in place with that entity, we expect the outstanding amounts to be paid shortly;
- Net proceeds from the securitisation transaction in the amount of 99.3 million euros;
- Acquisition of own shares during 2008, in the amount of 8.8 million euros; and
- Financial outflows of 16.6 million euros, approximately 2.6 million euros above the level registered in 2007.

## 2.3 Telco business

In 2007, we completed the merger of our wireline and mobile operating businesses. During 2008, we integrated our mobile and wireline front offices. These important milestones reinforced our ability to exceed our customers' expectations with seamless telecommunication solutions delivered from a truly integrated platform. During 2008, we concluded the integration process by relaunching our wireline and mobile business offerings under a single brand: Optimus.

### 2.3.1 Key market developments 2008

#### 1) Residential mobile segment

##### Revitalising the Optimus brand

On 8 January 2008, Optimus launched a totally new brand and corporate image as part of the biggest rebranding exercise Portugal has ever seen.

The relaunch positions the Optimus brand as a dynamic organism that experiences human relationships and emotions with Magma as its central element. Warm, attractive, volatile, malleable, assuming multiple forms, Magma expresses the new Optimus **mindset**, which is amplified by the new catch line: **'De que é que precisas?'**. This line – which translates as 'What do you need?' or 'What can I do for you?' – captures the essence of Optimus and set the agenda for a year defined by a renewed commitment to putting our customers at the heart of our business.

With the emphasis on exceeding customer needs, Optimus focused on innovating fresh approaches to its segment, devising high-impact promotions, launching innovative products and services, opening up new service channels, creating new points of contact with its customers and exploring new ways of engaging its target audiences.

##### Innovative segment approaches

After a long and thorough analysis of the segment, in March 2008, we launched TAG, a new concept for the youth market. TAG combined free voice and text communications between its members, a multi-platform service available both on the mobile phone and on the PC, and a social community based on a web platform.

We understand that the youth segment demands constant innovation. In response, we improved TAG's pricing plan during 2008 and launched a number of initiatives designed to build relationships with our TAG audience. For example, we invited the TAG community to submit their designs for the next TAG SIM card. We also presented a live casting to choose which customers would win a trip to the MTV European Music Awards. In addition, we ran a number of acquisition initiatives such as promoting our Back to School campaign in high schools and universities, and offering TAG SIM cards through targeted magazines.

##### High-impact promotions

To celebrate the renewed image with its customers, Optimus offered an extensive set of promotions, including 24 hours of free communications, for every customer, with no associated costs and no need for registration. This group of promotions was named 'Ninguém vive sem...' ('No one can live without...') and between 16 January and 14 February 2008, Optimus' customers benefited from free on-net calls, free on-net multimedia messages, free on-net text messages and free internet access from their cell phone. These promotions were an enormous success. These promotions were an enormous success. Even though they generated record traffic levels across every mode of communication, our network performed flawlessly throughout, generating positive word-of-mouth recommendations from satisfied customers.

Optimus matched these successes in June 2008, when the brand celebrated summer's arrival with a similar promotion offering customers free on-net calls during the evening.

Throughout the year, the brand continued to develop and launch a series of highly-segmented campaigns designed to target the needs of specific groups.

More traditional traffic promotions, which play a vital role in raising usage and customer satisfaction, also featured in the 2008 marketing plan. Among other initiatives, Optimus launched a special campaign for the UEFA EURO 2008 football championship, with roaming discounts in the countries that hosted games. As part of the same promotion series, we rolled out new summer and Christmas campaigns. The first offered a special discount for on-net and fixed calls during the evening, while the second awarded an iPhone every hour throughout December 2008 to customers who recharged their phones above a certain limit.

## 2.3 Telco business (continued)

Stimulating data traffic was another priority for Optimus during 2008. To this end, we created new segmentation criteria, developed new campaigns and designed a more frequent promotion plan. The results were very satisfactory, with strong growth in data users, usage and revenues.

One of the most innovative campaigns involved collecting points by SMS to win a Porsche Cayenne. This proved hugely popular, achieving high levels of customer base penetration and customer participation.

### **Innovative products and services**

Customers still place great importance on their handsets and enhancing Optimus' handset offering was among our key priorities in 2008.

In July, Optimus launched the iPhone in Portugal at the same time as it was unveiled worldwide. This was arguably the most eagerly anticipated handset launch the market has ever seen, but it only involved selected operators in selected countries. Our stores stayed open after-hours for this milestone occasion, which was backed by special events, a strong communication campaign and specific pricing plans.

Optimus experimented successfully with co-branding mobile phones. Notable co-branding initiatives included the launch of the Optimus Alive! Sony Ericsson W580 and the Hello Kitty phone, an exclusive handset targeted at female customers.

Optimus also launched several promotional product campaigns during the year, notably a summer campaign that priced all mobile phones at 1 euro (as the price paid by the customer was returned as bonus in its periodic recharges).

Throughout 2008, we continued to launch innovative pricing plans, which are now an Optimus trademark. In July, we launched Optimus Zero, the first pricing plan with totally free, no limits on-net calls and text messages. We initially launched the plan as a limited edition because it was only available on subscription for a set time limit. Optimus Zero and the pioneering interactive campaign that promoted it were both very successful.

In October 2008, our discount brand Rede 4 launched a multimedia campaign featuring another notable first: a pricing plan with per second billing starting from the first second of the call. This was the first time customers had been offered such an innovative option and our competitors quickly followed our lead with similar pricing plans.

As for our services, it is worth highlighting the launch of the web phone. Introduced in April, this is a digital phone for PC that transfers all a mobile phone's key functions into the on-line world. With a web phone, customers can use their PC to communicate by voice, video or message. At the same time, Optimus started promoting an instant messenger service on mobile and PC, especially to the youth market.

### **New service channels**

More and more customers now prefer self-care channels to traditional service channels. In response to this trend, Optimus launched a new self-care area on its website, with improved functionality and usability.

To enhance its assisted customer service, Optimus implemented a new knowledge management solution that has delivered measurable improvements to usability, access speed and search functionality.

During 2008, we made significant efforts to consolidate and reinforce Optimus' traditional distribution channels with the emphasis on growth, efficiency and quality of service. To achieve this objective, we have increased the number of Optimus own stores, which have grown in absolute terms from 35 stores in 2007 to 42 stores at the end of 2008, and in relative terms compared to exclusive Optimus stores owned by dealers.

### **New points of contact**

Focusing on the youth market meant that we had to engage potential new customers in completely new locations such as high schools and colleges. Here, we introduced an aggressive acquisition campaign that involved distributing SIM cards, special benefits and activation accelerators including, for example, free trips to schools where customer acquisition was particularly successful.

### **Wireless broadband – Kanguru**

2008 was another year of prolific growth for Optimus Kanguru, featuring numerous innovations and memorable promotional campaigns.

Throughout the year, Kanguru maintained the most diversified and attractive range of terminals in the market and was the first to introduce major new products. In January 2008, we began the wide-scale distribution, through retail channels, of a new pen drive incorporating HSUPA technology, delivering maximum upload speeds of up to 1.4 Mbps. In May 2008, Kanguru became the first business to offer a new type of terminal: a pen with an integrated 2Gb memory card.

## 2.3 Telco business (continued)

In June 2008, we reinforced our commitment to innovation by leading the launch of the market's first computer and internet access bundle: the Kanguru+PC – an innovative Kanguru product available at highly attractive starter prices and monthly fees.

We also improved our tariff plans, capitalising on the development of our 3G network. Improvements included the launch of the new Xpress 7.2 tariff, the first product to offer maximum speeds of up to 7.2 Mbps, and improved upload and download speeds for all tariff plans. Together, these features have made wireless access even more attractive to customers.

We also launched the first pre-paid tariff plan in the Kanguru range, aimed at users who want wireless broadband access for occasional use. In November 2008, Kanguru strengthened its pre-paid range, launching a new variant of Kanguru Rechargeable with more frequent users in mind.

The strength of our commitment to the e-schools programme placed us on the forefront of this initiative throughout 2008. Kanguru school computers are notable for their quality and regular updates, made possible by our partnerships with leading producers such as HP, Toshiba, Dell and Acer. Among other advanced features, these computers incorporate integrated cameras, latest-generation processors, extended memory and multiple interfaces.

Optimus also joined forces with the Portuguese government to promote and publicise the e-schools programme, which continues to give more people access to information and communication technology. We launched an extensive campaign covering hundreds of schools and other locations nationwide to promote the benefits of the initiative, explaining its registration procedures and highlighting the advantages of choosing the Kanguru option.

As a result of our efforts, we won an international prize for product innovation from the respected Global Telecoms Business magazine. This award represents global recognition for the contribution that Sonaecom has made to the development of wireless broadband through Kanguru. Significantly, wireless broadband accounted for around 90% of internet access sales through multi-operator retail channels in Portugal (source: Metris GfK).

During 2008, the specialist national magazine Exame Informática ranked our Kanguru service as the best mobile broadband access in Portugal, highlighting strengths such as download and upload speeds, connection stability and software user-friendliness.

Optimus Kanguru continues to lead product innovation, helping to reinforce its popularity among consumers and consolidate its top position in multi-operator retail sales. Its success during 2008 also reinforced Sonaecom's commitment to wireless broadband, which we value as one of our key growth areas for the future.

### **Fixed-mobile convergent product – Optimus Home**

2008 was another year of sustained growth for Optimus Home, despite an aggressive competitive environment created by the vigorous promotion of new voice, internet and TV bundles by traditional fixed operators.

To ensure that its value proposition still resonated with the market, Optimus Home undertook a comprehensive review of its product range, launching a new tariff plan with a 9.99 euro monthly fee and unlimited wireline calls.

In parallel, Optimus Home ran a series of campaigns, among them new TV ads and promotional campaigns such as the Fica a Zero campaign, which reimbursed the cost of the phone to the customer through bonus calls.

In addition, we also launched a series of initiatives specifically aimed at raising customer satisfaction, including free calls between Optimus Home users.

Significantly, Optimus Home has the highest levels of customer satisfaction among the fixed voice solutions currently on the market. The brand continues to stand out as one of the most highly valued fixed voice options in the market, further consolidating its position as the principal fixed voice alternative to the incumbent operator.

### 2) Residential wireline segment ('Clix')

In an increasingly competitive business environment, Clix successfully expanded its market presence while strengthening its internal capabilities and service offerings.

To operate effectively in such a challenging market, putting customers first is even more important than ever. With this in mind, Clix focused on four key themes during the year: New, More, Better, Closer.

#### **New**

Clix not only excels at technology, it is also part of the entertainment business. As part of our commitment to bringing new products and services to our customers, we became the first operator to launch IPTV in Portugal.



## 2.3 Telco business (continued)

Capitalising on the launch of the GPON fibre optic network, Clix began fibre commercial operations in Lisbon and Porto, delivering a 100Mbps internet service; over 100 TV channels, some in high definition ('HD'); more than 1,000 constantly updated video titles; and many of the functions that viewers expect from television of the future. These include pause, record and rewind functions, which were also made accessible by the introduction of new set-top boxes with personal video recording ('PVR') capabilities.

We significantly improved our TV and video contents offer, with the launch of several new channels, titles and functions including:

- A new 3D content channel for Home Video;
- A new channel dedicated to user-generated content (World Made Channel)
- Several new TV channels, among them Sony Entertainment, SporTV 3, Fox Crime, National Geographic Wild, Animax, The Style Network and Porto Canal;
- A new Kids' Club portal and special remote control featuring kids TV channels, video on demand and games – all easy to use, fun and parentally controlled;
- A new pre-school channel category with the introduction of the Hopla and Puff TV channels;
- The Time Warner and Lifestyle catalogues in our Home Video offers;
- Significantly, two HD channels: SporTV HD and Luxe TV.

It is important to note that during 2008, we also introduced a number of services available for mobile phones. Our electronic programming guide ('EPG') and our film catalogues are now available to mobile phone users and soon handsets will be able to interact with the TV Box.

### More

At the end of 2007, Clix welcomed the residential customers it had recently acquired from Oni and Tele2. In 2008, the challenge was to integrate them. We started by accelerating their broadband speeds free of charge and offering discounts and unlimited traffic to those customers who chose to pay by direct debit. The integration process was highly complex and completing it successfully in 3Q08 was a notable achievement.

In response to customer needs, which we monitor constantly, Clix also increased mail capacity to 25Gb. This move complemented the introduction of more channels, more functions, the latest equipment and an expanded network.

### Better

A recent study by Anacom recognised Clix as the broadband operator with the most satisfied customers. We regard this achievement as an incentive to raise our customer satisfaction levels even higher.

To improve our TV services further and ensure its new functions are accessible to as many customers as possible, we replaced our MPEG-2 set-top boxes with the up-to-date MPEG-4 model, which are HD and DTT-ready.

We have implemented measures to accelerate our customer activation process, testing and installing new systems with our dealers to ensure faster document upload and data entry. We have also made it simpler for our dealers to test eligibility for our services, giving them the option of carrying out eligibility procedures at the customer's premises. Additionally, we have developed a new sales and installation model designed to cut average installation times.

We made sound progress in distribution, with the implementation of new systems and a new structure to deal with growing demands from our partners. At the same time, we remain focused on further reinforcing the capabilities and professionalism of our distribution network.

Importantly, Clix customers now experience less disruption during repairs and downtime. They are able to borrow mobile access equipment while repairs are underway, ensuring they have unbroken access to their broadband and voice services. We integrated mobile broadband into the Clix customer offer, giving customers the choice of using a complementary mobile service when away from home.

### Closer

We are constantly striving to get even closer to our customers. To support this objective, we give Clix customers the chance to manage their own unofficial blog where they can interact with other customers, share support and exchange information.

We also took every opportunity to engage our customers more closely around the deployment of our FTTH network. Using an American truck, our sales force took to the streets in areas covered by the network, demonstrating all the features and



## 2.3 Telco business (continued)

benefits of our fibre offerings and services. These demonstrations gave our customers a great opportunity to enjoy the fibre experience first-hand while providing a relevant learning experience for our sales force.

In parallel to the deployment of our FTTH network, we expanded our ULL network, mainly during the first half of 2008, bringing us even closer to our fixed line customers.

We also made significant improvements to the way we manage negative feedback from customers. Among other measures, we established a team dedicated to managing complaints, helping customers to solve current problems more quickly while helping us to pre-empt future disruptions. We place a high value on customer complaints. As well as helping us to solve problems, they also make us more aware of how people experience our products and services.

We expanded the scope of Clix Academy, a programme designed to enhance the performance of sales teams employed by Clix dealers; and launched additional customer contact points, with technical customer attention centres opening in Lisbon and Porto. Our customers can now solve their hardware problems more quickly and more effectively. In parallel, we have greatly improved the availability and functionality of our web self-care service.

Our teams monitor customer satisfaction closely and we invest a lot of time in getting to know our customers. As part of this process, we successfully conducted an extensive segmentation effort to deliver focused up-sell and cross-sell efforts.

### 3) SMEs & SOHOs segment - Optimus Negócios

At Optimus Negócios, our mission is to develop the most effective response to all corporate communication needs: mobile or fixed, voice or data and internet-based. In 2008 we integrated our mobile and fixed services, pioneering a new approach to our market, customers and partners.

During the year, we launched a series of innovative products and services. These included Escritório Móvel, the first convergent fixed-mobile product offering a fixed number and a mobile number on the same mobile phone, allowing users to receive calls on either. Other launches featured various models of the BlackBerry, the mobile phone internationally recognised as the global benchmark for combining e-mail and internet use; and the iPhone 3G, the most anticipated mobile phone ever – and an essential part of our equipment range.

Responding to the growing popularity of text messages, Optimus Negócios pioneered ways of extending this mode of communication to user groups within companies alongside voice calls. Constantly alert to the market's expansion and the way Portuguese companies approach the Spanish market, we ensured that all the tariff plans we launched in 2008, both mobile and fixed, included calls to fixed networks in Spain and Portugal at the same price.

The commitment to integrated fixed and mobile services at Optimus Negócios addresses above all the segment of companies with more sophisticated communication needs. In this context, new products were launched for primary accesses, private networks and dedicated Internet circuits, with associated performance levels significantly higher than the market standard. For these companies, the value proposition also includes a personalised support not only on the service activation process but throughout the customer's life cycle.

In 2008, Kanguru received various national and international awards for the quality of its service, innovations and network coverage. Through the e-professionals package, Optimus Negócios has extended the boundaries of the market for this product by linking Kanguru to a notebook computer.

Next generation networks, or optical fibre networks, have also become available to the corporate market through Sonaecom's optical fibre products. Another example of how well Optimus Negócios products span the full spectrum of corporate communications was the launch of the special number service (800, 808 and 707), with innovative options such as sharing call revenue with customers.

One of our principal commitments in 2008 involved consolidating our multi-channel approach to the market, as an avenue of growth for attracting new customers. Optimus Negócios has an extensive network of certified commercial partners throughout mainland Portugal and Madeira, with more than 500 commercial representatives. We also have our own sales force. We used telemarketing to approach specific customer sectors, and used door-to-door sales in certain regions of the country, both with positive results. We also took steps to certify our internal and external sales force in a drive to achieve a consistently high-quality approach to attracting business customers.

We reviewed and enhanced our procedures for welcoming new Optimus Negócios customers and supporting existing customers. Among other measures, this involved improving our partners' productivity by providing a single platform for entering and viewing procedures, generating requests and extracting customer information.

## 2.3 Telco business (continued)

2008 began with the rebranding of Optimus, a move that catalysed a significant shift in our culture and positioning by putting customers at the heart of our business. Optimus Negócios worked hard to put this principle into practice by, for example, increasing ADSL and Kanguru speeds; keeping customer prices at the same level; applying the same fixed call tariffs in Portugal and Spain; and expanding the closed user group concept, with favourable terms for calls and text messages. Through 'Clube Negócios', we have developed a new customer loyalty paradigm: we began to present comprehensive proposals that involve adapting contract terms to communications use, equipment renewal and the provision of new services on preferential terms.

According to the studies we have undertaken, customer satisfaction depends largely on the speed and effectiveness of the service they receive through various customer support channels. In response, we have significantly cut the time it takes to resolve problems while simultaneously implementing the continuous monitoring of customer support inquiries. In addition, we have taken steps to maximise the efficiency of customer interaction with our services, automatically providing critical information, free of charge, such as the number of minutes available or the value of invoices issued and their respective payment dates. With these and other measures, we are making a continuous effort to ensure that Optimus Negócios customers are the most satisfied in the market.

Environmental concerns were also a focus for Optimus Negócios during 2008. In response to our customers' concerns and needs, we developed a new invoice that virtually halves the number of pages printed and distributed every month. We also improved the presentation of invoice information.

In the dynamic business world in which we live today, we believe that having a comprehensive and personalised communications solution is a critical factor for a company's success. The mission of Optimus Negócios is to improve the efficiency and competitiveness of our customers, providing new and stimulating ways of communicating, in accordance with their needs, and seeking to ensure their full satisfaction.

### 4) Corporate segment

Optimus Corporate targets the largest corporations and institutions, including those in the public sector, with a range of tailored products and services, both mobile and wireline, and a dedicated sales force supported by a specialised customer service interface.

The Corporate business unit performed strongly throughout 2008. Not only did it grow its customer numbers and customer revenues, it also raised its contribution margin. At the same time, sales of data services and fixed-mobile convergence solutions grew significantly during the year. These achievements are clear evidence that Corporate's customer-first focus and integrated market approach are delivering results.

During 2008, while launching several new customised products and services, we completed the important process of fully integrating our wireline and mobile units, providing our customers with a seamless service and experience. As part of this integrated selling proposition, we realigned our teams, products, processes and communication under the Optimus brand.

We supported and promoted the Optimus brand vigorously through a series of public relations and customer events and a sponsorship programme covering polo, yachting, tennis and golf.

We reassessed most of our product and services during the year and launched several new services, among them Session Initiation Protocol ('SIP') trunking, BlackBerry solutions and anti-carjacking systems. In response to an increasingly integrated customer demand, we redesigned all our middle and back office processes including invoicing, collections, logistics and technical assistance.

Importantly, we started to target specific market sub-segments, such as tourist resorts. As part of this drive, we implemented a full telecommunications solution for a major resort currently under construction in Portugal: the Tróia resort.

Within the Corporate segment, obsession with the customer is a prerequisite. The results achieved during 2008 and the positive customer feedback reassures us that we are on the right track to continue growing our presence in the market and exploiting the benefits of our integrated market approach.

## 2.3 Telco business (continued)

### 2.3.2. Mobile business operational data

Our mobile business continued to raise its profile across an increasingly competitive and discerning market, achieving growth across all segments. Our customer base grew by 298.1 thousand, to almost 3.2 million, an increase of 10.3%, while mobile customer revenues rose by 3.8% to 454.5 million euros. These figures provide compelling evidence that the intensive investment we have made in supporting our brands, reinforcing our distribution capability and – above all – serving our customers is delivering positive results.

#### Mobile operational KPIs

	2008	2007	Year on year
Customers (EOP) ('000)	<b>3,191.6</b>	2,893.5	10.3%
Net additions ('000)	<b>298.1</b>	291.6	2.2%
% Pre-paid customers	<b>69.9%</b>	73.1%	(3.3pp)
Data as % service revenues	<b>22.5%</b>	17.7%	4.8pp
Total #SMS/month/user	<b>51.4</b>	45.1	13.8%
MOU <sup>(1)</sup> (min.)	<b>128.4</b>	118.1	8.7%
ARPU <sup>(2)</sup> (euros)	<b>16.8</b>	18.2	(7.6%)
ARPM <sup>(3)</sup> (euros)	<b>0.13</b>	0.15	(15%)
SAC & SRC <sup>(4)</sup> (million euros)	<b>151.9</b>	130.4	16.5%

(1) Minutes of use per customer per month.

(2) Average monthly revenue per user.

(3) Average revenue per minute.

(4) Total acquisition & retention costs.

#### Customer base

Mobile customer base increased by 10.3% to 3.192 million customers at the end of 2008, compared to 2.894 million at the end of 2007 and 3.058 million at 3Q08, with net additions surpassing 133.3 thousand in the 4Q08, up by 0.7% compared to 4Q07 and 74.8% compared to 3Q08, and a demonstration of the continued progress in our growth strategy and the success of the innovative products and services we have been continuously launching in the market.

Contract customers continued to increase their weight in the total customer base, having reached in 2008, for the first time, more than 30% of the total mobile base. At the end of 4Q08, these customers represented 30.1% of total customers, an increase of 3.3pp against 4Q07.

During 2008, Mobile customer's ARPU was 16.8 euros, down from 18.2 euros in 2007. Of the 2008 ARPU, 13.0 euros related to customer monthly bill and 3.8 euros to operator revenues, compared to 13.8 euros and 4.4 euros respectively, in 2007.

#### Data usage

During 2008, we were able to maintain our leading position in retail sales of wireless broadband and again achieved a material growth of data usage, namely through the promotion of our mobile broadband product 'Kanguru', based on HSDPA/HSUPA technologies, offering downlink speeds of up to 7.2 Mbps and uplink speeds of up to 1.4Mbps. We are now testing and preparing the launch of further evolutions of HSDPA and HSUPA, in order to deliver downlink and uplink speeds up to 14.4 Mbps and 5.7 Mbps, respectively.

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 national 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.

Data revenues represented 22.5% of service revenues in 2008 (and 25.3% in 4Q08), an improvement of 4.8pp vs. 2007, as the result of our promotional efforts to increase usage of data services and the success of our wireless broadband solutions. Non-SMS related data services continued to increase their weight in data revenues, accounting for almost 65% of total data revenues in 2008 (and 68% in 4Q08), compared to only 51% in 2007. The revenues from non-SMS data services continue to post significant increases, having grown by more than 64% from 2007 to 2008.

## 2.3 Telco business (continued)

### Customer Service

During 4Q08, our customer contact centre was recognized as the 'Best National Contact Centre' and, in parallel, as the best in the telecommunications area by the Portuguese Association of Contact Centres ('APCC') awards.

Also during the last quarter of 2008, IFE Portugal, in collaboration with the 'Call Centre Magazine', awarded Optimus the 'Quality of Service' award (Self-Management Category) under the 'Call Centre Trophy 2008' contest. This is the most relevant award granted to contact centres in Portugal.

These awards clearly support our strategic choice of placing the customer at the centre of all our strategy. In an increasingly competitive market, our bet is on differentiating and creating competitive advantages through the way we approach and serve our customers.

### 2.3.3. Mobile business financial data

#### Mobile income statement

Million euros	2008	2007	Year on year
<b>Turnover</b>	<b>629.1</b>	619.4	1.6%
Service revenues	588.9	579.1	1.7%
Customer revenues	454.5	437.9	3.8%
Operator revenues	134.4	141.2	(4.8%)
Equipment sales	40.2	40.3	(0.2%)
<b>Other revenues</b>	<b>46.5</b>	37.0	25.8%
<b>Operating costs</b>	<b>518.9</b>	494.8	4.9%
COGS	76.4	79.7	(4.1%)
Interconnection & contents	136.3	137.4	(0.8%)
Leased lines and other network operating costs	56.5	56.4	0.1%
Personnel costs	51.2	51.5	(0.7%)
Marketing and sales	81.5	73.5	11.0%
Outsourcing services <sup>(1)</sup>	64.8	53.0	22.3%
General and administrative expenses	39.3	31.3	25.6%
Other operating costs	12.9	12.1	7.1%
Provisions and impairment losses	14.4	7.8	83.4%
Service margin <sup>(2)</sup>	452.6	441.7	2.5%
Service margin (%)	76.9%	76.3%	0.6pp
EBITDA	142.4	153.7	(7.3%)
EBITDA margin (%)	22.6%	24.8%	(2.2pp)
Tender offer related costs	0.0	10.0	(100%)
Depreciation and amortisation	123.2	115.5	6.7%
<b>EBIT</b>	<b>19.2</b>	28.1	(31.8%)
Operating CAPEX <sup>(3)</sup>	145.6	113.2	28.6%
Operating CAPEX as % of turnover	23.1%	18.3%	4.9pp
EBITDA – operating CAPEX	(3.2)	40.5	-
Total CAPEX	244.7	127.1	92.5%

(1) Outsourcing services = Customer services plus consultants plus subcontracts.

(2) Service margin = Service revenues minus interconnection and content costs.

(3) Operating CAPEX excludes financial investments, provisions for sites dismantling and other non-operational investments.

### Turnover

Mobile service revenues increased by 1.7% to 588.9 million euros compared to 579.1 million euros in 2007, driven by the 3.8% growth in customer revenues, which more than compensated the 4.8% decrease in operator revenues (driven by the lower level of roaming-in tariffs and the introduction of the new MTRs programme). Total turnover increased year-on-year by 1.6% as a result of the growth in service revenues and despite a marginal decrease in the level of equipment sales (-0.2% against 2007).

## 2.3 Telco business (continued)

### EBITDA

Mobile EBITDA in 2008 reached 142.4 million euros and generated a margin of 22.6%, representing a decrease of 2.2pp, when compared to 2007. This decline was primarily the result of the combination of higher Marketing & Sales costs (+11% against 2007), lower roaming-in revenues, higher outsourcing costs (+11.8 million euros) and General and Administrative costs (+8.0 million euros) when compared to 2007, driven by (i) the increased customer base and related license costs; (ii) the billing requirements associated with growing post-paid customer base; and (iii) the increase in customer service costs. It should nevertheless be noted that mobile EBITDA margin has increased by 1.3pp between 4Q07 and 4Q08.

## 2.3 Telco business (continued)

### 2.3.4. Wireline Business operational data

Confronted by fierce price competition and indecisive regulation, our wireline business came under sustained pressure throughout 2008. As falling price points continued to erode long-term value across the sector, we switched our focus towards minimising churn and giving our existing customers the best service. Despite relentlessly tough market dynamics, our wireline business achieved a margin of 4.8% while generating a positive EBITDA of 14 million euros – a 43.8% improvement on 2007.

#### Wireline operational KPIs

	2008	2007	Year on year
Total accesses (EOP) <sup>(1)</sup>	<b>592,900</b>	775,623	(23.6%)
Voice	<b>360,007</b>	514,067	(30.0%)
Direct	<b>246,032</b>	257,252	(4.4%)
Indirect	<b>113,975</b>	256,815	(55.6%)
ADSL	<b>207,836</b>	229,040	(9.3%)
Direct	<b>188,304</b>	197,648	(4.7%)
Indirect	<b>19,532</b>	31,392	(37.8%)
Other & data	<b>25,057</b>	32,516	(22.9%)
Direct	<b>20,691</b>	15,773	31.2%
Indirect	<b>4,366</b>	16,743	(73.9%)
Total direct accesses	<b>455,027</b>	470,673	(3.3%)
Total indirect accesses	<b>137,873</b>	304,950	(54.8%)
Unbundled central offices with transmission	<b>174</b>	169	3.0%
Unbundled central offices with ADSL2+	<b>166</b>	161	3.1%
Direct access as % customer revenues	<b>71.4%</b>	70.1%	1.3pp
Average revenue per access – retail <sup>(2)</sup>	<b>21.5</b>	23.1	(6.7%)

(1) Number of direct accesses for periods between 3Q07 and 3Q08 were restated.

(2) Excluding mass calling services' revenues and recalculated in 3Q08 according to the restated number of accesses.

#### Customer base

It should be noted that in 3Q08 we restated the number of direct accesses since 3Q07, to reflect the final numbers of active accesses effectively acquired from Oni and Tele2 and to incorporate the impact of the new internal dunning procedures, implemented as a result of the shorter judicial timeframe to claim overdue invoices. This restatement of accesses provided a clearer starting point and allows for a like-for-like comparison and has naturally led to a corresponding adjustment to Average Revenue per Access.

At the end of 2008, total accesses reached 592.9 thousand, a decrease of 23.6% compared to the end of 2007, explained by a 3.3% decrease in direct accesses and a 54.8% reduction in indirect accesses, as a reflection of the expected churn of indirect voice customers and partly due to migrations to direct access (including bundled) offers. The number of direct accesses represented 76.7% of the Wireline Business total accesses at the end of 2008, compared to 60.7% at the end of 2007.

Direct access net additions in 4Q08 were negative 21 thousand accesses mainly as a result of the deceleration that the total fixed broadband market in Portugal experienced in the last quarters, together with the fact that during the second half of 2008 we have not expanded the addressable market for ULL as we have not opened any new CO for ADSL2+ services and we have focused more on quality of service and customer retention.

The average Wireline retail revenue per access decreased to 21.5 euros, down by 6.7% against 2007, driven mainly by the negative impact of promotion campaigns carried out mainly in the first semester, in response to similar pricing movements launched by our main competitors.

## 2.3 Telco business (continued)

### Customer service

During 2008, we launched additional customer touch points for our residential wireline customers: Technical Customer Attention centres in Lisbon and Porto. With these new centres, our customers can now solve their hardware problems better and faster.

Clix web self-care was also greatly improved in 2008 as we believe that part of providing a better service to our customers also involves making a fast and complete self-service available to them. Web self-care now covers more than 50% of customer service needs and usage of this tool has more than doubled during 2008.

### ULL access network

During the second half of 2008 the number of COs unbundled for SHDSL circuit interconnection remained stable. With these circuits (installed at 174 COs), Sonaecom is capable of operating direct connections for most of our mobile access network, thus further reducing the dependency on the incumbents' leased circuits.

We also did not enlarge further the addressable market of our residential ULL offers as, during the last two quarters of 2008, we did not open any additional COs with ADSL2+. The addressable market of our ULL network continues to correspond to approximately 55% of total fixed lines in Portugal. Of the 166 central offices we have unbundled until 4Q08, approximately 72% are prepared with full triple play capability.

### Fibre access network

As regards our announced FTTH plan, we have completed during 2008 the initial phase of our deployment plan having reached our targets for the year in terms of homes passed in the initial coverage zones. We are now preparing the way for the next phases of deployment. The feedback we are receiving from connected customers is extremely positive, in terms of both their broadband and TV experience.

At the end of 3Q08, we launched the first fibre commercial offer in Portugal. Under the 'Clix Fibre' designation, customers now have the chance to access to most advanced TV, Broadband, Home-Video and telephony services. With this new offer, fibre customers had access to the fastest Internet offer in the market, with access speeds of up to 100 Mbps in the download, which translates into an unprecedented user-experience. We have also made available in our offers a set-top box with PVR functionality.

With the implementation of FTTH, Sonaecom has, for the first time, the complete responsibility for the network used to deliver end-to-end fixed services to the residential market and, as such, is completely in control of the end-to-end quality of service provided to the Client. The experience that has been gained in this first year of rollout of this future-proof technology, allows for Sonaecom to be prepared for the second phase of deployment and to continuous delivery of innovative high-speed broadband services.

## 2.3 Telco business (continued)

### 2.3.5. Wireline business financial data

#### Wireline income statement

Million euros	2008	2007	Year on year
<b>Turnover</b>	<b>291.4</b>	255.4	14.1%
Service revenues	<b>289.8</b>	254.2	14.0%
Customer revenues	<b>173.1</b>	140.0	23.7%
Direct access revenues	<b>123.7</b>	98.1	26.1%
Indirect access revenues	<b>45.8</b>	38.6	18.6%
Other	<b>3.6</b>	3.2	13.0%
Operator revenues	<b>116.6</b>	114.3	2.1%
Equipment sales	<b>1.6</b>	1.2	37.8%
<b>Other revenues</b>	<b>4.2</b>	3.8	10.9%
<b>Operating costs</b>	<b>273.4</b>	245.8	11.2%
COGS	<b>2.4</b>	1.4	70.4%
Interconnection	<b>151.4</b>	126.9	19.3%
Leased lines and other network operating costs	<b>40.7</b>	42.0	(2.9%)
Personnel costs	<b>9.8</b>	9.4	4.0%
Marketing and sales	<b>16.8</b>	18.5	(9.2%)
Outsourcing services <sup>(1)</sup>	<b>43.5</b>	36.8	18.1%
General and administrative expenses	<b>8.0</b>	9.1	(11.8%)
Other operating costs	<b>0.8</b>	1.6	(50.8%)
<b>Provisions and impairment losses</b>	<b>8.2</b>	3.7	120.9%
<b>Service margin <sup>(2)</sup></b>	<b>138.4</b>	127.3	8.7%
Service margin (%)	<b>47.8%</b>	50.1%	(2.3pp)
<b>EBITDA</b>	<b>14.0</b>	9.8	43.8%
EBITDA margin (%)	<b>4.8%</b>	3.8%	1pp
Tender offer related costs	<b>0.0</b>	13.3	(100%)
Depreciation and amortisation	<b>33.0</b>	28.5	15.7%
<b>EBIT</b>	<b>(18.9)</b>	(32.0)	40.9%
Operating CAPEX <sup>(3)</sup>	<b>44.5</b>	49.8	(10.7%)
Operating CAPEX as % of turnover	<b>15.3%</b>	19.5%	(4.2pp)
EBITDA – operating CAPEX	<b>(30.5)</b>	(40.1)	23.9%
Total CAPEX	<b>45.4</b>	82.6	(45.0%)

(1) Outsourcing services = Customer services plus consultants plus subcontracts.

(2) Service margin = Service revenues minus interconnection costs.

(3) Operating CAPEX excludes financial investments, provisions for sites dismantling and other non-operational investments.

#### Turnover

Turnover in 2008 amounted to 291.4 million euros, an increase of 14.1% over 2007, mainly due to the significant increase in customer revenues, up by 23.7%, driven by the growth in both direct access revenues (26.1% higher than in 2007) and indirect access revenues that increased year-on-year by 18.6%, to 45.8 million euros. Growth in customer revenues is mostly explained by the higher average customer base during 2008. The expected trend of reduction in indirect access customers has determined quarter-on-quarter reductions in the corresponding revenue line.

Direct access revenues accounted for 71.4% of customer revenues in 2008, an increase of 1.3pp compared to the 2007, as a result of our continued focus on the direct access business.

#### EBITDA

Wireline EBITDA was positive 14.0 million euros, representing a 43.8% increase over the 9.8 million euros registered in 2007, and generated a margin of 4.8%. The year-on-year improvement is primarily due to scale benefits arising from both the increased size of the average direct customer base, notwithstanding the delayed integration process, completed only in 3Q08 (due to administrative and regulatory reasons), of the customers acquired in 2007 onto our own systems and network. It is worth highlighting that EBITDA margin in 4Q08 increased by 1.6pp against the previous quarter as a result of the benefits of the new MTR programme (service margin has increased by 0.8pp) and of savings achieved in several costs lines, despite the expected lower level of indirect access revenues.



## 2.4 Software and Systems Information (SSI)

Software and Systems Information (SSI)'s outstanding financial and operational performance was among the year's most notable highlights. The SSI portfolio comprises four businesses, all recognised players in their chosen markets: WeDo Technologies, Mainroad, Bizdirect, and Saphety. Driven primarily by the success of WeDo, SSI grew its turnover by over 51% to a record 120 million euros and achieved a 55% improvement in its EBITDA result.

### 2.4.1 Key market developments in 2008

#### WeDo

WeDo Technologies continued to consolidate its global presence and reinforce its leading position in the international revenue assurance market while expanding its product portfolio and enlarging its offer beyond its traditional telecoms customer base.

Importantly, during 2008 WeDo launched its new fraud management system (Fraud:RAID), which can be implemented individually or as a fully-integrated module within its current revenue assurance product. Fraud:RAID is aimed at the telecoms sector and was developed in response to customer needs for improved control over their revenue assurance processes.

During 2008, WeDo opened new subsidiaries in Mexico and Egypt and a branch in Malaysia. As well as supporting more cost-effective management in these regions, this move expanded WeDo's local presence to 11 different countries. At the end of 2008, the business employed around 360 staff serving customers around the world.

Over the past seven years, WeDo has installed its solutions with more than 100 operators in 60 countries across five continents and delivered consulting services to more than 100 operators worldwide through its successful consulting division Præsidium. WeDo's key software houses are located in Dublin, Braga and Poznan.

#### Mainroad

Mainroad focuses on IT management, security and business continuity. During 2008, it achieved one of its principal growth targets by significantly expanding its customer base and growing its revenues beyond the Sonae Group, with turnover rising 40% versus 2007. This achievement is clear evidence that Mainroad has won the market's trust for the quality of its services and solutions.

The business, which celebrated its fifth anniversary during 2Q08, became the first SAP Hosting Partner in Portugal and only the second in Iberia. It was also ranked second in the Best Disaster Recovery Provider category at the Data Centres Europe Awards 2008. This award demonstrates a growing international awareness of Mainroad's ability to deliver innovative data centre solutions, specifically when it comes to disaster recovery.

During 3Q08, the business began the expansion of its data centre in Porto. This investment, worth almost 1 million euros, is designed to accommodate the growth in customer numbers and hosting requirements.

In 4Q08, Mainroad's talent for innovation won recognition from COTEC, a non-profit business association dedicated to promoting the competitiveness of companies in Portugal. As a newly-integrated member of the COTEC Innovation SME Network, the business will benefit from the association's promotion and publicity efforts.

Finally, 2008 saw the start of Mainroad's transition towards becoming an international player after it won new contracts in Spain and Angola covering infrastructure management tools and SAP.

#### Bizdirect

During 2008, Bizdirect met its key objectives by expanding its presence in Portugal's B2B market and reinforcing its competitive position as a reseller of IT products and services, specifically through partnerships with key producers.

Bizdirect won a series of important contracts during the year, among them an agreement with the Algarve Metropolitan Region to implement electronic purchasing systems across all its 16 municipalities. It should also be highlighted that, during 2008, Bizdirect has launched 'BizGov', an electronic purchasing platform aimed at the public sector, which remains one of Bizdirect's principal target segments.

Bizdirect also won COTEC's recognition as a centre of innovation, and was invited to join the association's Innovation SME Network.

## 2.4 Software and Systems Information (SSI) (continued)

At the end of 2008, Bizdirect's shareholders – Sonaecom, BPI and AITEC – restructured the business by integrating Bizdirect's B2B unit into Saphety. This move is designed to capitalise on the synergies between the two businesses. As such, in light of the very positive recent evolution of the BizProducts business unit (mostly dedicated to equipment sales) and of its future growth prospects, the shareholders decided to concentrate Bizdirect in this specific area.

### Saphety

Saphety was established in December 2006 following a spin-off from Novis. During 2008, the business's strategic focus was primarily on electronic invoicing as it aims to become a leading Portuguese player in handling B2B electronic transactions. In line with this strategy, the business has already won the trust of some of Portugal's leading retailers – including Modelo Continente, Jerónimo Martins and Auchan – to operate electronic invoicing for a substantial number of suppliers.

During 2008, Saphety and Lokemark established a partnership to develop integrated invoicing solutions that enable customers to fully outsource their invoicing functions. This solution covers all paper and electronic formats and the digital archiving of all invoices combined with full legal and fiscal compliance. With 24/7 back office access on-line, it also offers direct integration with the customer's ERP/management software.

As explained above, Bizdirect's shareholders integrated Bizdirect's B2B unit into Saphety towards the end of 2008. This restructuring is designed to capitalise on the synergies between the two businesses. With its newly enlarged scale and capabilities, the integrated business will pursue growth in B2B areas with solutions that cover electronic invoicing, electronic transactions security, paperless offices and fully integrated invoicing solutions.

### 2.4.2. Operational data

#### SSI operational KPIs

	2008	2007	Year on year
IT services revenues/employee <sup>(1)</sup>	<b>120.6</b>	110.9	8.7%
Equipment sales as % of turnover (%)	<b>49.3%</b>	40.8%	8.5pp
Equipment sales/employee <sup>(2)</sup>	<b>4,413.6</b>	2,673.6	65.1%
EBITDA/Employee	<b>14.6</b>	11.9	22.7%
Employees	<b>475</b>	467	1.7%

(1) Excluding employees dedicated to equipment sales.

(2) Bizdirect.

SSI continued to show a positive trend in productivity levels during 2008, with IT service revenues per employee again increasing to 32.5 thousand euros in 4Q08 (respectively, 19.1% and 8.3% above the levels registered in 4Q07 and in 3Q08), while equipment sales per employee have increased by more than 57% when compared to 4Q07. Total headcount at the end of 2008 increased to 475, 1.7% above 2007, mainly due to the need for additional internal consultants to support the increased level of activity.

During 2008, WeDo obtained 11 new key accounts, including leading telecom operators in Pakistan, Indonesia, Venezuela, UAE, Italy and several countries in Central America. It is also worth noting the implementation of its RAID system across the Orascom Group, with successful installations in Egyptian, Algerian, Pakistani and Bangladeshi operations. WeDo's customer orders in 2008 have increased by more than 33% in comparison with the level registered in 2007. During 2008, orders arising from international markets totalled approximately 64% of total orders.

### 2.4.3. Financial data

#### SSI Consolidated income statement

Million euros	2008	2007	Year on year
<b>Turnover</b>	<b>120.13</b>	79.51	51.1%
Service revenues	<b>60.87</b>	47.05	29.4%
Equipment sales	<b>59.26</b>	32.47	82.5%
<b>Other revenues</b>	<b>2.39</b>	0.36	-
<b>Operating costs</b>	<b>115.27</b>	75.07	53.6%
COGS	<b>58.12</b>	31.74	83.1%
Personnel costs	<b>27.07</b>	22.24	21.7%
Marketing and sales	<b>1.20</b>	1.21	(1.3%)

## 2.4 Software and Systems Information (SSI) (continued)

Outsourcing services <sup>(1)</sup>	<b>18.60</b>	12.00	55.0%
General and administrative expenses	<b>10.02</b>	7.54	33.0%
Other operating costs	<b>0.27</b>	0.34	(20.0%)
<b>Provisions and impairment losses</b>	<b>0.13</b>	0.19	(29.9%)
<b>EBITDA</b>	<b>7.12</b>	4.58	55.3%
EBITDA margin (%)	<b>5.9%</b>	5.8%	0.2pp
Depreciation and amortisation	<b>1.95</b>	1.73	13.0%
<b>EBIT</b>	<b>5.16</b>	2.85	80.9%
Operating CAPEX <sup>(2)</sup>	<b>1.79</b>	0.71	151.0%
Operating CAPEX as % of turnover	<b>1.5%</b>	0.9%	0.6pp
EBITDA – operating CAPEX	<b>5.33</b>	3.87	37.7%
Total CAPEX	<b>(0.55)</b>	27.18	-

(1) Outsourcing services = Customer services plus consultants plus subcontracts.

(2) Operating CAPEX excludes financial investments, provisions for sites dismantling and other non-operational investments.

### Turnover

SSI turnover increased significantly year-on-year and was up 51.1% in 2008 to 120.1 million euros, as a result of both higher IT equipment sales, which increased by almost 83% to 59.3 million euros, and higher service revenues, up by 29.4%, mainly driven by the 33% increase in service revenues at WeDo. SSI registered in 2008 the highest level of revenues since its foundation. It is also worth noting that all SSI's businesses have posted a year-on-year turnover growth above 14%. WeDo, that grew turnover by approximately one third, accounts for the majority (circa 69%) of SSI's service revenues.

During 2008, equipment sales represented 49.3% of turnover, an increase of 8.5pp over the level registered in 2007, driven by a positive contribution from the sale of computers at Bizdirect.

### EBITDA

SSI EBITDA was positive 7.12 million euros in 2008, an increase of 55.3% against 2007, with EBITDA margin increasing by 0.2pp to 5.9% due to the positive EBITDA evolution of all its operating companies.

In relation to EBITDA margin, WeDo achieved a positive 9.9% in 2008; a slight increase from the 9.5% margin registered in 2007, driven by the improved top line performance and by the integration of the acquired businesses, while Mainroad achieved a 12.3% margin, a leading margin for this type of business and representing a growth of 1.2pp, compared to 2007.

## 2.5 Público

Given the particular challenges facing our media business, it is important to acknowledge its achievements during 2008. Last year, Público celebrated its 18th birthday by sustaining its readership numbers and achieving third place ranking among daily paid generalist newspapers as its audience figures showed greater resilience than its main competitors. Even though advertising revenue contracted by 5.7%, Público was able to increase newspaper sales by 1.8% and reduce EBITDA losses versus 2007 by 1.5%.

### 2.5.1 Key market developments in 2008

Market dynamics continued to be severe for daily paid generalist press, throughout 2008, with advertising revenues for the sector as a whole, YTD until November, decreasing by 0.8% (source: Marktest/Media Monitor) compared to the same period of the previous year (this number refers to advertising space calculated at reference table figures - competitive pressures continue to lead to higher price discounts). During the same period, the free newspapers' advertising revenues is estimated to have increased by approximately 71%. Although total circulation numbers for the daily paid generalist press have increased by 6.1% (source: APCT; December 2008 vs December 2007), this was partly explained by circulation campaigns carried out by several players during most of 2008.

As a way to celebrate its 18th anniversary with its readers, Público implemented a number of campaigns during 2008, 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 the several commercial initiatives implemented in the year, it is worth highlighting (i) the introduction of new contents in the weekly Economy supplement; (ii) the launch of a new, redesigned Sunday magazine ('Pública'), which now carries a completely revised content; and (iii) the launch, in partnership with Optimus, of a first hand access to an iPhone optimised version of Público on-line (especially designed for iPhone users). This initiative forms part of our strategy of pioneering innovation in the digital context, enabling Público to continue to be a clear leader in on-line access among Portuguese newspapers.

### 2.5.2.Operational data

#### Público operational KPIs

	2008	2007	Year on year
Average paid circulation <sup>(1)</sup>	<b>42,345</b>	41,767	1.4%
Market share of advertising (%)	<b>12.5%</b>	13.7%	(1.2pp)
Audience <sup>(2)</sup> (%)	<b>4.5%</b>	4.7%	(0.2pp)
Employees	<b>256</b>	257	(0.4%)

(1) Estimated value updated in the following quarter.

(2) As % of addressable population; source: Bareme Imprensa 3ª Vaga 2008 (data not gathered in the 3rd quarter).

Until December 2008, Público's average market share of paid circulation, among daily generalist press, reached 11.7%, approximately 0.6pp below the comparable period in 2007. In 4Q08, average paid circulation reached 42.6 thousand, an increase of 7.4% when compared to 4Q07 and 2.5% against the previous quarter. Circulation figures increased by 1.4% when compared to 2007, with an average of 42,345 newspapers sold in 2008. As mentioned above, the paid press market continues to face competitive challenges, with increased competition from 'free' newspapers (which have more than doubled their circulation in 2008, partly driven by the launch of three new free titles into the market).

Recent audience indicators indicated an increase in the total number of readers, with Público ranking third among daily paid generalist press and reaching circa 4.5% of the addressable market in the 4Q08 (approximately stable against the previous survey). Importantly, Público is showing more resilience in the numbers of total readers when compared to its main competitors.

Público's advertising market share has improved quarter-on-quarter by 2pp in 4Q08, to 13.2%, reaching an average of 12.5% during 2008, approximately 1.2pp below the level registered in 2007. The relatively good recent performance shown in terms of audience may contribute to mitigating the severe market dynamics daily paid newspapers are facing in terms of advertising revenues. In any case, the deteriorating macro-economic environment may lead to further cuts in business spend, in general, during 2009, with negative impacts over advertising budgets.

## 2.5 Público (continued)

### 2.5.3 Financial data

#### Público consolidated income statement

Million euros	2008	2007	Year on year
<b>Turnover</b>	<b>32.44</b>	33.16	(2.2)%
Advertising sales <sup>(1)</sup>	<b>13.46</b>	14.27	(5.7)%
Newspaper sales	<b>12.04</b>	11.82	1.8%
Associated product sales	<b>6.94</b>	7.07	(1.8)%
<b>Other revenues</b>	<b>0.60</b>	0.25	142.3%
<b>Operating costs</b>	<b>36.08</b>	36.26	(0.5)%
COGS	<b>9.07</b>	8.64	5.0%
Personnel costs	<b>11.28</b>	11.41	(1.1)%
Marketing and sales	<b>3.53</b>	3.24	8.9%
Outsourcing services <sup>(2)</sup>	<b>9.37</b>	10.13	(7.4)%
General and administrative expenses	<b>2.76</b>	2.83	(2.2)%
Other operating costs	<b>0.05</b>	0.02	-
<b>Provisions and impairment losses</b>	<b>0.18</b>	0.41	(56.0)%
<b>EBITDA</b>	<b>(3.22)</b>	(3.27)	1.5%
EBITDA margin (%)	<b>(9.9)%</b>	(9.9)%	(0.1)pp
Depreciation and amortisation	<b>0.77</b>	0.70	10.0%
<b>EBIT</b>	<b>(3.99)</b>	(3.97)	(0.5)%
Operating CAPEX <sup>(3)</sup>	<b>0.84</b>	0.69	21.1%
Operating CAPEX as % of turnover	<b>2.6%</b>	2.1%	0.5pp
EBITDA – operating CAPEX	<b>(4.06)</b>	(3.96)	(2.4)%
Total CAPEX	<b>0.84</b>	0.69	21.1%

(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 2008, Público's turnover decreased by 2.2% to 32.4 million euros, as a reflection of different trends in its revenue lines: a 1.8% growth in newspaper sales, partially explained by the cover price increase in 4Q08; more than off-set by the negative evolution in advertising revenues (-5.7%) and in associated product sales (-1.8%). In terms of recent quarterly evolution, positive improvements were achieved in 4Q08, when compared to the previous quarter, at the level of advertising (+23.8%) and associated product revenues (+26.1%).

The 50:50 JV that was set-up with 'A Bola' (a leading daily sports newspaper) for the launch of 'Sexta' (the free weekly newspaper launched in 4Q07 and proportionally consolidated in Público), is currently being reassessed, in light of the recent market developments, and a decision was taken, in December 2008, to suspend the circulation of 'Sexta'.

#### EBITDA

In 2008, Público generated a negative EBITDA of 3.2 million euros, which nevertheless represents a 1.5% improvement over 2007 as the negative trend at the top line level was more than compensated by savings achieved in most of its cost lines, including a 1.1% reduction in personnel costs and a 7.4% reduction in outsourcing services.

## 2.6 Sonaecom SGPS individual results

Sonaecom SGPS' principal source of income during 2008 was 21.4 million euros in dividends from its subsidiary, Sonaecom Serviços de Comunicações, S.A. This figure compares to the 38.6 million euros it received in 2007 from Optimus and Sonae Telecom SGPS. In the individual accounts, net income for the year was a positive 19.7 million euros.

### 2.6.1 Operational data

Sonaecom SGPS individual results for the years ended 31 December 2008 and 2007 are summarised below:

#### Sonaecom SGPS results overview

Million euros	2008	2007	Difference	%
Service revenues	<b>7.0</b>	6.8	0.3	3.8%
Other operating revenues <sup>(1)</sup>	<b>0.0</b>	0.9	(0.9)	(95.7%)
Operating costs <sup>(2)</sup>	<b>(8.1)</b>	(9.0)	0.9	(10.2%)
EBITDA	<b>(1.0)</b>	(1.3)	0.3	(21.7%)
Tender offer results	<b>0.0</b>	22.4	(22.4)	-
EBIT	<b>(1.1)</b>	21.0	(22.1)	-
Dividend received	<b>21.4</b>	38.6	(17.2)	(44.5%)
Net financial activity	<b>9.8</b>	7.5	2.4	31.5%
Other financial results	<b>(10.3)</b>	(82.4)	72.0	(87.5%)
EBT	<b>19.8</b>	(15.3)	35.1	-
Net income	<b>19.7</b>	(15.3)	35.0	-

(1) Excluding the revenues associated with tender offer.

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

In 2008, Sonaecom generated service revenues of 7.0 million euros, essentially comprising services provided to its subsidiaries in relation to:

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

Sonaecom's corporate centre employed 43 people, of which, 17 were assigned to the shared services division. In 2008, total staff costs amounted to 4.4 million euros compared to the 5.2 million euros registered in 2007. Total corporate centre costs represented approximately 0.6% of the 2008 Group consolidated turnover (slightly below the level registered in 2007). Total operating expenses (excluding depreciation and amortisation charges and provisions) amounted to 8.1 million euros, compared to 9.0 million euros in the same period of 2007.

EBITDA was a negative 1.0 million euros compared to a negative 1.3 million euros registered in 2007, mainly due to the decrease in operating costs.

The one-off impacts related to the PT tender offer led to an asymmetric year-on-year EBIT evolution: EBIT was negative 1.1 million euros which compares to a positive 21.1 million euros registered in 2007. It should be noted that, during 2007, Sonaecom SGPS decided to invoice all tender offer costs to subsidiaries (namely to those that benefited from the related consultancy services).

Sonaecom SGPS' main source of financial income was the 21.4 million euros of dividends received from the subsidiary Sonaecom Serviços de Comunicações, S.A. (compared to 38.6 million euros received in 2007 from Optimus and Sonae Telecom SGPS).

Net financial activity (interest income less interest expenses) was a positive 9.8 million euros, 2.4 million euros above 2007, which was mostly driven by higher level of treasury applications and loans in subsidiaries.

Other financial results were a negative 10.3 million euros fully driven by an impairment recognition on Sonaetelecom BV. In 2007, Other financial results included the extraordinary capital loss of 82 million euros incurred in respect of the liquidation of Sonae Matrix Multimedia SGPS.

## 2.6 Sonaecom SGPS individual results (continued)

Net Results for the year were positive 19.7 million euros, 35 million euros above the level registered in 2007 mainly due to the above explained evolution of Other financial results, which has more than compensated the lower amount of dividends received and the impact of tender offer debits with were made in 2007.

### 2.6.2. Financial data

The following table summarises the major cash movements that occurred during 2008:

Changes in Sonaecom SGPS liquidity	Million euros
<b>Sonaecom SGPS stand-alone liquidity as at 31 December 2007</b>	<b>145.8</b>
<b>Commercial Paper Programme ('CPP')</b>	<b>6.0</b>
<b>Other external debt</b>	<b>4.8</b>
<b>Treasury applications from subsidiaries received (repaid)</b>	<b>7.5</b>
<b>Net acquisitions and supplementary capital</b>	<b>(111.4)</b>
Acquisition of own shares	(8.8)
Supplementary capital on Artis	(115.6)
Supplementary capital on Tele2	(2.1)
Reimbursement of Sonae Telecom SGPS supplementary capital	15.2
<b>Net shareholder loans repaid (granted)</b>	<b>45.1</b>
Sonaecom Serviços de Comunicações	262.8
Artis	(190.8)
Sonaetelecom BV	(8.7)
Sonaecom BV	(18.2)
Tele2	1.0
Lugares Virtuais	(0.9)
<b>Financial movements</b>	<b>(47.8)</b>
Interest paid	(19.0)
Dividend received	21.4
Interest received	30.9
Payment in advance to Sonaecom BV	(80.0)
Operational free cash flow and others	(1.1)
<b>Total movements in the period</b>	<b>(95.7)</b>
<b>Sonaecom SGPS stand alone liquidity as at 31 December 2008</b>	<b>50.1</b>

During 2008, Sonaecom's stand alone liquidity decreased by 95.7 million euros from 145.8 to 50.1 million euros due mainly to the following movements:

#### a) Gross nominal external debt: 10.8 million euros increase

During 2008, gross nominal external debt increased by 10.8 million euros, 6 million euros through increased usage of commercial paper programmes ('CPP') and 4.8 million of additional overdrafts and short-term bank debt. Since 3Q07, when Sonaecom SGPS completed the negotiation of a 250 million euros committed underwritten commercial paper programme, Sonaecom's gross debt is fully contracted by Sonaecom SGPS and internal funding movements are used to allocate cash between our subsidiaries. As part of this new internal funding process, Sonaecom SGPS is using shareholder loans and/or treasury applications, depending on the expected maturity of amounts lent to subsidiaries.

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

#### b) Treasury applications from subsidiaries: 7.5 million euros increase

During the year, Tele2 cancelled its applications placed with Sonaecom SGPS (4.2 million euros), while Be Towering increased the amounts placed by 8 million euros. Other significant movements included the increase in the applications made by Bizdirect and Mainroad (1.2 and 1.0 million euros, respectively).

#### c) Net acquisitions and supplementary capital: net cash-out of 111.4 million euros

During 2008, the major outflows related with acquisitions and investments comprised the following:

- Additional 115.6 million euros of supplementary capital placed with Artis and 2.1 million euros with Tele2;
- Sonae Telecom SGPS reimbursed supplementary capital in the amount of 15.2 million euros;



## 2.6 Sonaecom SGPS individual results (continued)

To cover the responsibilities arising from the employee medium-term incentive plan, Sonaecom SGPS invested 8.8 million euros in the acquisition of own shares during 2008.

### **d) Net shareholder loans: 45.1 million euros decrease**

During 2008, total shareholder loans applied by Sonaecom SGPS in subsidiaries decreased by 45.1 million euros, including the following main movements:

- Sonaecom SGPS placed additional shareholder loans in the amount of 190.8 million euros with Artis, while Sonaecom Serviço de Comunicações, S.A. reimbursed approximately 262.8 million euros of outstanding loans;
- Sonaecom SGPS decreased the balance of loans outstanding to Sonaetelecom BV by 2.8 million euros. It should nevertheless be noted that shareholder loans in the amount of 11.5 million euros were converted into supplementary capital. Consequently, total net investments in this subsidiary in fact increased by 8.7 million euros;
- As a result of the securitisation operation, Sonaecom Serviços de Comunicações, S.A placed circa 100 million euros at Sonaecom SGPS, of which: (i) 80 million euros were transferred to Sonaecom BV as payment in advance in relation to an increase of the shareholding in Sonaecom Serviços de Comunicações; and (ii) the remaining 20 million euros were placed as loans in Sonaecom BV.

### **e) Sonaecom financial movements: positive 33.3 million euros**

Sonaecom SGPS' operational and financial activity generated a net inflow of 43.3 million euros which was essentially driven by the following movements:

- Dividends of 21.4 million euros received from Sonaecom Serviços de Comunicações, S.A.;
- A positive net financial activity of 11.9 million euros, resulting from the interest earned on funds placed with subsidiaries.



## 2.7 Our customer service

Sonaecom has fostered a culture that ensures that customer needs and requests are the responsibility of everyone in the organisation. A consistent effort to build a closer relationship with customers was implemented during 2008 with the aim of understanding exactly how to best meet customer expectations.

As a result of service quality differentiation strategy, Optimus was rewarded with three important awards, which distinguish best practices in terms of contact centre operations in Portugal. At the Portuguese Association of Contact Centres ('APCC') 2008 awards the award for Best Contact Centre in Portugal and Best Contact Centre in the telecommunications sector were granted to Optimus. Additionally, IFE Portugal, in collaboration with the 'Call Centre Magazine', under the 'Call Centre Trophy 2008' contest, awarded the 'Quality of Service' prize (Self-Management Category) to our contact centre. This is the most relevant award granted to contact centres in Portugal.

During 2008, we implemented a set of initiatives in three distinct areas (people, systems and processes), with a strong focus on relationship management and on meeting the ever changing customer needs in today's market. Among these initiatives we point out two large horizontal projects with great impact on the customer service systems and organisational culture of the Company:

### Project Attitude+

This project, launched in 2007, was successfully implemented during 2008 and allowed for the implementation of a disruptive way in managing customer complaints: customer feedback is now being used to implement better internal processes. The model developed is supported by a specific set of principles, making it unique and usable across all channels and business units. The concept of complaint was redefined and an algorithm that allows the differentiation of customers with different life values was implemented. The algorithm also takes into account the severity of the problems, so that the most critical are addressed in a prioritised manner. Special teams were created in each business, exclusively dedicated to complaints management.

The key benefits that we are extracting from the implementation of this project are the following:

- tighter control of the problem solving process;
- better knowledge of complaints and improvement opportunities, through increased systematisation of the causes that determined the complaint;
- greater organizational commitment in solving customer complaints;
- better service, which will inevitably determine more satisfied customers.

### Project CCIL - Contact Centres In-Line

The aim of project CCIL (implemented in June of 2008) was to improve the quality of and amount of information available to all personnel involved in customer service. The ability to quickly respond to dynamic and demanding markets is vital to increase customer satisfaction. With the 'CCIL InStranet' solution we radically changed information management by building a community that shares relevant knowledge, which, in parallel, might be used for supporting innovation and improvement plans.

Project CCIL has brought material benefits to our customer services, which include:

- InStranet's contact centres can answer on-line to customer requests and deliver personalised information such as business policies, product promotions and problem solving steps. All this data is now available to thousands of customer representatives in multiple locations;
- total integration with our Customer Relationship Management ('CRM') system allowing for reductions in the average search times, higher rate of problem solving on the first-call, lower overall call-holding periods and, consequently, increasing customer satisfaction;
- finally, InStranet's reports and analytic data provide a real-time view of agents' efficiency and effectiveness.

## 2.7 Our customer service (continued)

In addition to these large horizontal projects, a set of other remedial actions have been implemented, some of them aimed at simplifying and speeding up internal processes, while others are focused on creating alternative contact channels. The most important actions are described below, in accordance with their key objectives:

### **Better service**

- During 1Q08 we have made available to both our customer management and commercial teams, a web tool which allows faster and deeper analysis of the business customers' communication profile. This information supports a better design of the offers made to our customers;
- In June 2008, pursuing customer satisfaction, the Clix service line started to be available free of charge to customers;
- During 3Q08 we created a specialised team aimed at providing the best customer support for our new FTTH customers;
- For the launch of the iPhone in July 2008, our communication and training team worked closely with Apple, leading to the subsequent creation of a team certified by Apple for providing training on the iPhone;

### **Web and alternative channels of contact**

- IVR – improvements in access menus were done in order to simplify the navigation and allow for improved usability;
- Clix Web Self-care – within our strategy of technological innovation, we have developed a web self-care channel, with the aim of becoming the preferred contact channel for our customers;
- Optimus and TAG websites – the customer support areas in Optimus and TAG websites were improved and answers to the most frequent customer requests are now easily found in those channels;
- Optimus Home – developments were made in the activation and IVR systems enabling the customer or agent to automatically obtain information about the state of the activation process or number portability, allowing for a quicker and cheaper way of providing this data.

During 2008, we implemented a number of changes to the organisation of the customer service area in order to cope with the growing customer demands and the changes occurring in our Telco business environment. Worthy of note was the integration process of the previous Oni and Tele2 customers, during which important resources were involved in order to guarantee that the migration and integration processes would not have impacts over the quality of service. Also worth noting was the additional challenge that the integration of the mobile and fixed SME's ('Optimus Negócios') commercial teams posed to the customer service area. Within this process, customer service efforts centred around the alignment of service levels to the new unified reality and business context.

Strong training plans were designed and carried out during the year. The communication and training team, who manages the technical and behavioural training for people involved in contacting customers, has been constantly developing training sessions focused on improving know-how, especially on the most complex processes, and on continuous improvement processes.

It should also be noted that, in the 3Q08, an important step was taken in order to improve the evaluation of customer default risks: Comissão Nacional de Protecção de Dados ('CNPd') approved the creation of a shared database between Sonaecom, TMN and Vodafone involving customer defaults. The implementation of this database, that will improve all operators' information on customers default profiles, is planned to take place during the 1Q09.

We want to be increasingly chosen and recognised for the quality of service we offer to customers. More than ever, we are fostering a culture in which everybody in the organisation should feel responsible for the customer concerns and needs. A change in the structure of the department was done at the end of 2008 in order to have a very flexible, motivated, empowered and customer-oriented team. A very flat organisation was put into place, maximising the skills of our professionals and enabling very clear interfaces.

Our ambition is to provide the best customer service in the Portuguese telecommunications market.

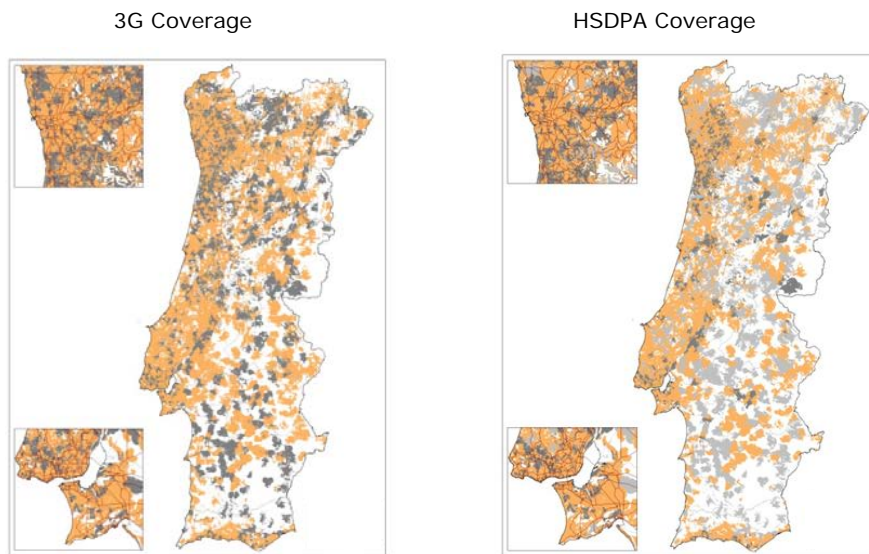
## 2.8 Our telecoms network

With the objective of offering competitive services to our customers, with best-in-class levels of quality, and providing adequate answers to all customer needs, during 2008 Sonaecom has made considerable investments in its network.

### 2.8.1. Innovation and quality of service improvement

The significant investments made in Sonaecom's core and access network and services platforms allowed for a significant increase in the number and diversity of services offered to our customers and formed the basis for the new convergent offers.

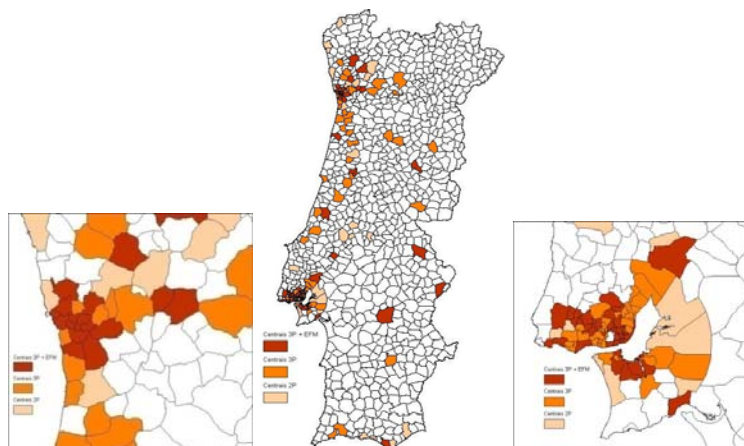
During 2008, Sonaecom substantially increased the coverage and capacity of its mobile access network through an ambitious rollout plan, including the implementation of several new sites in new locations. This investment allowed Sonaecom to increase its UMTS coverage, offering mobile broadband service in new locations, which resulted in a considerable service improvement for our customers.



By the end of 2008, Sonaecom had a 90% population coverage with UMTS and over 80% with HSDPA, having significantly increased its network capacity, and consequently the quality of the experience and usage of its mobile broadband services, with increased uplink (up to 1.54 Mbps) and downlink (up to 7.2 Mbps) speeds. Sonaecom is already testing and preparing to launch further evolutions of HSDPA and HSUPA, with the aim of reaching downlink and uplink speeds of up to 14.4 Mbps and 5.7 Mbps, respectively.

In parallel, throughout 2008, Sonaecom invested in increasing the capacity and capillarity of its wireline access network. Five new central offices ('COs') were opened during 2008, totalling 166 COs with ADSL2+, allowing for an increase in the addressable residential and business market for fixed broadband and voice services. IPTV services are currently available in 85% of the unbundled central offices.

## 2.8 Our telecoms network (continued)



It is also worth highlighting the completion, in 3Q08, of the migration of the previous Oni residential direct customers onto our infrastructure. Importantly, in a complex migration procedure, with an average of 700 migrations executed per day, we were able to complete the process with a minimum impact on the customer. In parallel, business customers were migrated to VoIP solutions supported on IMS.

With the implementation of FTTH, Sonaecom has, for the first time since the launch of our wireline activities, the complete responsibility for the network used to deliver end-to-end wireline services to the residential market and, as such, is completely in charge for the end-to-end quality of service provided to the customer. In this initial phase, the rollout of FTTH has been carried out mostly in the Lisbon and Porto areas. The positive experience obtained in the first year of rollout of this future-proof technology has fully prepared us for the next stages of the deployment of FTTH and for the delivery of innovative TV and broadband services.

Pursuing the constant modernisation and optimisation of its network, in 2008 Sonaecom started to prepare the rollout of a new advanced IP-based national transport network, which will allow the offering high-value-added advanced and innovative services to Sonaecom's customers, in particular to business customers. Sonaecom was a pioneer in the offering of true convergent services based on IMS, which allows for integrated communication solutions (mobile and fixed), from the mobile handset, PC or TV (IPTV). Besides the voice and video offerings which were already available, Sonaecom is now offering integrated and terminal independent (mobile/PC/TV) messaging services, such as Instant Messaging ('IM') and SMS. With the launch of the 'TAG' product, Sonaecom presented to the market an innovative web-phone which constituted the first integration of IM with the mobile ('Wireless Village') and with the PC ('SIP') and was the first in the deployment of Mobile IM integrating two different communities, namely Optimus and MSN. In addition, this offer integrates several innovative features, including the integration of video voice mail and mobile/PC charging, and supports all type of services, such as voice, video, SMS, MMS, Messaging and File Transfer.

### 2.8.2. Network architecture and cost structure optimisation

During 2008, several initiatives were aimed at maximising the efficiency and reducing the costs of our network operations, including, for example, through rentals renegotiations, increased site sharing with the other mobile operators and development of new transmission solutions. By the end of 2008, and following a strategy initiated in 2005, all field operations and maintenance activities of our mobile and wireline network were outsourced to four key partners, distributed along the country, allowing for an increased focus, while guaranteeing a better quality of service for our customers without additional operational costs. Another important activity executed in 2008 was the renovation of the 2G mobile access network in the northern part of Portugal, involving the replacement of approximately 27% of Sonaecom's BTSs. This process enabled an enlarged 2G coverage, an increased energetic efficiency and equipment lifetime and, importantly for future capacity expansions and introduction of new technologies, a reduction of the space occupied in the majority of the intervened sites.

During 2008, we also made considerable investments aimed at increasing network capacity, with the purpose of offering Sonaecom's customers the best possible service. In the year, several new offerings and services were introduced, inducing a considerable increase of data and voice traffic (an increase of approximately 20% in peak hours). Within this scope, backhaul transmission network has been optimised, in order to accommodate the ever increasing mobile broadband bandwidths and traffic and to be prepared for the future challenges that will continuously demand increased speeds (as an example, HSPA+ is

## 2.8 Our telecoms network (continued)

currently envisaging 21 Mbps downlink and 5.7 Mbps uplink speeds). This evolution, which is based on IP transmission solutions (including with Ethernet First Mile and fibre optics to connect 2G/3G sites), is of major importance, as it will allow for the optimisation of operational costs and prepares the network for any future developments.

Sonaecom has also increased its network resilience, by deploying fibre optic transmission links, strengthening the network and decreasing the probability of transmission failures that can compromise the services offered to our customers. New network topologies and equipments were deployed with the objective of guaranteeing increased network availability.

Furthermore, in 2008 Sonaecom completed the integration of its core networks (including the previous networks of Optimus, Novis and Tele2) in its NGN network, increasing service levels and optimising operational costs.

As a result of our continuous investments, Sonaecom holds today a reference network architecture, 100% based in international standards that allows for the best and most advanced (mobile, fixed and convergent) services to be offered to our residential, corporate or institutional customers.

### 2.8.3. Quality of Service proactive control and monitoring

During 2008, Sonaecom continued to place substantial efforts in the area of monitoring and control of quality of service ('QoS'), aimed at assuring optimal levels of QoS in the services rendered to our customers. Within this scope, the main focus areas were IPTV services (including the migration to MPEG-4 and the implementation of Visual Quality Experience, which allows for a significantly improved video quality and shorter 'zapping' delays), network availability indicators, customers service level agreements, in the FTTH access network (where, since the launch, a significant effort has been placed in monitoring the service quality over its entire lifecycle) and data services.

Driven by this constant search for optimisation of our network, Sonaecom has been several times recognised by independent entities as holding the best network in Portugal. Examples of this are the results of several audits recently done by Anacom to assess the quality of service of the Portuguese mobile operators, namely in the Lisbon and Porto areas, main cities, main roads and rail tracks. The results show the excellence of the performance of Sonaecom's mobile network, both in 2G and 3G. Additionally, Sonaecom was recognised as having the best mobile broadband service by the newsmagazine 'Exame Informática' and won the 'Broadband Wireless Service Innovation' award of GTB ('Global Telecoms Business'). The substantial investment made in the network during 2008 will allow for Sonaecom to continue leading in mobile broadband.

## 2.9 Our information systems

### Information systems

Sonaecom information systems initiatives during 2008 can be grouped into two major categories: (i) innovation and operational improvements; and (ii) the development of business solutions.

#### Innovation and operational improvements

Among the various initiatives implemented in the year we would highlight the following:

- technical update of the SAP ERP system that supports all the business activities of Sonaecom Group companies;
- applications' user-friendliness - we have continued to review the main applications used in the Company that involve user interfaces, with the key objective of ensuring productivity gains for application users, particularly for call centre operators;
- user awareness – we aimed to increase the security posture of all IT users, raising awareness among employees towards basic attitudes to be followed by all IT platform users, thus increasing the company's overall security profile;
- integrations - we concluded the integration of Oni and Tele2 residential and SOHO customer databases into our support systems, namely billing and customer support.

#### Development of business solutions

Within the second group of initiatives, the following is worth noting:

- fixed-mobile convergence: supporting the business strategy, we launched a new phase of the project aimed at convergence of billing and data warehouse systems, in order to make them single systems, supporting all the technologies provided by Sonaecom;
- restructuring of the [www.optimus.pt](http://www.optimus.pt) website: the Optimus website was totally redesigned, in order to improve the service provided to customers;
- Kanguru offer under the 'e-Schools' programme: resources were provided for students and teachers to register and enrol in this programme, through the development of the necessary support tools, with total integration between the registration website and the logistics systems for equipment delivery to subscribers;
- a website was launched to support the TAG community, enabling customers to join the community ('user generated content'), to activate their tariff plan and all the functionalities and features of the 'web phone';
- a CRM platform was implemented aimed at enabling a differentiated customer management, through the use of campaigns specifically adapted to customer life cycles;
- implementation of FTTH support processes: during 2008, we implemented the activation, registration and customer management processes required to support the new Sonaecom offers based on the optical fibre access network;
- we upgraded our fraud management platform, in order to provide more features and capacity to detect improper use of our fixed and mobile networks;
- we also upgraded our interconnect management solution, providing to the business unit involved in this area a state-of-the-art interconnection software tool;
- the use of new traffic and billing integration engines enabled post-paid invoices to be presented to our customers in near real time, through the new Optimus website or IVRs, and we have achieved incremental improvements in billing cycle times and their optimisation through *tranche* management of customer invoice dispatching;
- implementation of the complaints management and operation requests solution into the Siebel system, fulfilling the objective of integrating an increasing number of functionalities into our CRM system.

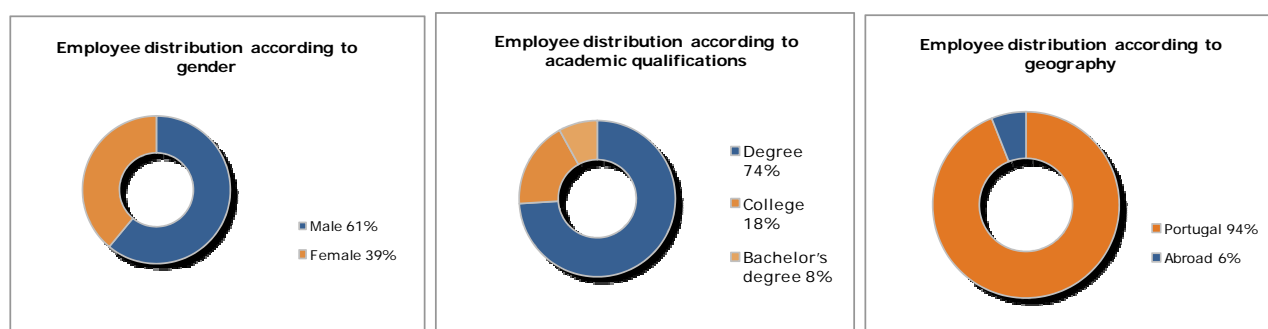
## 2.10 Our people

As a communications business, listening to people is fundamental to our culture. We apply this principle to our employees as strictly as we apply it to our customers. During 2008, we conducted another comprehensive staff survey that invited our people to tell us again what they think about our brand and the environment they work in.

### Facts about Sonaecom employees

Sonaecom employed 1,968 people as at 31 December 2008 that generated total staff costs of approximately 94.8 million euros.

With an average age of 35 and combining youth, dynamism, resilience, spirit of mission, ability to learn and willingness to innovate, Sonaecom is characterised by its team of determined, persevering people, focused on business objectives. Regarding experience and qualifications, most Sonaecom employees have university degrees and are constantly challenged by the educational solutions provided by the Company.



### Training

#### Sonaecom Learning Centre ('SCLC')

The SCLC is a centralised educational solution, aggregating most training activities, aimed at all employees in the various business areas within our organisation. It constitutes the preferential vehicle for spreading our culture and values, as well as for the development of core management and technical competencies at Sonaecom. SCLC seeks to sustain our employees' career development process, in a focused and proactive manner and represents a significant part of our investment in training, which represented an overall direct investment of approximately 1.1 million euros in 2008.

During 2008, the SCLC delivered 93 training actions, totalling approximately 37,301 hours and involving 785 employees.

**Financing of post-graduate studies**, particularly MBA degrees, either in Portuguese or foreign Universities, and executive training in international Management Schools.

Due to their characteristics, these programmes have a very significant impact on career development, aiming to reinforce the technical, managerial or leadership skills of the most talented employees, so that they may further develop key competencies. With this objective in mind, Sonaecom maintains an incentive policy in relation to this type of training, having backed 44 employees who attended post-graduation and/or MBA courses during 2008,

### HR OnLine – employee portal

The main human resources processes and HR information are available on-line to the entire organisation and are centralised in an employee portal ('HR OnLine'). This portal aims to increase process efficiency, quality and also team and personal management effectiveness, constituting a unique repository of all HR information available for real time access.

Following the same objective as HR OnLine but complementing the need of transparency and availability of information to all employees, 'b\_connected' was launched in 2008.



## 2.10 Our people (continued)



'b\_connected' is a communication website, allowing access to information on employee benefits, partnerships and other initiatives promoted by Sonaecom for its employees and their families. More than just a communication tool, 'b\_connected' is a wider concept, aiming to develop higher levels of engagement and where each employee is asked to actively collaborate with suggestions and proposals.

### Working environment

In order to continuously improve HR policies and practices, Sonaecom once again carried out a survey, covering all employees, to assess the way employees perceive Sonaecom and their working environment. Importantly, the level of participation in this internal social environment survey, carried out in April 2008, reached 86%.

During 2008, we have also carried out a pilot study on corporate culture, allowing for the assessment of Sonaecom's culture and comparison against a global market data base.



# 3.0

## **Our management**

There were no changes to our executive management team during 2008. The stability this gave us was critical to ensuring that our people remained focused on the relentless pursuit of value creation through customer satisfaction. Both factors are essential to creating shareholder value while reinforcing our position as Portugal's premier communications provider.

## 3.0 Our management

### Management changes in 2008

At the Annual General Meeting held on 16 April the governing bodies of the Company were elected for the new four-year mandate (2008-2011). The re-election of Board members was approved and a new Non-Executive Director, Nuno Jordão, was appointed. On 2 July 2008, at the company's Extraordinary General Meeting, shareholders approved that the maximum number of members of the Board of Directors be increased from 11 to 12 and that Franck Dangeard be appointed as an Independent Non-Executive Director.

### Composition of Board of Directors and appointed Committees

Sonaecom's Board of Directors and appointed Committees	Executive <sup>(1)</sup>	Non-Executive <sup>(2)</sup>		Audit and Finance Committee	Nominations and Remunerations Committee
		Independent <sup>(3)</sup>	Non-Independent		
<b>Chairman</b>					
Duarte Paulo Teixeira de Azevedo					
<b>Directors</b>					
António Sampaio e Mello					
David Charles Denholm Hobley					
Franck Emmanuel Dangeard					
Gervais Gilles Pellissier					
Jean-François René Pontal					
Nuno Manuel Moniz Trigoso Jordão					
Ângelo Gabriel Ribeirinho S. Paupério (CEO)					
George Christopher Lawrie					
Luís Filipe Campos Dias de Castro Reis					
Maria Cláudia Teixeira de Azevedo					
Miguel Nuno Santos Almeida					

(1) Executive Directors = members of the Board of Directors and Executive Committee, with executive management responsibilities.

(2) Non-Executive Directors = members of the Board of Directors, without executive management responsibilities.

(3) independent Non-Executive Directors = Directors not associated with any specific interest groups in the Company or Groups which are, under any circumstance, capable of affecting their objectiveness.

The Board of Directors is responsible for ensuring the management of the Company's business, monitoring risks, managing conflicts of interests and developing the organization's goals and strategy. Sonaecom's Articles of Association allow the Board to delegate the day-to-day company business, duties and responsibilities, as considered appropriate, to an Executive Committee. The Board of Directors has also two specialized committees, namely the Board Audit and Finance Committee (BAFC) and the Board Nomination and Remuneration Committee (BNRC). It is worth noticing that the BAFC is solely constituted by Non-Executive members who, during 2008, have periodically met and exercised an important influence over decision-making process and the development of strategy and policy, and did not encounter any restraints in the performance of their duties.

### 3.0 Our management (continued)

#### Board of Directors

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

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

#### Chairman



Paulo Teixeira de Azevedo

#### Executive Directors



Angelo Paupério (CEO)



Luís Filipe Reis



Cláudia Teixeira de Azevedo



Miguel Nuno Almeida



Christopher Lawrie (CFO)

#### Non-Executive Directors



António Sampaio e Mello



David Hobley



Jean-François Pontal



Gervais Gilles Pellissier



Franck E. Dangeard



Nuno Manuel Jordão

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

### 3.0 Our management (continued)

#### Executive Committee

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

#### Composition

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



António Lobo Xavier

**Academic qualifications:** Degree in Law and Master in Economics Law, both from the University of Coimbra.

**Professional experience:** Member of the Board of MLGTS; member of the Board of BPI and Mota-Engil.



Pedro Ramalho Carlos

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

**Professional experience:** Executive Director of Sonaecom Serviços de Comunicações S.A., responsible for the areas of network and systems.

The roles and responsibilities of the Executive Management Team are detailed in the table below:

#### Executive Management Team and their roles

Ângelo Paupério	Luís Filipe Reis	Chris Lawrie	António Lobo Xavier <sup>(1)</sup>	Miguel Almeida	Pedro Carlos <sup>(1)</sup>	Cláudia Azevedo
Chief Executive Officer	Chief Operating Officer	Chief Financial Officer	Chief Legal and Regulatory Officer	Chief Marketing and Sales Officer	Corporate and Wholesale	SSI and Media

(1) Advisors to the Board of Directors

## 3.1 Qualifications of the Board of Directors

### Duarte Paulo Teixeira de Azevedo

Date of birth: 31 December 1965

**Academic qualifications:** Degree in Chemical Engineering from the École Polytechnique Federal de Lausanne; MBA from ISEE, Institute of Business Studies of Porto University.

**Professional experience:** CEO of Sonae SGPS; Non-Executive Director of Sonae Indústria; CEO of Sonaecom; CEO of Optimus; Executive Director of Modelo Continente.

**Responsibilities at Sonaecom:** Chairman of the Board of Sonaecom; Chairman of the Board Nomination and Remuneration Committee.

### Ângelo Gabriel Ribeirinho dos Santos Paupério

Date of birth: 14 September 1959

**Academic qualifications:** Degree in Civil Engineering at Porto University; MBA from ISEE, Institute of Business Studies of Porto University.

**Professional experience:** Executive Vice-President of Sonae SGPS; Director of Sonae Distribuição SGPS and Sonae Sierra SGPS.

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

**Responsibilities at Sonaecom:** CEO of Sonaecom.

### Luís Filipe Campos Dias de Castro Reis

Date of birth: 29 January 1962

**Academic qualifications:** Degree in Medicine from the Faculty of Medicine of Coimbra University; MBA in Business Management from the ISEE, Institute of Business Studies of Porto University; Doctorate in Economics from the Complutense University in Madrid; attended Stanford Executive Program ('SEP') at Stanford University.

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

**Responsibilities at Sonaecom:** Executive Director of Sonaecom.

### George Christopher Lawrie

Date of birth: 13 October 1957

**Academic qualifications:** Degree with distinction in Business Studies and Finance from Thames University in England.

**Professional experience:** Member of the Board of Directors of Sonaecom Serviços de Comunicações and WeDo. Previously advisor to the Board of Directors and to the Executive Committee of Sonaecom; worked in investment banking in the areas of M&A, general advisory, equity capital markets and debt financing (covering

Southern Europe); Director at Credit Suisse First Boston in its European Telecoms Group, Director at BZW; Assistant Director at Schroders in the banking and corporate finance divisions.

**Responsibilities at Sonaecom:** Executive Director and CFO of Sonaecom.

### Maria Cláudia Teixeira de Azevedo

Date of birth: 13 January 1970

**Academic qualifications:** Degree in Business Studies from the Universidade Católica do Porto; MBA from INSEAD (Fontainebleu).

**Professional experience:** Member of the General Council of Público; Executive Director of Sonaecom Sistemas de Informação ('SSI'); Executive Director of Sonaecom – Serviços de Comunicações.

Previously, she has been an Executive Director of Sonae Matrix Multimedia residential unit; Marketing Director of Optimus.

**Responsibilities at Sonaecom:** Executive Director of Sonaecom – Media and SSI.

### Miguel Nuno Santos Almeida

Date of birth: 15 March 1967

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

**Professional experience:** Executive Director of Sonaecom – Serviços de Comunicações; Non-Executive Director of WeDo.

Previously, he has been Marketing Director of Modelo Continente.

**Responsibilities at Sonaecom:** Executive Director of Sonaecom – Marketing and Sales.

### António Sampaio e Mello

Date of birth: 29 January 1955

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

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

### 3.1 Qualifications of the Board of Directors (continued)

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

**David Charles Denholm Hobley**

Date of birth: 9 December 1946

**Academic qualifications:** Fellow of the Institute of Chartered Accountants of England and Wales.

**Professional experience:** Managing Director of Deutsche Bank AG, London; Director of certain Orange Group companies.

**Responsibilities at Sonaecom:** Non-Executive Director of Sonaecom; Member of the Board Audit and Finance Committee.

**Gervais Gilles Pellissier**

Date of birth: 14 May 1959

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

**Professional experience:** Member of France Telecom Group Management Committee; Deputy CEO in charge of Finance and Information System. Previously he had supervised the operational and geographic integration of France Telecom's businesses in Spain and, was Vice-Chairman of the Board of Bull (2004-2005).

**Responsibilities at Sonaecom:** Non-Executive Director of Sonaecom.

**Franck Emmanuel Dangeard**

Date of birth: 25 February 1958

**Academic qualifications:** Graduate from École des Hautes Études Commerciales; Graduate from the Institut d'Études Politiques de Paris; Harvard Law School (Fulbright Scholar, HLS Fellow).

**Professional experience:** Chairman and CEO of Thomson; Senior Executive Vice-President of France Télécom; Managing Director of SBC Warburg France.

**Responsibilities at Sonaecom:** Independent Non-Executive Director of Sonaecom; Member of the Board Nomination and Remuneration Committee.

**Jean-François René Pontal**

Date of birth: 17 April 1943

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

**Professional experience:** CEO of the Spanish branch of Carrefour – PRYCA; Member of the Board of Directors of Carrefour; Group Executive Vice-President in charge of

Mass Market Products & Services of France Telecom; CEO of Orange.

**Responsibilities at Sonaecom:** Independent Non-Executive Director of Sonaecom; Chairman of the Board Audit and Finance Committee; Member of the Board Nomination and Remuneration Committee.

**Nuno Manuel Moniz Trigos Jordão**

Date of birth: 27 April 1956

**Academic qualifications:** Degree in Economics by the ISCTE – University of Lisbon.

**Professional experience:** Member of the Board of Directors and CEO of Sonae Distribuição; Executive Vice-President of Sonae SGPS.

**Responsibilities at Sonaecom:** Non-Executive Director of Sonaecom.

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

**Duarte Paulo Teixeira de Azevedo**

**Offices held in companies in which Sonaecom is a shareholder:**

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

**Other Offices held:**

Efanor Investimentos, SGPS, S.A.  
(Member of the Board of Directors)

Imparfin, SGPS, S.A.  
(Member of the Board of Directors)

Migracom, SGPS, S.A.  
(Chairman of the Board of Directors)

Sonae, SGPS S.A.  
(Member of the Board of Directors, CEO)

Sonae Distribuição, SGPS, S.A.  
(Chairman of the Board of Directors)

Sonae Indústria, SGPS, S.A.  
(Member of the Board of Directors)

Sonae Sierra, SGPS, S.A.  
(Chairman of the Board of Directors)

**Ângelo Gabriel Ribeirinho dos Santos Paupério**

**Offices held in companies in which Sonaecom is a shareholder:**

Be Artis, Conceção, Construção e Gestão de Redes de Comunicações, S.A.  
(Chairman of the Board of Directors)

Público – Comunicação Social, S.A.  
(Chairman of the General and Supervisory Board)

Sonae Telecom, SGPS, S.A.  
(Chairman of the Board of Directors)

Sonaecom – Serviços de Comunicações, S.A.  
(Chairman of the Board of Directors)

Sonaecom – Sistemas de Informação, SGPS, S.A.  
(Chairman of the Board of Directors)

WeDo Consulting, Sistemas de Informação, S.A.  
(Chairman of the Board of Directors)

**Other offices held:**

Cooper Gay (Holdings) Limited  
(Member of the Board of Directors, Non-Executive)

MDS SGPS, S.A.  
(Member of the Board of Directors, Executive)

MDS – Corretor de Seguros, S.A.  
(Chairman of the Board of Directors)

Sonae SGPS, S.A.  
(Member of the Board of Directors, Executive)

Sonae Investments, B.V. (Managing Director)

Sonae Distribuição SGPS, S.A.  
(Member of the Board of Directors, Non-Executive)

Sonae Sierra SGPS, S.A.  
(Member of the Board of Directors, Non-Executive)

Sontel B.V. (Managing Director)

Enxomil SGPS, S.A. (Managing Director)

Enxomil – Sociedade Imobiliária, S.A.  
(Managing Director)

Lapidar SGPS, S.A.  
(Member of the Board of Directors, Executive)

**George Christopher Lawrie**

**Offices held in companies in which Sonaecom is a shareholder:**

Be Artis, Conceção, Construção e Gestão de Redes de Comunicações, S.A.  
(Member of the Board of Directors, Non-Executive)

Sonaecom B.V. (Managing Director)

Sonaecom – Serviços de Comunicações S.A.  
(Member of the Board of Directors, Executive)

WeDo Consulting, Sistemas de Informação, S.A.  
(Member of the Board of Directors, Non-Executive)

**Other offices held:**

Does not hold any office in any other company.

**Luís Filipe Campos Dias de Castro Reis**

**Offices held in companies in which Sonaecom is a shareholder:**

Be Artis, Conceção, Construção e Gestão de Redes de Comunicações, S.A. (Member of the Board of Directors – Executive)

Be Towering – Gestão de Torres de Telecomunicações, S.A.  
(Chairman of the Board of Directors)

Público – Comunicação Social, S.A.  
(Member of the General Council)

Sonaecom B.V. – Managing Director

Sonaecom – Serviços de Comunicações, SA  
(Member of the Board of Directors – Executive)

Sonaecom – Sistemas de Informação, SGPS, S.A.  
(Member of the Board of Directors – Executive)

Sonae Telecom, SGPS, S.A.  
(Member of the Board of Directors of Directors – Executive)

Telemilénio – Telecomunicações, Sociedade Unipessoal, Lda. (Managing Director)

WeDo Consulting, Sistemas de Informação, S.A.  
(Member of the Board of Directors – Non-Executive)

**Other offices held:**

Does not hold any office in any other company.



## 3.2 Other offices held by members of the Board of Directors (continued)

### Maria Cláudia Teixeira de Azevedo

#### Offices held in companies in which Sonaecom is a shareholder:

Digitmarket – Sistemas de Informação, S.A.

(Chairman of the Board of Directors)

Lugares Virtuais, S.A. (Chairman of the Board of Directors)

Mainroad – Serviços de Tecnologias de Informação, S.A.

(Chairman of the Board of Directors)

Miauger – Organização e Gestão de Leilões Electrónicos, S.A.

(Chairman of the Board of Directors)

Público Comunicação Social, S.A.

(Member of the General Council)

Saphety Level – Trusted Services, S.A.

(Chairman of the Board of Directors)

Sonaecom Serviços de Comunicações, S.A.

(Member of the Board of Directors)

Sonaecom Sistemas de Informação, S.A.

(Member of the Board of Directors)

WeDo Consulting, Sistemas de Informação, S.A.

(Member of the Board of Directors)

WeDo Technologies Mexico, S. De R.L. De C.V. (Director)

WeDo Technologies Egypt (Director)

WeDo Technologies, B.V. (Director)

Cape Technologies Limited (Ireland) (Director)

WeDo Poland Sp. Z.o.o. (Director)

WeDo Technologies Australia PTY Limited (Director)

Cape Technologies (UK) Limited (Director)

WeDo Technologies (UK) Limited (Director)

Praesidium Services Limited (Director)

Praesidium Technologies Limited (Director)

#### Other offices held:

Efanor – Serviços de Apoio à Gestão, S.A.

(Chairman of the Board of Directors)

Efanor Investimentos, SGPS, S.A.

(Member of the Board of Directors, Non-Executive)

Fundação Belmiro de Azevedo

(Member of the Board of Directors, Non-Executive)

Imparfin, SGPS, S.A.

(Chairman of the Board of Directors)

Linhacom, SGPS, S.A.

(Chairman of the Board of Directors)

Praça Foz – Sociedade Imobiliária, S.A.

(Member of the Board of Directors, Non-Executive)

### Miguel Nuno Santos Almeida

#### Offices held in companies in which Sonaecom is a shareholder:

Be Artis, Conceção, Construção e Gestão de Redes de Comunicações, S.A. (Member of the Board of Directors – Executive)

Be Towering – Gestão de Torres de Telecomunicações, S.A. (Member of the Board of Directors – Executive)

Per-Mar, Sociedade de Construções, S.A.

(Chairman of the Board of Directors)

Sonae Telecom, SGPS, S.A.

(Member of the Board of Directors – Executive)

Sonaecom – Serviços de Comunicações, S.A.

(Member of the Board of Directors – Executive)

WeDo Consulting – Sistemas de Informação, S.A.

(Member of the Board of Directors – Non-Executive)

#### Other offices held:

Does not hold any office in any other company.

### António Sampaio e Mello

#### Offices held in companies in which Sonaecom is a shareholder:

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

#### Other offices held:

Nakoma Capital Management

(Member of the Board of Directors)

Casb (Member of the Board of Directors)

### David Charles Denholm Hobley

#### Offices held in companies in which Sonaecom is a shareholder:

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

#### Other offices held:

Egyptian Company for Mobile Services S.A.

(Member of the Board of Directors)

Mobinil S.A. (Member of the Board of Directors)

Nectar Capital LLC (Member of the Board of Directors)

Orange Brand Services Limited

(Member of the Board of Directors)

Orange Romania S.A. (Member of the Board of Directors)

Westgate Nominees Hall Limited

(Member of the Board of Directors)

Velti plc (Member of the Board of Directors)

Deutsche Bank AG, London Branch (Managing Director)

### Franck Emmanuel Dangeard

#### Offices held in companies in which Sonaecom is a shareholder:

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



## 3.2 Other offices held by members of the Board of Directors (continued)

### Other offices held:

Harcourt, S.L. (Managing Director)

Calyon - Crédit Agricole Group (Director)

EDF – Electricité de France (Chairman of the Audit Committee; Member of the Nomination and Remuneration Committee)

Infogrames (Chairman – Non-Executive)

Symantec (US) (Member of the Audit Committee; Member of the Nomination and Governance Committee)

Moser Baer (India) (Member of the Strategy Committee)

Bruegel (Member of the Board of Directors)

Energos (Member of the Advisory Board)

PriceWaterhouseCoopers (France) (Member of the Advisory Board)

Reech AIM (UK) (Member of the Advisory Board)

### Gervais Gilles Pellissier

#### Offices held in companies in which Sonaecom is a shareholder:

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

### Other offices held:

France Telecom Spain (Member of the Board of Directors)

Mobistar (Member of the Board of Directors)

Studio 37 (Member of the Board of Directors)

### Jean-François René Pontal

#### Offices held in companies in which Sonaecom is a shareholder:

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

### Other Offices held:

Ing Direct, France (Member of the Advisory Board)

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

### Nuno Manuel Moniz Trigos Jordão

#### Offices held in companies in which Sonaecom is a shareholder:

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

### Other offices held:

Arat Inmuebles, S.A.

Azulino – Imobiliária, S.A.

Bertimóvel – Sociedade Imobiliária, S.A.

Best Offer - Prestação de Informações pela Internet, S.A.

Bikini – Portal de Mulheres, S.A.

Canasta - Empreendimentos Imobiliários, S.A.

Carnes do Continente - Industria e Distribuição de Carnes, S.A.

Chão Verde – Sociedade de Gestão Imobiliária, S.A.

Citorres – Sociedade Imobiliária, S.A.

Contibomba - Comércio e Distribuição de Combustíveis, S.A.

Contimobe – Imobiliária do Castelo de Paiva, S.A.

Continente Hipermercados, S.A.

Cumulativa - Sociedade Imobiliária, S.A.

Difusão – Sociedade Imobiliária, S.A.

Edições Book.it – S.A.

Efanor - Design e Serviços, S.A.

Efanor - Indústria de Fios, S.A.

Estevão Neves – Hipermercados da Madeira, S.A.

Farmácia Seleção, S.A.

Fozimo - Sociedade Imobiliária, S.A.

Fozmassimo – Comércio e Industria de Produtos Alimentares, S.A.

Global S – Hipermercado, Lda.

IGI – Investimento Imobiliário, S.A.

Igimo – Sociedade Imobiliária, S.A.

Iginha – Sociedade Imobiliária, S.A.

Imoconti – Sociedade Imobiliária, S.A.

Imoestrutura – Sociedade Imobiliária, S.A.

Imomuro – Sociedade Imobiliária, S.A.

Imoresultado – Sociedade Imobiliária, S.A.

Imosistema - Sociedade Imobiliária, S.A.

Infofield – Informática, S.A.

Inventory – Acessórios de Casa, S.A.

MJLF - Empreendimentos Imobiliários, S.A.

Modalfa - Comércio e Serviços, S.A.

Modelo – Distribuição de Materiais de Construção, S.A.

Modelo Continente – Operações de Retalho, SGPS, S.A.

Modelo Continente Hipermercados, S.A.

Modelo Continente Hipermercados, S.A., Sucursal en España

Modelo Continente Seguros - Sociedade de Mediação, Lda.

Modelo Hiper Imobiliária, S.A.

Modelo Hipermercados Trading, S.A.

Modelo.Com – Vendas por Correspondência, S.A.

NA - Comércio de Artigos de Desporto, S.A.

NA - Equipamentos Para o Lar, S.A.

### 3.2 Other offices held by members of the Board of Directors (continued)

Peixes do Continente - Indústria e Distribuição de Peixes, S.A.

Pharmacontinente - Saúde e Higiene, S.A.

Predicomercial – Promoção Imobiliária, S.A.

Selifa - Sociedade de Empreendimentos Imobiliários, S.A.

Sempre à Mão – Sociedade Imobiliária, S.A.

Sesagest – Projectos e Gestão Imobiliária, S.A.

Socijofra - Sociedade Imobiliária, S.A.

Sociloures - Sociedade Imobiliária, S.A.

Solaris - Supermercados, S.A.

Sonae Distribuição - S.G.P.S., S.A.

Sonae Retalho Espanã – Servicios Generales, S.A.

Sonaecor – Comercio y Distribución S.A.

Sonaegest – Sociedade Gestora de Fundos de Investimento, S.A.

Sondis Imobiliária, S.A.

Sontária – Empreendimentos Imobiliários, S.A.

Sport Zone – Comércio de Artigos de Desporto, S.A.

Sport Zone España - Comercio de Articulos de Deporte, S.A.

Tlantic Portugal - Sistemas de Informação, S.A.

Todos os Dias - Comércio Retalhista e Exploração de Centros Comerciais, S.A.

Valor N, S.A.

Worten - Equipamentos para o Lar, S.A.

Worten España Distribución S.L.

### 3.3 Articles 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 2008:

##### Board of Directors

	Date	Additions		Reductions		Balance at
		Quantity	Average value €	Quantity	Average value €	31 December 2008
<b>Duarte Paulo Teixeira de Azevedo</b>						Quantity
Efanor Investimentos, SGPS, SA (1)						1
Migracom, SGPS, SA (3)						1,969,996
Capital increase	27.11.2008	1,900,000	1.00			
Sonae, SGPS, SA (6)						3,293
<b>Ângelo Gabriel Ribeirinho dos Santos Paupério</b>						
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			
<b>George Christopher Lawrie</b>						
Sonae, SGPS, SA (6)						62,500
Acquisition	21.01.2008	50,380	1.19			
Sonaecom, SGPS, SA						162,659
Shares attributed under the Medium Term Incentive Plan	11.03.2008	17,659	0.00			
<b>Miguel Nuno Santos Almeida</b>						
Sonaecom, SGPS, SA						18,257
Shares attributed under the Medium Term Incentive Plan	11.03.2008	18,167	0.00			
<b>Maria Cláudia Teixeira de Azevedo</b>						
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	
<b>Luís Filipe Campos Dias de Castro Reis</b>						
Sonaecom, SGPS, SA						4,854
Shares attributed under the Medium Term Incentive Plan	11.03.2008	4,854	0.00			

### 3.3 Articles 447, 448 and qualified holdings (continued)

#### Article 447

In accordance with article 447 of the Portuguese Company Law continued

#### Notes

		Additions		Reductions		Balance at
	Date	Quantity	Average value €	Quantity	Average value €	31 December 2008
						Quantity
<b>(1) Efanor Investimentos, SGPS, SA</b>						
Sonae, SGPS, SA (6)						659,650,000
Acquisition	19.09.2008	845,576	0.603			
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
Sonae, SGPS, SA (6)						351,296
Acquisition	03.01.2008	3	1.92			
Sonaecom, SGPS, SA						36,183
Acquisition	31.03.2008	10,963	2.18			
<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						838,649
Acquisition	17.12.2008	125,000	0.98			
Acquisition	19.12.2008	40,000	0.98			
Acquisition	30.12.2008	650,000	1.00			
Sontel BV (8)						4,286
Capital increase	22.08.2008	3,786	50,512.78			
<b>(7) Sonae Investments BV</b>						
Sontel BV (8)						5,714
Capital increase	22.08.2008	5,714	50,517.78			
<b>(8) Sontel BV</b>						
Sonaecom, SGPS, SA						193,550,515
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			
Acquisition	Aug-08	727,264	1.87			
Acquisition	Sep-08	1,057,750	1.80			
Acquisition	Oct-08	280,000	1.64			
Sale	Oct-08			2,972,506	1.27	
Acquisition	Nov-08	497,670	0.98			
Acquisition	Dec-08	186,500	1.01			
Sale	Dec-08			650,000	1.00	

### 3.3 Articles 447, 448 and qualified holdings (continued)

#### Article 448

In accordance with article 448 of the Portuguese Company Law.

	Number of shares as of 31 December 2008
<b>Efanor Investimentos, SGPS, SA</b>	
Sonae, SGPS, SA	659,650,000
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	838,649
Sonae Investments BV	2,000,000
Sontel BV	4,286
<b>Sonae Investments BV</b>	
Sontel BV	5,714
<b>Sontel BV</b>	
Sonaecom, SGPS, SA	193,550,515
<b>Wirefree Services Belgium, S.A.</b>	
Sonaecom, SGPS, SA	73,249,374

#### Qualified holdings

In compliance with sub-paragraph b), number 1, of the article 8 of the Securities Market Regulation Board (Regulamento da CMVM) number 05/2008, we declare the Qualifying Holdings as at 31 December 2008:

Shareholder	Number of shares	% of Share capital	% Voting rights
Sontel BV	193,550,515	52.85%	52.85%
Sonae SGPS	838,649	0.23%	0.23%
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%
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%
<b>Total attributable</b>	<b>195,119,396</b>	<b>53.28%</b>	<b>53.28%</b>
France Telecom, S.A.			
Wirefree Services Belgium, S.A.	73,249,374	20.00%	20.00%
<b>Total attributable</b>	<b>73,249,374</b>	<b>20.00%</b>	<b>20.00%</b>
EDP			
093X – Telecomunicações Celulares, SA	29,150,000	7.96%	7.96%
<b>Total attributable</b>	<b>29,150,000</b>	<b>7.96%</b>	<b>7.96%</b>

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

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

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

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

# 4.0

## **Our governance**

We always strive to follow best practice in all areas of corporate governance and this is reflected in our organisation, our principles and our disclosure. In line with this commitment, we carried out a self-assessment of our Board in 2005 with the help of an independent external consultant. The follow-up actions identified and agreed were regularly monitored during 2006 and 2007 and they have now been fully implemented. During 2008, our Board underwent a new self-assessment process and a number of follow-up actions are currently being finalised and prepared for implementation.

## 4.1 Corporate governance report

In line with new recommendations on corporate governance issued in September 2007 by the Portuguese Securities Commission ('CMVM') and applicable from 1 January 2008, the following section details the roles, responsibilities and composition of our principal governance bodies. Among other matters, this section also provides a detailed disclosure and explanation of our remuneration policy and Directors' shareholdings.

### 4.1. CORPORATE GOVERNANCE REPORT

(STRUCTURED IN ACCORDANCE WITH THE APPENDIX TO CMVM REGULATION no. 1/2007)

#### 4.1.1. Statement of compliance

##### 4.1.1 - 1) Disclosure of the availability of information

The full text of the existing Sonaecom corporate governance rules – published either by specific regulation, recommendation or voluntarily, including the code of conduct and, particularly, the share dealing rules and the rules on conflicts of interest – are made publicly available on our website [www.sonae.com](http://www.sonae.com) and at [www.cmvm.pt](http://www.cmvm.pt).

##### 4.1.1 - 2) CMVM recommendations on Corporate Governance

We summarise in the table below the CMVM recommendations on Corporate Governance and the respective compliance by Sonaecom:

CMVM recommendations		Sonaecom compliance as at 31.12.2008
1.	SHAREHOLDERS' GENERAL MEETINGS	
1.1.	Board of the Shareholders' General Meeting	
1.1.1.	The Chairman of the Board of the Shareholders' General Meeting shall be given adequate human and logistical resources, taking into consideration the financial position of the Company.	<b>YES:</b> all resources requested are made available by Sonaecom, via the relevant departments: Legal, Facilities, Finance, etc.
1.1.2.	The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual Corporate Governance Report.	<b>YES:</b> the remuneration is disclosed (see paragraph 4.1.2.-3 of this report)
1.2.	Participation at the Meeting	
1.2.1.	The requirement to deposit or block shares before Shareholders' General Meetings, contained in the Articles of Association, shall not exceed five working days.	<b>YES:</b> the requirement contained in Sonaecom's Articles of Association is five working days (see paragraph 4.1.2.-4 of this report)
1.2.2.	Should the Shareholders' General Meeting be suspended, the Company shall not require share blocking during the full period until the meeting is resumed, but shall apply the same period as for the first session.	<b>YES:</b> in case of suspension, the Chairman of the Board of the Shareholders' General Meeting only requires the share-blocking during the five working days prior to the date on which the meeting is resumed (see paragraph 4.1.2.-5 of this report)

## 4.1 Corporate governance report (continued)

<b>1.3. Voting and Exercising Voting Rights</b>		
1.3.1.	Companies should not impose any statutory restriction on postal voting.	<b>YES:</b> there are no restrictions on postal voting (see paragraph 4.1.2.-8 of this report)
1.3.2.	The statutory advance deadline for receiving voting ballots by post shall not exceed three working days.	<b>YES:</b> our statutory deadline is three days (see paragraph 4.1.2.-10 of this report)
1.3.3.	The Company's Articles of Association shall respect the one share-one vote principle.	<b>YES:</b> Sonaecom's Articles of Association respect the one share-one vote principle (see paragraph 4.1.2.-6 of this report)
<b>1.4. Quorum and Resolutions</b>		
1.4.1.	Companies shall not set a constitutive or deliberative quorum that exceeds the minimum required by Portuguese Company Law.	<b>NO</b> (see paragraph 4.1.2.-7 of this report)
<b>1.5. Attendance Lists, Minutes and Information on Resolutions Adopted</b>		
1.5.1.	The minutes of the Shareholders' General Meetings shall be made available to shareholders on the Company's website within a five day period, irrespective of the fact that such information may not be legally classified as material information. The lists of attendees, agendas items and resolutions adopted shall be kept in a historic file on the Company's website, covering meetings held for at least the last three years.	<b>NO</b> (see paragraph 4.1.1 – 3 of this report)
<b>1.6. Measures Relating to Changes in Control</b>		
1.6.1.	Measures aimed at preventing the success of takeover bids, shall respect the interests of the both the Company and its shareholders.	<b>YES:</b> no such measures exist (see paragraph 4.1.2.-13 of this report)
1.6.2.	In accordance with the principle established in the previous sub-paragraph, any Company that has Articles of Association with clauses that restrict or limit the number of votes that may be held or exercised by a single shareholder, either individually or acting in concert with other shareholders, shall also require that, at least once every five years, the continuation of such clauses must be ratified at a Shareholders' General Meeting, at which the quorum shall not exceed the legal minimum and all votes cast shall count, without applying any restriction.	<b>YES:</b> there are no clauses that restrict or limit the number of votes
1.6.3.	Defensive measures that automatically lead to a serious erosion in the value of the Company's assets should not be adopted, when there has been a change in control or a change in the Company's management, as this prevents the free transmission of shares and the ability of shareholders to effectively evaluate those responsible for managing the Company.	<b>YES:</b> no such measures exist (see paragraph 4.1.2.-8 of this report)
<b>2. MANAGEMENT AND AUDIT BOARDS</b>		
<b>2.1. General Points</b>		
<b>2.1.1. Structure and Duties</b>		
2.1.1.1.	In the Corporate Governance Report, the Board of Directors shall assess the governance model adopted by the Company, by identifying any restrictions that are holding back performance and by proposing actions to be taken that are judged to be appropriate to resolve them.	<b>YES</b> (see paragraph 4.1.3.-1 of this report)
2.1.1.2.	Companies shall set up internal control systems to efficiently detect risks relating to the Company's activity, in order to protect its assets and keep its corporate governance transparent.	<b>YES:</b> these systems are in place and are further described in this report (see paragraph 4.1.3.-4 of this report)



## 4.1 Corporate governance report (continued)

2.1.1.3.	The Board of Directors and Statutory Audit Board shall establish internal regulations, which shall be disclosed on the Company's website.	<b>YES:</b> these internal regulations are available on our website (see paragraph 4.1.3.-6 of this report)
<hr/>		
2.1.2.	<b>Incompatibility and Independence</b>	
2.1.2.1.	The Board of Directors shall include a sufficient number of non-executive members to ensure that there is the capacity to effectively supervise, audit and assess the activity of the executive members.	<b>YES:</b> out of total of 12 members, there are seven non-executive members on Sonaecom's Board of Directors (see paragraph 4.1.3.-1 of this report)
2.1.2.2.	Non-executive members shall include an adequate number of independent members, taking into account the size of the Company and its shareholder structure, but this shall never be less than one quarter of the total number of Board members.	<b>YES:</b> there are currently three independent non-executive members on our Board of Directors (corresponding to one quarter of the total number of Board members) (see paragraph 4.1.3.-6 of this report)
<hr/>		
2.1.3.	<b>Eligibility Criteria for Appointment</b>	
2.1.3.1.	Depending on the governance model adopted, the Chairman of the Statutory Audit Board, or of the Board Audit Committee or of the Financial Matters Committee shall be independent and possess the necessary skills to perform their duties.	<b>YES:</b> compliance with legal requirements on independence and necessary skills for the members of our Statutory Audit Board is confirmed through specific questionnaires implemented by Sonaecom (see paragraph 4.1.3.-12 of this report)
<hr/>		
2.1.4.	<b>Policy on the Reporting of Irregularities</b>	
2.1.4.1.	The Company shall adopt a policy of reporting any irregularities that have allegedly occurred, which includes the following information: i) the means through which any irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should this be requested by the reporter.	<b>YES:</b> Sonaecom has adopted a policy that fully meets this recommendation (see paragraph 4.1.3.-22 of this report)
2.1.4.2.	General guidelines from this policy should be disclosed in the Corporate Governance Report.	<b>YES:</b> Sonaecom discloses the general guidelines in this report and on our website (see paragraph 4.1.3.-22 of this report)
<hr/>		
2.1.5.	<b>Remuneration</b>	
2.1.5.1.	The remuneration of the members of the Board of Directors shall be structured to be aligned with the interests of the shareholders. In this sense: i) The remuneration of Directors carrying out executive duties should include a variable component based on performance linked to a performance assessment that shall be carried out periodically by the governance body or committee appointed for this purpose; ii) the variable component shall be consistent with the maximisation of the long-term performance of the Company, and shall be dependent on sustainability of the variables adopted to measure performance; iii) non-executive members of the Board of Directors shall only receive fixed remuneration, unless the legal requirements dictate otherwise.	<b>YES:</b> Sonaecom believes that alignment with the interests of the shareholders is ensured and this recommendation is fully met (see paragraphs 4.1.3.-18, 4.1.3.-20 and 4.1.4.-10 of this report)

## 4.1 Corporate governance report (continued)

2.1.5.2.	The Shareholders' Remuneration Committee and the Board of Directors shall present to the Shareholders' Annual General Meeting a statement of the remuneration policy applied to the Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board), as well as to other persons discharging managerial responsibilities ('Dirigentes') as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code. The information to shareholders shall include the criteria and main indicators proposed to be used in assessing performance and determining the variable component, independently of whether this is in the form of bonuses paid in shares, share options, annual bonuses or other awards.	<b>YES:</b> A clear statement of remuneration policy was approved by the 2008 Shareholders' Annual General Meeting
2.1.5.3.	At least one representative of the Shareholders' Remuneration Committee shall be present at the Shareholders' Annual General Meeting ('AGM').	<b>YES:</b> A representative of the Shareholders' Remuneration Committee has been present at the AGM
2.1.5.4.	A proposal shall be submitted to the Shareholders' General Meeting to approve plans to grant shares and/or share options or award compensation based on variations in share prices, to members of the Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board), as well as to other persons discharging managerial responsibilities ('Dirigentes') as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code. The proposal shall include all information necessary for a comprehensive assessment of the plan. The proposal shall be presented together with the regulation that governs the plan or if this has not yet been prepared, the general conditions that will be applied. Similarly, the main characteristics of any retirement benefit plan that benefits the Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board), as well as other persons discharging managerial responsibilities ('Dirigentes') as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code, shall also be approved at a Shareholders' General Meeting.	<b>YES:</b> The Sonaecom Medium Term Incentive Plan ('MTIP') was approved at the 2007 Shareholders' General Meeting. No retirement benefit plans are in place. (see paragraph 4.1.4.-10 of this report)
2.1.5.5.	The remuneration of the members of the Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board) shall be individually disclosed on an annual basis. Fixed and variable components must be disclosed separately, when applicable, as well as any other remuneration received from other companies within the same Group or from companies controlled by shareholders with qualifying share holdings.	<b>NO</b> , but substantial compliance: Individual disclosure is only made for the Chairman and CEO. However, CMVM have assessed our disclosure as compliant (see explanation in paragraph 4.1.1.-3 and paragraph 4.1.3.-20 of this report)
<hr/>		
2.2.	<b>Board of Directors</b>	
2.2.1.	Within the limits established by Portuguese Company Law for each management and audit governance structure, and unless the Company is restricted by its size, the Board of Directors shall delegate the day-to-day running of the Company and the powers and terms of the delegation should be set out in the Corporate Governance Report.	<b>YES:</b> the day-to-day running of the Company is delegated to an Executive Committee (see paragraphs 4.1.3.-3 of this report)
2.2.2.	The Board of Directors shall ensure that the Company acts in accordance with its objectives, and should not delegate its own responsibilities, including: i) definition of the Company's strategy and general policies; ii) definition of the corporate structure of the Group; and iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	<b>YES:</b> Such responsibilities are not delegated (see paragraphs 4.1.3.-3 of this report)
2.2.3.	Should the Chairman of the Board of Directors have an executive role, the Board of Directors shall set up efficient mechanisms to co-ordinate the work of the non-executive members, to ensure that they may take decisions in an independent and informed manner, and shall also explain these mechanisms to the shareholders in the Corporate Governance Report.	<b>YES:</b> The Chairman of the Board of Directors does not have an executive role (see paragraph 4.1.3.-9 of this report)

## 4.1 Corporate governance report (continued)

2.2.4.	The Annual Management Report shall include a description of the activity carried out by the non-executive Board Members and shall, in particular, report any restrictions that they encountered.	<b>YES:</b> this description is included in Section 3 of the Annual Management Report
2.2.5.	The governing body responsible for management (Board of Directors) should promote the rotation of the Board member responsible for financial matters (CFO) at least at the end of every two mandates.	<b>NO</b> (see paragraph 4.1.1.-3 of this report)
2.3.	<b>Chief Executive Officer ('CEO'), Executive Committee and Executive Board of Directors</b>	
2.3.1.	When Directors, who carry out executive duties are requested by other Board Members to supply information, they shall provide answers in a timely manner with information that adequately responds to the request made.	<b>YES:</b> Sonaecom Executive Directors meet this recommendation
2.3.2.	The Chairman of the Executive Committee shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the Board of Directors and, when applicable, to the Chairman of the Statutory Audit Board or the Audit Committee.	<b>YES:</b> the Chairman of the Executive Committee meets this recommendation
2.3.3.	The Chairman of the Executive Board of Directors shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee.	<b>Not applicable:</b> Sonaecom has not adopted this governance model
2.4.	<b>General and Supervisory Board, Financial Matters Committee, Audit Committee and Statutory Audit Board</b>	
2.4.1.	In addition to fulfilling its supervisory and verification roles, the General and Supervisory Board shall fulfil a role of advisor, as well as monitor and continually assess the management of the Company by the Executive Board of Directors. Amongst the other matters on which the General and Supervisory Board should opine are the following: i) definition of the strategy and general policies of the Company; ii) the corporate structure of the Group; and iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	<b>Not applicable:</b> Sonaecom has not adopted this governance model
2.4.2.	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall be disclosed on the Company's website together with the financial statements.	<b>YES:</b> the annual report of the Statutory Audit Board is disclosed in this way on Sonaecom's website
2.4.3.	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall include a description of the supervisory and verification work completed and shall, in particular, report any restrictions that they encountered.	<b>YES:</b> the Statutory Audit Board's report includes such a description
2.4.4.	The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted) shall represent the Company, for all purposes, in the relationship with the external auditor. This shall include proposing who will provide this service, their respective remuneration, and ensuring that the Company provides adequate conditions to allow them to deliver their service, as well as acting as the point of contact with the Company and being the first recipient of their reports.	<b>YES:</b> Sonaecom fully complies with Portuguese Company Law in terms of the role and functioning of the Statutory Audit Board. The Statutory Audit Board liaises with the Board Audit and Finance Committee in this area as described later in this report
2.4.5.	The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted), shall assess the external auditor on an annual basis and propose to the Shareholders' General Meeting that the external auditor should be discharged, should justifiable grounds exist.	<b>YES:</b> the Statutory Audit Board makes this annual assessment

## 4.1 Corporate governance report (continued)

2.5.	<b>Special Purpose or Specialised Committees</b>	
2.5.1.	Unless the Company is restricted by its size, the Board of Directors and the General and Supervisory Committee, depending on the governance model adopted, shall set up the necessary Committees in order to: i) ensure that a robust and independent assessment of the performance of the Executive Directors is carried out, as well as of its own overall performance and including the performance of all existing Committees; and ii) consider the governance system adopted, assess its efficiency and propose to the relevant bodies measures to make improvements.	<b>YES:</b> Board Audit and Finance Committee and, specially, the Board Nomination and Remuneration Committee were set up for these purposes (see paragraph 4.1.3.-3 of this report)
2.5.2.	Members of the Shareholders' Remuneration Committee or alike, shall be independent from the Members of the Board of Directors.	<b>YES</b> – in substance: see explanations below in respect of the effective independence of Paulo Azevedo (see paragraph 4.1.1.-3 of this report)
2.5.3.	All Committees shall draw up minutes of the meetings they hold.	<b>YES:</b> our Board committees draw up minutes
3.	<b>INFORMATION AND AUDITING</b>	
3.1.	<b>General Disclosure Requirements</b>	
3.1.2.	Companies shall ensure that permanent contact is maintained with the market, upholding the principle of equal treatment for all shareholders and avoiding any asymmetry in the access to information by investors. To achieve this, the Company shall set up an Investor Relations Office.	<b>YES:</b> Sonaecom has set up an Investor Relations Office (see paragraph 4.1.4.-12 of this report)
3.1.3.	The following information disclosed on the Company's Internet website, shall be available in English: a) The Company, its listed company status, registered office and the remaining information set out in Article 171 of Portuguese Company Law; b) Articles of Association; c) Identification of the members of the Statutory Governing Bodies and of the Representative for Relations with the Market;  d) Investor Relations Office — its functions and contact details; e) Financial Statements; f) Half-Yearly Calendar of Company Events; g) Proposals presented to Shareholders' General Meetings; and h) Notices convening Shareholders' General Meetings.	<b>YES:</b> all of this information is available in English on our website

### 4.1.1 - 3) CMVM Recommendations compliance

As at 31 December 2008, Sonaecom was fully compliant with all CMVM's Recommendations on Corporate Governance, with the exception of the following:

- Recommendation 1.4.1. (quorum): Sonaecom does not agree with this recommendation, as we do not consider that it is good governance to allow a Shareholders' General Meeting to be convened and pass valid resolutions, in first session, when only one share may be represented, as is possible for certain resolutions under Portuguese Company Law. Sonaecom believes that a substantial minimum quorum encourages shareholder engagement without risking blocking decision making, given that there is no minimum quorum when a General Meeting reconvenes in second session. - Recommendation 1.5.1. (AGM minutes): The minutes of the Shareholders' General Meetings have not been made available on Sonaecom's website, but we intend to comply with this recommendation as from the 2009 Shareholders' Annual General Meeting.

- Recommendation 2.1.5.5. (individual disclosure of remuneration): Sonaecom agrees that the remuneration of its Board of Directors should be disclosed in a transparent manner, allowing for a clear understanding of the values involved and their distribution. However, Sonaecom continues to consider that individual disclosure for the Chairman and the CEO, together with separate averages and bands for the remaining Non-Executive and Executives Directors is sufficient to assess each of the four main components of remuneration of its Board. Disclosure of the individual figures for every member of the Board of Directors is not the current general practice in Portugal and Sonaecom believes it is of marginal additional benefit for shareholders and the financial community. Our disclosure in 2007, which was on the same basis as in this Report for 2008,

## 4.1 Corporate governance report (continued)

was assessed by the Portuguese Securities Commission (CMVM) as fully compliant, indicating that they are now adopting a more flexible interpretation of their own recommendation.

- Recommendation 2.2.5. (CFO rotation): Sonaecom does not agree with this recommendation, which to the best of our knowledge does not exist in any other international Corporate Governance Code or in any of the Best Practice Guidelines issued by institutional investors or their advisors. We believe that there would be no benefit to shareholders or to the Company from rotating a competent and successful CFO after serving two mandates.

- Recommendation 2.5.2. (independence of the members of the Shareholders' Remuneration Committee), further explanation is needed to support our opinion in relation to this recommendation:

Regarding the independence of the members of the Shareholders' Remuneration Committee, we consider that we are compliant with this recommendation in terms of substance, although formally we do not comply as one of the members of this Committee Duarte Paulo Teixeira de Azevedo is also the Chairman of our Board of Directors. Our opinion is based on the following considerations: (i) Duarte Paulo Teixeira de Azevedo represents our major reference shareholder at the Shareholder's Remuneration Committee in his capacity of CEO of Sonae SGPS, S.A., which is fully consistent with the purpose of this Committee; (ii) he is a Non-Executive Chairman of our Board; (iii) he does not take part in any discussion where a conflict of interest might arise with his role as Chairman of our Board (eg. he does not discuss his own remuneration at Sonaecom, which is decided by the other independent member of our Shareholders' Remuneration Committee); and (iv) additionally, his remuneration at Sonaecom is not a significant value, being approximately 55,000 euros in 2008.

In relation to independence, one further point to stress is that our Board Nomination and Remuneration Committee liaises with our Shareholders' Remuneration Committee to ensure that the latter has all the necessary information to assess the performance of our Directors (especially the Executive Directors), as the Shareholders' Remuneration Committee does not closely monitor their activity throughout the year. This support does not in any way impair the independence of the members of the Shareholders' Remuneration Committee but facilitates the assessments they make and the remuneration decisions they approve on behalf of our shareholders.

### 4.1.1 - 4) Board of Directors assessment of the independence of its members

During 2008, three Independent Non-Executive Directors were elected to Sonaecom's Board of Directors: António Sampaio e Mello, Jean-François René Pontal and Franck Dangeard.

To the best of the Board of Directors' knowledge and belief, the independence of these three non-executive members has not been affected, since their election, by any subsequent events. Such assessment was made by reference to the legal requirements and, specially, as a result of the enquires addressed to them, that have confirmed that these Directors are not associated with any special interest groups connected to Sonaecom nor are they affected by any circumstance which might threaten the independence of their analysis or restrict their decision making capabilities.

Sonaecom considers David Hobley to be an Independent Non-Executive Board member, as he effectively acts as such. His nomination was based on a proposal presented by Sonae SGPS (and not by France Télécom) and his independence was assessed and accepted by Sonaecom's Board Nomination & Remuneration Committee prior to his election. However, David Hobley is not formally classified as Independent, due to the fact that he also serves as an Independent Non-Executive Director within the France Telecom Group, which owns a 20% stake in Sonaecom.

### 4.1.2. Shareholders' General Meeting

#### 4.1.2 - 1) Board of the Shareholders' General Meeting

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

#### 4.1.2 - 2) Mandates

The current mandate of the members of the Board of the Shareholders' General Meeting covers the period from 2008 to 2011.

#### 4.1.2 - 3) Remuneration

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

## 4.1 Corporate governance report (continued)

### 4.1.2 - 4) Blocking of shares

The Shareholders' General Meeting is composed of shareholders with the right to vote based on shares they own or equivalent subscription rights which, within the five working days period prior to the General Meeting, have provided confirmation of ownership to the Company.

### 4.1.2 - 5) Rules applicable to the blocking of shares in case of suspension of the General Meeting

The Articles of Association of the Company do not provide for the possibility of a suspension and this has never happened in the past. However, the Chairman of the Board of the Shareholders' General Meeting considers that, if the suspension period does not exceed five working days, the blocking of shares is maintained until the meeting is resumed; if the suspension period exceeds five working days, only a five working days period for share-blocking will be required.

### 4.1.2 - 6) Number of shares corresponding to one vote

Each share corresponds to one vote.

### 4.1.2 - 7) Statutory rules on exercising the right to vote

Shareholders may attend a Shareholders' General Meeting in person or by representation. Individual shareholders may be represented by any person they may choose, by means of a letter addressed to the Chairman of the Board of the Shareholders' General Meeting, indicating the name and address of the representative nominated, as well as the date of the meeting. Corporate Shareholders may also be represented at Sonaecom's Shareholders' General Meetings by a person designated by means of a letter addressed to the Chairman of the Board of the Shareholders' General Meetings. The authenticity of these letters is subject to scrutiny by the Chairman of Sonaecom's Board of the Shareholders' General Meeting. The Shareholders' General Meetings may take place as long as shareholders representing a minimum of 50% of the share capital of the Company are present or represented.

### 4.1.2 - 8) Postal voting

Postal voting is allowed regarding all proposals for discussion and decision at a Shareholders' General Meeting, according to the terms and conditions set forth in the Company's Articles of Association. The Chairman of the Board of the Shareholder's General Meeting is responsible for the authenticity and confidentiality of such votes.

### 4.1.2 - 9) Form used for postal voting

Printed postal voting bulletins are available and may also be downloaded from Sonaecom's website.

### 4.1.2 - 10) Deadline for receiving postal votes

Postal voting bulletins must be received at least three days before the Shareholders' General Meeting at the Company's Registered Office by means of registered mail and must be addressed to the Chairman of the Board of the Shareholder's General Meeting.

### 4.1.2 - 11) Electronic voting

Electronic voting is not yet contemplated under Sonaecom's Articles of Association.

### 4.1.2 - 12) Approval of remuneration policy and assessment of the management and audit of the Company

The Shareholders' Remuneration Committee (elected by the Shareholders' General Meeting) is responsible for approving the remuneration and other compensation of members of Sonaecom's Statutory Governing Bodies, including Executive and Non-Executive Directors, following the remuneration and other compensation policies already approved by shareholders at Shareholders' General Meetings.

As required by the Portuguese Company Law, the agenda for each AGM includes a point covering the assessment of the management and audit of the Company, under which the shareholders have the opportunity to make this assessment.

### 4.1.2 - 13) Defensive measures in case of change of control or changes in the Board of Directors

None of the so-called defensive measures exist.

### 4.1.2 - 14) Agreements with ownership clauses

A change in control of Sonaecom would determine the possibility of termination, by France Télécom, of the Strategic Partnership Agreement entered into on 9 June 2005, which was renewed on 24 October 2008.

### 4.1.2 - 15) Agreements with members of the Board of Directors and other persons discharging managerial responsibilities ('Dirigentes') in case of termination of the mandate

There are no agreements between the Company and any of its Directors or other persons discharging managerial responsibilities that provide any compensation in the event of termination of their employment agreements as a consequence of a takeover bid. In case of dismissal from office of any of the Directors of the Company, it is the policy of Sonaecom Group



## 4.1 Corporate governance report (continued)

to pay the compensation required by the Law and each particular case may impose a different amount that is deemed fair by both parties. Directors of the Company do not receive any additional compensation and the applicable criteria are the same as those used with all employees.

### 4.1.3. Management and auditing bodies

#### 4.1.3 - 1) Identification and Composition

On 2 May 2007, the Shareholders' General Meeting approved, under the amended terms of the Portuguese Company Law, a new corporate governance structure with a management body and two statutory auditing bodies: the Statutory Audit Board and the Statutory External Auditor.

This new corporate governance structure did not cause any constraints to the normal functioning of the management and auditing bodies. The Statutory Audit Board exercised its supervisory powers, having received all the required support from the Board to that effect, and with full coordination with the External Auditor, namely for the drawing up of its annual report on the supervision of Sonaecom and issuing of a statement on Sonaecom's annual report, accounts and proposals presented by the management.

The Statutory Audit Board also exercised its powers and duties with reference to the Statutory External Auditor, having proposed its appointment at the abovementioned Shareholders' General Meeting.

In 2008, the Board of Directors approved a proposal for completing a new Board Self Assessment ('BSA') in which Sonaecom would assess both the Board as a whole and the individual contribution of each Board member. The process was headed by an external independent consultant from the London Business School, Professor Rob Goffee, who had already carried out a similar process in 2005. The BSA summary report showed that significant improvements had been achieved since 2005 and that the Board exceeded the benchmarks from similar assessment in many areas. However, a number of aspects were identified that can be improved and a workgroup has been formed and a number of follow-up actions are currently being finalised and prepared for implementation.

## BOARD OF DIRECTORS

### Composition

Under Sonaecom's Articles of Association, the Board of Directors may be composed of any number of members between three and 12, elected at a Shareholder's General Meeting. Board mandates are of four years, with the possibility of re-election. The current Board mandate covers the period from 2008 to 2011. The Board of Directors shall elect its Chairman.

#### Board of Directors

Duarte Paulo Teixeira de Azevedo	Chairman
António Sampaio e Mello	Independent Non-Executive
David Charles Denholm Hobley	Non-Executive <sup>1</sup>
Gervais Gilles Pellisser	Non-Executive
Jean-François René Pontal	Independent Non-Executive
Franck Dangeard	Independent Non-Executive
Nuno Manuel Jordão	Non-Executive
Angelo Gabriel Ribeiro dos Santos Paupério	Executive – CEO
Luís Filipe Campos Dias Reis	Executive
George Christopher Lawrie	Executive
Maria Cláudia Teixeira de Azevedo	Executive
Miguel Nuno Santos Almeida	Executive

Sonaecom's Board of Directors exhibits a healthy balance between the total number of Non-Executive Directors and the number of Independent Non-Executive Directors.

## STATUTORY AUDIT BOARD ('CONSELHO FISCAL')

### Composition

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

<sup>1</sup> See point 4.1.1 – 4) above.

## 4.1 Corporate governance report (continued)

### Statutory Audit Board

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

### STATUTORY EXTERNAL AUDITOR

#### Composition

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

### SHAREHOLDERS' REMUNERATION COMMITTEE

#### Composition

Sonae SGPS, S.A represented by	Duarte Paulo Teixeira de Azevedo <sup>(1)</sup>
Sontel, BV, represented by	Bruno Walter Lehmann <sup>(2)</sup>

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

(2) Partner – Egon Zehnder International

### COMPANY SECRETARY

#### Composition

Sonaecom's Secretary is Filipa Santos Carvalho, who may be substituted, if required, by Pedro Teixeira Sá.

#### 4.1.3 - 2) Other committees with management and auditing competencies

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

### EXECUTIVE COMMITTEE

#### Composition

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

#### Executive Management Team

Angelo Gabriel Ribeirinho dos Santos Paupério	Executive - CEO
Luís Filipe Campos Dias Reis	Executive Director – COO
George Christopher Lawrie	Executive Director – CFO
Maria Cláudia Teixeira de Azevedo	Executive Director – SSI and Media
Miguel Nuno Santos Almeida	Executive Director – Chief Marketing and Sales Officer
António Lobo Xavier	Advisor to the Board – Legal, Regulation, PR, Fiscal
Pedro Ramalho Carlos	Advisor to the Board – Corporate and Wholesale

### BOARD AUDIT AND FINANCE COMMITTEE

#### Composition

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

#### Board Audit and Finance Committee

Jean-François René Pontal	Chairman – Independent Non-Executive Director
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## 4.1 Corporate governance report (continued)

António Sampaio e Mello  
David Charles Denholm Hobley  
David Graham Shenton Bain

Independent Non-Executive Director  
Non-Executive Director <sup>1</sup>  
Board and Corporate Governance Officer

### BOARD NOMINATION AND REMUNERATION COMMITTEE

#### Composition

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

#### Board Nomination and Remuneration Committee

Duarte Paulo Teixeira de Azevedo	Chairman – Non-Executive
Jean-François René Pontal	Independent Non-Executive
Franck Emmanuel Dangeard	Independent Non-Executive

### BOARD AND CORPORATE GOVERNANCE OFFICER

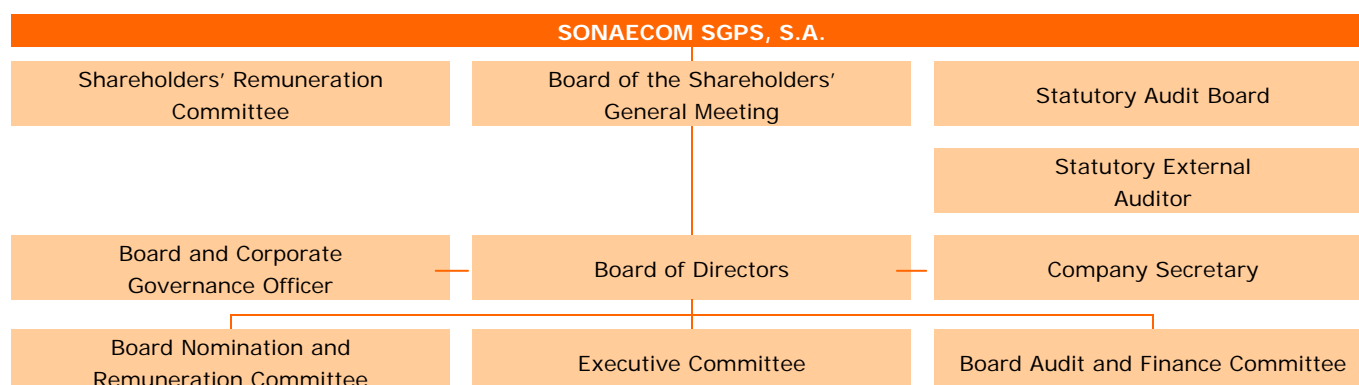
#### Composition

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

#### 4.1.3 - 3) Corporate Structure Organisation – Roles and Competencies

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

### SONAECOM'S GOVERNING BODIES



#### Board of Directors

The Board of Directors is responsible for assuring the management of the Company's business, monitoring risks, managing conflicts of interests and developing the organisation's goals and strategy.

#### Statutory Audit Board

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

#### Statutory External Auditor

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

<sup>1</sup> See point 4.1.1 – 4) above.

## 4.1 Corporate governance report (continued)

### Shareholders' Remuneration Committee

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

### Company Secretary

The Company Secretary is responsible for:

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

### Executive Committee

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

- (i) to appoint the Chairman of the Board;
- (ii) to co-opt a substitute to replace a member of the Board;
- (iii) to convene Shareholders' General Meetings;
- (iv) to approve the Annual Report and Accounts;
- (v) to grant any pledge, guarantee or charge over Sonaecom's assets, if those are in excess of an accumulated value of 500,000 euros in any financial year;
- (vi) to decide to change the registered office or to approve any share capital increases;
- (vii) to decide on mergers, de-mergers, modifications to the corporate format and any other projects relating to association with other legal entities to form new companies;
- (viii) to approve Sonaecom Group's Business Plan and Annual Budget;
- (ix) to define the key features of personnel compensation policies, including stock incentive plans and variable compensation plans applicable to Executives (Sonaecom Group Management Levels G3 and above), in areas that do not require decisions from the Shareholders' Remuneration Committee ('Comissão de Vencimentos') or deliberations at Shareholders' General Meetings;
- (x) to define or change major accounting policies of any company included in the consolidation perimeter of the Group;
- (xi) to approve Sonaecom's quarterly Accounts and half year Report and Accounts;
- (xii) to sell, acquire directly or by long-term lease or transact, in any other way, investments classified as tangible fixed assets where the individual transaction value is in excess of 1,000,000 euros, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xiii) to purchase or subscribe for new shares in the share capital of any subsidiary companies where the accumulated amount exceeds 5,000,000 euros in any financial year, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xiv) to invest in any other companies or in other financial assets when the accumulated value is in excess of 1,000,000 euros in any financial year, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;

## 4.1 Corporate governance report (continued)

- (xv) to make any other financial investments which exceed the accumulated amount of 1,000,000 euros in any financial year, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board; and
- (xvi) to dispose of assets or make other divestments, if such transaction has a significant effect on Sonaecom's operating results (defined as equal or greater than 5%) or affects the jobs of more than 100 employees, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board.

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

### Board Audit and Finance Committee ('BAFC')

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

- (i) to review the Company's annual and interim financial statements and reports to the market, and reporting its findings to the Board, before these documents are approved or signed by the Board;
- (ii) to advise the Board on its reports to shareholders and financial markets to be included in the Company's annual and half-year Accounts and in the quarterly Earnings Announcements;
- (iii) to advise the Board on the adequacy and appropriateness of internal information provided by the Executive Committee, including systems and standards on internal business controls applied by the Executive Committee;
- (iv) to advise the Board on the appointment of, the assignments to and the remuneration of the Statutory External Auditor and also on the appointment of the Internal Audit Manager; and
- (v) to review the scope of the Internal Audit Function and its relation to the scope of the Statutory External Audit and discuss with the Statutory External Auditor and Internal Auditor Manager their intermediate and year-end reports, as well as their reports on internal control, and advise the Board thereon.

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

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

### Board Nomination and Remuneration Committee ('BNRC')

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

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

### Board and Corporate Governance Officer ('BCGO')

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

In particular, the main duties of the BCGO are:

- (i) Ensuring the smooth running of the Board and Board Committees;
- (ii) Participating in Board Meetings and relevant Board Committee Meetings and, when appointed, serving as a member;

## 4.1 Corporate governance report (continued)

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

The full job description of the BGCO is available on the Company's website ([www.sonae.com](http://www.sonae.com)).

### 4.1.3 - 4) Risk control

Sonaecom is committed to developing and maintaining best practice risk management policies and believes this to be one of the foundations of sound Corporate Governance. Accordingly, given that risk is embedded in all management processes, all managers at the various levels of the organisation are conscious of and responsible for managing their specific risks.

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

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

Implementing an internal business continuity management process to reduce the risk of business interruption, caused by disasters or technical and operating failures (see picture below). This scope also includes the assessment and management of physical security risks at critical sites.

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

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

## 4.1 Corporate governance report (continued)

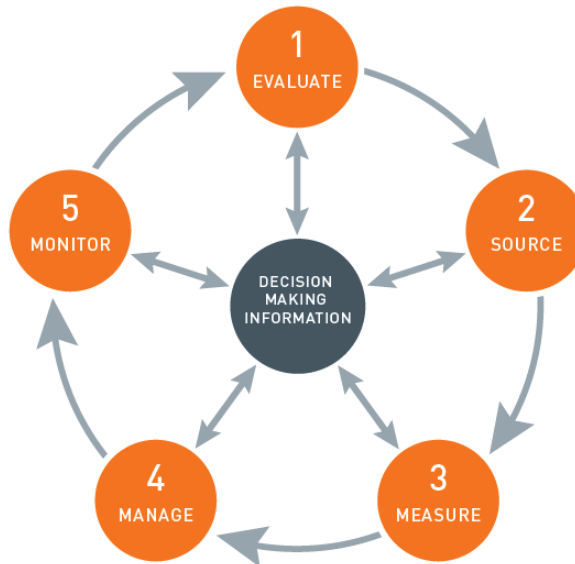
### RISK MANAGEMENT CYCLE APPROACH

#### 5 Monitor Risks:

- Monitor action plan execution progress
- Monitor changes in risk indicator values
- Report progress

#### 4 Manage Risks:

- Identify and determine risk management options
- Establish action plans to manage risk
- Integrate risk management action plans into business plans



#### 1 Identify Business Risks:

- Identify relevant business risks
- Prioritise business risks

#### 2 Source Drivers:

- Identify critical business risk drivers
- Define critical risks key drivers
- Identify key drivers triggers
- Define key triggers (vital and manageable)

#### 3 Triggers Measurement:

- Determine trigger indicators
- Select risk indicators
- Measure indicators actual value against target value

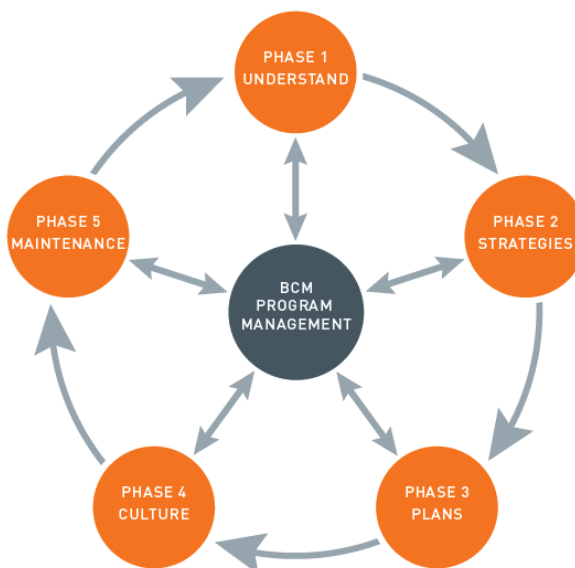
### BUSINESS CONTINUITY MANAGEMENT APPROACH

#### Phase 5: Maintain, Test and Audit BCM

- Updated Plans maintenance
- Plans testing and simulation
- BCM Processes auditing

#### Phase 4: Communication and implementation of BCM culture

- Employees communication and training
- BCM Culture implementation



#### Phase 1: Business understand

- Business impact analysis
- Risk assessment
- BCM focus

#### Phase 2: Definition of BCM strategies

- Recovery strategies identification and characterization
- Definition of actions to manage risks
- Advantages/disadvantages analysis for each strategy

#### Phase 3: Development and implementation of BCM Plans

- Corporate crisis management plan
- Business continuity plans
- Continuity solutions development and implementation

## 4.1 Corporate governance report (continued)

### ACTIONS UNDERTAKEN

#### Management of Sonaecom's corporate risks

During 2008, within the area of managing the Group's corporate risks, we have updated Sonaecom's telecommunication unit risk mapping, with the involvement of all the relevant areas.

#### Business continuity management

During 2008, Sonaecom continued to focus on the development and consolidation of the business continuity management process. In this respect, Sonaecom undertook several actions, some of which will only be finalised during 2009, including:

- Based on business impact analysis and risk assessment of our Telco business, the business continuity focus was further developed and strategies were implemented in order to set risks at the appropriate levels, as defined by management. Following these actions, the development and updating of continuity plans will be performed during 2009 according to a cost/benefit orientation. A detailed impact analysis model, considering systems and network platforms, was developed with the purpose of estimating the value at risk in the main technical sites;
- Crisis management was further refined, with the aim of addressing the main risk scenarios, such as human resources failure, natural catastrophes or technical failures. The implementation and testing of an effective crisis management process will be further developed during 2009;
- Plans to address the risk of pandemic flu continued to be developed, focusing on the identification of remote access solutions and on the definition of human resources and required communication policies; and
- A high level business continuity maintenance process was defined and the process implementation across our telecommunication companies will be achieved during 2009. Pursuing our practice of assessment and management of physical security risks, diagnoses were made at certain facilities that are critical for business continuity purpose (for example, switching centres and call centres). The strands analysed were fire, flood and intrusion security, as well as organisational security procedures.

#### Customer information and security

The definition and implementation of a strategy for customer awareness and protection regarding the efficient, secure and optimised use of IP/data services is still under development, with following key achievements during 2008:

- Our broadband brands (Clix and Kanguru) already provide a commercial offer of security solutions;
- Clix will launch a site dedicated to security awareness during first quarter 2009 and Optimus will do the same during the remainder of the year; and
- A dedicated security channel for incident communications has been created to provide adequate responses to 'phishing' activity, e-mail spam, malware and illegal content.

#### Telecommunications Revenue Assurance

Throughout 2008, supported by the 'RAID' system (a leading application developed by We Do Technologies), our telecommunications businesses have continued to improve revenue assurance and monitoring, with the following key objectives:

- Detect any register loss between customer handset usage and invoicing;
- Mitigate the quality of service loss or deterioration caused by integrity breaches; and
- Prevent income loss arising from the implementation of new products and services.

This platform is already prepared to include our fixed-mobile convergence offers.

#### Telecommunications fraud

During 2008, fraud management processes and platforms continued to be monitored in order to encompass the various business and technological evolutions. In this respect, it is important to highlight:

- Improvement of Fraud detection procedures;
- Co-ordination with GSM community for a global solution to monitor and detect voice and data fraud schemes occurring in roaming;
- Service risk prevention focus was given to:
  - a. Analysis and diagnosis over the IMS (IP Multimedia Subsystem) to prepare the ground for future fraud management strategy in a convergent and full IP environment;
  - b. Analysis of risks associated with the web phone and enforcement of security actions to prevent fraud; and

## 4.1 Corporate governance report (continued)

- c. Benchmark and exchange of best practices within the industry for SMS abuse through 'faking' and 'spoofing' schemes. During 2008, we started an internal evaluation of potential solutions to be implemented at the level of our network.

Mobile malware threats have been identified and analysed and preventative measures taken to protect the Company and our customers. We have also begun to evaluate the implementation of a future protection strategy based on three different layers: device, network and customer.

### Periodical report

The risk management activities and results are shared in the Sonaec Risk Management Consulting Group, allowing for transfer of knowledge and sharing of best practices.

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

#### 4.1.3 - 5) Powers of the Board of Directors, notably regarding resolutions on the increase of share capital

As referred to in 3) above, the Board of Directors is responsible for assuring the management of the Company's business, monitoring risks, managing conflicts of interests and developing the organisation's goals and strategy.

Sonaecom's Articles of Association permit the Board to delegate day-to-day Company business, duties and responsibilities, as considered appropriate, to an Executive Committee (as described in more detail under the Executive Committee section) but do not allow the Board to approve share capital increases, which must be approved at a Shareholders' General Meeting.

#### 4.1.3 - 6) Regulations on the functioning of the Company's governing bodies

The terms of reference of the Corporate Bodies and the established Committees are available on the Company's website. There is neither an internal definition of incompatibilities nor a maximum number of offices held by members of the Board of Directors in other companies.

#### 4.1.3 - 7) Rules applicable to the nomination and substitution of the members of the Board of Directors and Statutory Audit Board

Members of the Board of Directors and of the Statutory Audit Board are elected and removed by the Shareholders' General Meeting, without prejudice to legal rules applicable to the appointment of members of the Board of Directors.

According to our Articles of Association, if shareholders representing at least 10% of the share capital of the Company have voted against the successful proposal for the appointment of the members of the Board of Directors, then there will be an election of an additional Director, which will be voted on by the respective minority shareholders, at the same General Meeting, and the Director so elected shall automatically replace the least voted Director from the successful list or, in case of even voting, shall automatically replace the last person mentioned on that list. In these circumstances, should candidates be proposed by more than one group of shareholders, there will be a vote taken to choose between them.

If shareholders representing at least 19% of the share capital of the Company have voted against the successful proposal for the appointment of the members of the Board of Directors, then there will be an election of a second Director, which will be voted only by the shareholders of the second minority, at the same General Meeting, and the Director so elected shall automatically replace the second least voted Director from the successful list or, in case of even voting, shall automatically replace the second last person mentioned on that list. In these circumstances, only shareholders or a group of shareholders holding shares representing more than 19% and less than 30% of the share capital of the Company may propose candidates.

#### 4.1.3 - 8) Number of meetings held

##### Board meetings

Sonaecom's Board of Directors meets at least four times a year, as required by its Articles of Association, and whenever the Chairman or two Board members call for a meeting. During 2008 there were five Board meetings and the attendance rate was 98%.



## 4.1 Corporate governance report (continued)

Sonaecom's Non-Executive Directors ('NED's') also hold separate meetings to discuss their ability to assert their independence within the Board and to make suggestions to improve Board procedures and corporate governance in general. During 2008, there were two NED meetings and the attendance rate was 100%. The NED's have confirmed, at these meetings, that there have been no restrictions on the scope of their activities during 2008.

### Statutory Audit Board meetings

The Statutory Audit Board meets at least once every quarter. There were nine formal Statutory Audit Board meetings during 2008 and the attendance record was 100%.

### Executive Committee meetings

Sonaecom's Executive Committee normally meets at least once every month and whenever the CEO or a majority of its members call for a meeting. There were thirty meetings of the Executive Committee in 2008 and the attendance rate was 93.3%.

### BAFC meetings

The BAFC meets at least five times a year and whenever the Chairman, the Board of Directors, the Executive Committee or, exceptionally, the Statutory External Auditor believe a meeting is necessary. Between meetings, the BAFC follows projects and monitors activity by conference calls. During 2008, the Committee met five times with an attendance rate of 90% and also held four conference calls.

### BNRC meetings

The BNRC meets at least twice a year and whenever the Chairman or the Board of Directors deem necessary. There were three formal BNRC meetings during 2008 and the attendance rate was 100%.

### Shareholders' Remuneration Committee meetings

This Committee meets at least once a year. There were three meetings during 2008 and the attendance rate was 100%.

#### 4.1.3 - 9) Members of the Board of Directors

The list below identifies the members of the Board and distinguishes between executive and non-executive members and identifies, among the latter, the independent members, who fulfil the independence criteria set out in article 414, 5 of the Portuguese Company Law and are not subject to any of the circumstances foreseen in article 414-A, 1 of the same Law:

Duarte Paulo Teixeira de Azevedo	Chairman - Non-Executive
António Sampaio e Mello	Independent Non-Executive
David Charles Denholm Hobley	Non-Executive <sup>1</sup>
Gervais Gilles Pellisser	Non-Executive
Jean-François René Pontal	Independent Non-Executive
Franck Dangeard	Independent Non-Executive
Nuno Manuel Jordão	Non-Executive
Angelo Gabriel Ribeirinho dos Santos Paupério	Executive – CEO
Luís Filipe Campos Dias Reis	Executive
George Christopher Lawrie	Executive
Maria Cláudia Teixeira de Azevedo	Executive
Miguel Nuno Santos Almeida	Executive

#### 4.1.3 - 10) Qualifications, experience and responsibilities of the Board of Directors

A description of the qualifications, professional experience and responsibilities during the preceding 5-year period and the number of Sonaecom shares held by each member of Sonaecom's Board of Directors can be found in the Appendix to this Report.

<sup>1</sup> See point 4.1.1 4) above.



## 4.1 Corporate governance report (continued)

The month of first appointment of each member of the Board of Directors is as follows:

Duarte Paulo Teixeira de Azevedo	September 1998
António Sampaio e Mello	July 2006
David Charles Denholm Hobley	September 2005
Gervais Gilles Pellisser	July 2006
Jean-François René Pontal	July 2003
Franck Dangeard	July 2008
Nuno Manuel Jordão	April 2008
Angelo Gabriel Ribeirinho dos Santos Paupério	April 2007
George Christopher Lawrie	April 2003
Luís Filipe Campos Dias Reis	March 2000
Maria Cláudia Teixeira de Azevedo	April 2006
Miguel Nuno Santos Almeida	April 2005

### 4.1.3 - 11) Offices held by the members of the Board of Directors

Information on other offices held by each of the members of Sonaecom's Board of Directors – distinguishing between offices in Sonaecom Group and others - can be found in the Appendix to this Report.

### 4.1.3 - 12) Identification of the members of the Statutory Audit Board

The list below identifies the members of the Statutory Audit Board, all of whom fulfil the independence criteria set out in article 414, 5 of Portuguese Company Law and are not subject to any of the circumstances foreseen in article 414-A, 1 of the same Law:

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

### 4.1.3 - 13) Qualifications, experience and responsibilities of the members of the Statutory Audit Board

A description of the qualifications, professional experience and responsibilities during the preceding 5-year period and the number of Sonaecom shares held by each member of Sonaecom's Statutory Audit Board can be found in the Appendix to this Report.

The date of the first appointment of each member of the Statutory Audit Board is as follows:

Arlindo Dias Duarte Silva	April 2007
Armando Luís Vieira de Magalhães	April 2007
Óscar José Alçada da Quinta	April 2007
Jorge Manuel Felizes Morgado	April 2007

The period of the term of office of the members of the Statutory Audit Board is the same as for all Statutory Governing Bodies under the current four year mandate, which is from 2008 until 2011.

### 4.1.3 - 14) Offices held by the members of the Statutory Audit Board

Information on other offices held by each of the members of Sonaecom's Statutory Audit Board – distinguishing between offices in Sonaecom Group and others - can be found in the Appendix to this Report.

## 4.1 Corporate governance report (continued)

- 4.1.3 - 15) General and Supervisory Board (composition) - Not applicable
- 4.1.3 - 16) General and Supervisory Board (qualifications) - Not applicable
- 4.1.3 - 17) General and Supervisory Board (duties) - Not applicable

### 4.1.3 - 18) Remuneration Policy of the Board of Directors

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

Sonaecom's Shareholders' Remuneration Committee is responsible for the approval of the remuneration and other compensation of the Board of Directors, including both Executive and Non-Executive Directors following the remuneration and other compensation policies approved by shareholders at a Shareholders' General Meeting.

### Executive Directors

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

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

The Executive Directors remuneration and other compensation include Fixed Remuneration and an Annual Performance Bonus and they also benefit from compensation under the Medium Term Incentive Plan ("MTIP"), as further detailed under paragraph 4.1.4 -10) below.

### CEO and Non-Executive Directors

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

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

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

For each Non-Executive Director, fixed remuneration assumes an agreed commitment of time during 2008, including the preparation and attendance of at least five Board Meetings each year. In addition, for External Non-Executive Directors who are Chairman of Board Committees, fixed remuneration is further increased by approximately 5%. Meeting attendance fees are payable for each meeting actually attended by each Non-Executive Director as follows: Board meetings: 940 euros, BAFC meetings: 650 euros and BNRC meeting: 390 euros. The Chairman of the Board does not receive attendance fees for Board Committee meetings.

Additionally, an annual responsibility allowance is paid to each Non-Executive Director, which is normally between 2,100 euros and 6,000 euros.

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

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

## 4.1 Corporate governance report (continued)

### 4.1.3 - 19) Shareholders' Remuneration Committee

#### Composition

Sonaecom's Shareholders' Remuneration Committee ('Comissão de Vencimentos') comprises two members appointed by the Shareholders' General Meeting, under a four year mandate, currently 2008 to 2011:

Sonae SGPS, S.A. represented by Duarte Paulo Teixeira de Azevedo<sup>(1)</sup>  
 Sontel, BV, represented by Bruno Walter Lehmann<sup>(2)</sup>

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

(2) Partner – Egon Zehnder International

As explained above, Duarte Paulo Teixeira de Azevedo, besides being CEO of Sonae SGPS, S.A. which determines his presence at the Shareholders' Remuneration Committee, is also Chairman (Non-Executive) of Sonaecom's Board.

### 4.1.3 - 20) Remuneration and compensation received by the Board of Directors

The remuneration of Sonaecom's Directors, including fixed remuneration and annual performance bonuses (both computed on an accruals basis), was as follows during 2008 and 2007:

Amounts in euros	2008			2007		
	Fixed Remuneration	Annual Performance Bonus	Total	Fixed Remuneration	Annual Performance Bonus	Total
<b>Individual breakdown</b>						
Chairman (Non-Executive)	62,353	-	62,353	60,667	—	60,667
CEO (Executive) <sup>(1)</sup>	421,233	266,700	687,933	422,393	273,600	695,993
Average of the remaining 4 Executive Directors (4 in 2007) <sup>(1)</sup>	245,118	107,881	352,999	223,414	111,950	335,364
Average of the remaining 6 Non-Executive Directors (4 in 2007) <sup>(2)</sup>	27,854	-	27,854	26,285	—	26,285
<b>Aggregate</b>						
Executive Directors (5 in 2008 and 5 in 2007)	1,401,706	690,585	2,092,291	1,316,049	721,400	2,037,449
Non-Executive Directors (7 in 2008 and 5 in 2007)	229,480	-	229,480	165,807	—	165,807
	1,631,186	690,585	2,321,771	1,481,855	721,400	2,203,256

(1) In 2007, these values correspond to 4 months remuneration of the former CEO and 8 months remuneration of the current CEO;

(2) Maximum Individual Remuneration in 2008 (2007) represented 128% (129%) of average and minimum 79% (78%) of average;

(3) Maximum Individual Remuneration in 2007 (2006) represented 153% (139%) of average and minimum 0% (0%) of average, as one Non-Executive Director was not remunerated.

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

Sonaecom's Non-Executive Directors do not receive annual performance bonuses. The annual performance bonuses of the Executive Directors in the table above represent the actual values for performance during 2008. The final values have been determined after real performance has been fully assessed and after the resulting bonuses have been approved by the Board Nomination and Remuneration Committee, on behalf of the Board of Directors, and by the Shareholders' Remuneration Committee, on behalf of the Shareholders.

#### Directors' participation in the MTIP

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

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

## 4.1 Corporate governance report (continued)

The shares and options awarded to Executive Directors as part of the MTIP that vested, were exercised or remain unvested during 2008, are summarised below.

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

	Plan 2004 <sup>(1)</sup>	Plan 2005	Unvested Plan 2006	Plan 2007	Total
Award date	31/Mar/05	10/Mar/06	09/Mar/07	10/Mar/08	
<b>Sonaecom shares</b>					
Share price at award date <sup>(2)</sup>	3.960	4.093	4.697	2.447	
Share price at vesting date	2,24	-	-	-	
Share price at 31 December 2008 <sup>(3)</sup>	-	1.005	1.005	1.005	
<b>CEO</b>					
N. of shares at 01.01.2008	-	-	-	-	
N. of shares at 31.12.2008	-	-	-	67,086	67,086
<b>Average of the remaining</b>					
<b>Executive Directors</b>					
N. of shares at 01.01.2008	17,890	13,806	19,445	-	51,141
N. of shares at 31.12.2008	-	13,806	19,445	32,025	65,276
<b>Total of the remaining</b>					
<b>Executive Directors</b>					
N. of shares at 01.01.2008	71,559	55,224	77,779	-	204,562
N. of shares at 31.12.2008	-	55,224	77,779	128,100	261,103
<b>Total</b>					
N. of shares at 01.01.2008	71,559	55,224	77,779	-	204,562
N. of shares at 31.12.2008	-	55,224	77,779	195,186	328,189
<b>Sonae SGPS shares</b>					
Share price at award date	1.17	1.34	1.68	1.16	
Share price at vesting date	1.235	-	-	-	
Share price at 31 December 2008 <sup>(4)</sup>	-	0.437	0.437	0.437	
<b>CEO</b>					
N. of shares at 01.01.2008	-	-	-	-	-
N. of shares at 31.12.2008	-	-	-	97,015	97,015
<b>Average of the remaining</b>					
<b>Executive Directors</b>					
N. of shares at 01.01.2008	27,054	18,673	23,629	-	69,356
N. of shares at 31.12.2008	-	21,961	27,789	29,772	79,522
<b>Total of the remaining Executive</b>					
<b>Directors</b>					
N. of shares at 01.01.2008	108,215	74,693	94,514	-	277,422
N. of shares at 31.12.2008	-	87,844	111,157	119,088	318,089
<b>Total</b>					
N. of shares at 01.01.2008	108,215	74,693	94,514	-	277,422
N. of shares at 31.12.2008	-	87,844	111,157	216,103	415,104
<b>VALUES</b>					
<b>CEO</b>					
Value at award date	305,581 <sup>(5)</sup>	200,595 <sup>(5)</sup>	332,201 <sup>(5)</sup>	273,600	-
Value at vesting date	381,491 <sup>(5)</sup>	216,203 <sup>(5)</sup>	296,647 <sup>(5)</sup>	-	-
Value at 31 December 2008	-	-	-	109,817	109,817
<b>Average of the remaining</b>					
<b>Executive Directors</b>					
N. of the remaining Executive					
Directors	4	4	4	4	
Value at award date	107,046	85,936	138,018	112,901	-
Value at vesting date	78,006	-	-	-	-
Value at 31 December 2008	-	23,472	31,686	45,195	100,353

## 4.1 Corporate governance report (continued)

### Total of the remaining Executive

#### Directors

Value at award date	428,182	343,743	552,072	451,603	-
Value at vesting date	312,026	-	-	-	-
Value at 31 December 2008	-	93,888	126,744	180,782	401,413

#### Total

Value at award date	733,764	544,338	884,273	725,202	-
Value at vesting date	693,517	216,203	296,647	-	-
Value at 31 December 2008	-	93,888	126,744	290,599	511,230

(1) Vested on 10 March 2008. For two Executive Directors, cash equivalents were paid in lieu of the delivery of Sonaecom shares. The Sonaecom SGPS' shares were delivered on 10 March 2008, and the Company decided to pay in cash in lieu of the delivery of Sonaecom SGPS shares;

(2) Average share price in the month prior to the award date, except for the 2006 Plan where share price corresponds to the average share price between 3rd March and 5th April 2007;

(3) On 2 January 2008, the share price hit a high of 3.26 euros per share and a low of 0.955 euros per share on 20 November 2008;

(4) On 2 January 2008, the share price hit a high of 1.95 euros per share and a low of 0.392 euros per share on 5 December 2008;

(5) For the former CEO, the vesting of the 2004 to 2006 deferred plans was anticipated and cash equivalents were paid on 31 December 2007, in lieu of the delivery of Sonaecom and Sonaecom SGPS shares. For the former CEO plans for 2004, 2005 and 2006, the vesting date corresponds to the anticipated vesting date (3 May 2007).

#### 4.1.3 - 21) Compensation for Board members on termination of office

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

#### 4.1.3 - 22) Whistle blowing policy

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

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

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

### 4.1.4. Information

#### 4.1.4 - 1) Share capital structure

Sonaecom's share capital is divided into three hundred and sixty six million, two hundred and forty six thousand and eight hundred and sixty eight ordinary, registered and book-entry shares with a nominal unit value of one Euro. There are no special share categories.

#### 4.1.4 - 2) Qualified shareholdings

In accordance with the Portuguese Securities Code, shareholdings amounting to or exceeding the thresholds of 2%, 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66% and 90% of the total share capital must be reported to the Portuguese Securities Market Commission and disclosed to the capital market. Reporting is also required if the shareholdings fall below the same percentages.

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Sonaecom Qualified Holdings

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## 4.1 Corporate governance report (continued)

Shareholder	Number shares held	% Shareholding as at 31-Dec-2008
Sonae SGPS	194.389.164	53,08%
France Télécom	73.249.374	20,00%
EDP - Energias de Portugal	29.150.000	7,96%

Sonaecom's largest shareholders continue to be Sonae SGPS, a Portuguese multinational Group also with interests in retail, shopping centres and insurance, with a shareholding position of just over 53%, and France Télécom, one of the largest telecom operators in the world, with a 20.0% stake in Sonaecom.

The free float as at 31 December 2008 (% of shares not held or controlled by the reference shareholders and EDP and excluding own shares) stood at approximately 17.3%.

During 2008 there were no changes to the number of shares issued by Sonaecom.

### 4.1.4 - 3) Shareholders holding special rights

There are no shareholders with special rights.

### 4.1.4 - 4) Restrictions on the transfer and ownership of shares

There are no restrictions on the transfer and ownership of shares.

### 4.1.4 - 5) Shareholders' agreements known to the Company

Sonaecom is not aware of any shareholders agreements which contain restrictions on the transfer of shares or voting rights in the Company.

### 4.1.4 - 6) Rules applicable to the amendment of Company's articles of association

Changes to the Company's articles of association require approval at the Shareholders' General Meeting, which decides, in accordance with the applicable law, by a majority of two-thirds of the votes cast.

### 4.1.4 - 7) Control mechanisms for employees participating in the share capital

There are no systems in place concerning the attribution of shares of the Company to its employees that result in the respective employees not being able to exercise their voting rights freely.

### 4.1.4 - 8) Share price performance

Sonaecom's shares ended 2008 with a market price of 1.005 euros per share, 69.5% below the closing price of 3.30 euros per share at 31 December 2007. The share price reached a maximum of 3.26 euros per share on 2 January 2008 and a minimum of 0.95 euros on 20 November 2008.

At the end of 2008, Sonaecom's market capitalization was 368 million euros. The average daily trading volume reached 599.3 thousand shares, a decrease of 41%, when compared to 2007. The total number of Sonaecom shares traded during 2008 exceeded 154 million shares, more than 42% of the total share capital of the Company.

During 2008, Sonaecom's share price evolution and liquidity were mainly influenced by the following news:

- 4 February 2008: clarification on the final acquisition price of the residential and SOHO customer base of Oni and of the total share capital of Telemilénio – Telecomunicações, Lda (Tele2 Portugal);
- 20 February 2008: announcement of the investment plans for Next Generation Networks, as well as the underlying strategic objectives;
- 2 March 2008: release of the full year 2007 consolidated results;
- 16 April 2008: information on the decisions approved at the Shareholders' Annual General Meeting held on that day;
- 5 May 2008: release of the first quarter 2008 consolidated results;
- 2 July 2008: information on the decisions approved at the Shareholders' Extraordinary General Meeting held on that day;
- 28 July 2008: release of the second quarter 2008 consolidated results;
- 24 October 2008: confirmation of the extension, for an additional period of three years, of the Strategic Partnership Agreement with France Télécom, which has been in place since 2005.
- 29 October 2008: release of the third quarter 2008 consolidated results;
- 30 December 2008: announcement of the closing of a 100 million euros securitisation transaction by the subsidiary Sonaecom – Serviços de Comunicações, S.A..

## 4.1 Corporate governance report (continued)

### 4.1.4 - 9) Dividend distribution policy

At the Shareholders' Annual General Meeting, held on 16 April 2008, Sonaecom's shareholders approved the proposal from the Board of Directors to apply net results to retained earnings, with no dividend distribution, reflecting Sonaecom's strategy and the business opportunities available.

The proposal to distribute dividends (as every proposal for the appropriation of net results) is made by the Board of Directors, subject to compliance with Portuguese Company Law and the Company's Articles of Association, and the decision on such proposal is taken by the Annual General Meeting as described below.

The Board of Directors prepares the proposals regarding dividend distribution based on, among other considerations, business and investment opportunities and their corresponding profitability, the financing requirements of the Company and shareholders' expectations.

There are no articles in the Company's Articles of Association that may in any way limit the dividend distribution or the proposals from the Board of Directors. Article 33 thereof provides that "The net results shown in the annual financial statements, after deduction of the amounts legally required to create or to add to the legal reserve, will be applied as determined by the Shareholders' General Meeting, which can distribute them totally or partially or transfer them to reserves".

The Company has not distributed any dividends in the last three financial years.

### 4.1.4 - 10) Group remuneration policy

To promote initiative and build high levels of commitment, Sonaecom once again carried out its established annual performance appraisal process for all employees, during 2008. Each individual's activity, performance and contribution to the organisation's success were assessed and decisions were taken on the variable remuneration and other compensation to be attributed accordingly.

## Remuneration components

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

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

In addition, a discretionary third component may be awarded to more senior employees (Sonaecom Group Management Levels – 'Grupos Funcionais' or 'GF' 1 to 6), on 10 March of the following year, in the form of deferred compensation, under the Sonaecom Medium Term Incentive Plan ('MTIP').

### Fixed remuneration

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

### Annual Performance Bonus

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

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

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



## 4.1 Corporate governance report (continued)

The Business KPI's and their weightings for 2008 were:

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

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

### Medium term incentive plan ('MTIP')

The MTIP is an equity-based discretionary deferred compensation plan with a three year period between the award date and the date on which the award vests. MTIP awards are made in March each year, in respect of performance during the previous financial year. The size of an award made under the MTIP is linked to an individual's Annual Performance Bonus paid for the same 'performance year'. Historically, the MTIP awards were made on 31 March of each year, but, for 2006 onwards, the award date has been changed to 10 March or the last working day before that date. The vesting dates for all open plans have also been adjusted to this new timing.

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

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

### MTIP assessment

All Sonaecom employees with Management Levels GF1 to GF6<sup>(2)</sup>, are eligible to participate in the MTIP, as long they joined the Company before the 31 December of the year being evaluated or they are promoted to GF6, or above, at the annual review process in the first quarter of that year.

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

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

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

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

For the MTIP awards delivered as deferred rights to shares, the number of shares is calculated by dividing the MTIP amount awarded by the average share price in the month prior to the award date. However, for the 2006 Plan the share price was the average share price between 3rd March and 5th April 2007, due to the timing of the end of the Portugal Telecom bid and was approved by the Board Nomination and Remuneration Committee. On vesting the shares, corresponding to the initial number of shares, adjusted for dividends and other changes in issued share capital, are transferred to the beneficiaries on the third anniversary of the award date at zero cost. The Company, subject to approval from the Board Nomination and Remuneration Committee, has the option to pay the cash equivalent to the value of the shares at the vesting date.



## 4.1 Corporate governance report (continued)

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

The awards outstanding under the Sonaecom Share Plans in 2008 can be summarised as follows:

#### Sonaecom Share Plans outstanding during 2008

Sonaecom Share Plans Outstanding during 2008					
		Vesting period		At 31 December 2008	
	Share price at award date*	Award date	Vesting date	Aggregate of number of participants	Number of options/shares
<b>Sonaecom Shares</b>					
2004 Plan	3.960	31-Mar-05	10-Mar-08	-	-
2005 Plan	4.093	10-Mar-06	09-Mar-09	354	838,634
2006 Plan	4.697	09-Mar-07	08-Mar-10	390	1,002,639
2007 Plan	2.447	10-Mar-08	09-Mar-11	402	1,867,848

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

The number of shares awarded, and shares unvested or vested under Sonaecom's MTIP in the year ended 31 December 2008, are shown in the following table:

#### Sonaecom's shares under the MTIP

	Sonaecom's shares		Total
	Aggregate number of participants <sup>(1)</sup>	Number of shares	Corresponding shares
<b>Outstanding at 31.12.2007</b>			
Unvested	1,142	2,902,082	2,902,082
Total	1,142	2,902,082	2,902,082
<b>Movements in the year</b>			
Awarded	416	1,916,077	1,916,077
Vested	(349)	(976,395)	(976,395)
Cancelled/Lapsed	(63)	(132,643)	(132,643)
<b>Outstanding at 31.12.2008</b>			
Unvested	1,146	3,709,121	3,709,121
Total	1,146	3,709,121	3,709,121

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

### Summary of shares under the MTIP – Sonae SGPS share plans

Awards under the Sonae SGPS Share Plans outstanding during 2008 can be summarised as follows:

#### Sonae SGPS Share Plans outstanding during 2008

	Share price at award date*	Award date	Vesting period	At 31 December 2008	
			Vesting date	Aggregate number of participants	Number of shares
<b>Sonae SGPS Shares</b>					
2004 Plan	1.17	31-Mar-05	10-Mar-08	—	—
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

\* The lower of the average closing share prices for the 30 trading days prior to the Annual General Meeting and the closing share price on the day after the Annual General Meeting, except for the 2006 Plan for which the share price corresponds to the average closing 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 Nominations and Remunerations Committee.

## 4.1 Corporate governance report (continued)

The number of awarded, unvested or vested, and cancelled, lapsed or adjusted Sonae SGPS shares under the MTIP in the year ended 31 December 2008, are shown in the following table:

### Sonae SGPS shares under the MTIP

	Sonae SGPS shares	
	Aggregate number of participants <sup>(1)</sup>	Number of shares
<b>Outstanding at 31.12.2007</b>		
Unvested	30	496,440
<b>Movements in the year</b>		
Awarded	7	254,715
Vested	(12)	(274,202)
Cancelled/Lapsed/Adjusted <sup>(2)</sup>	-	86,863
<b>Outstanding at 31.12.2008</b>		
Unvested	25	563,816

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

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

### MTIP hedging agreements and accounting impact

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

During the year, 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. For Sonaecom's share plans, the total responsibility, calculated taking in consideration the share price at balance sheet date, is Euro 1,792,026 and was recorded under the headings of 'Other current liabilities' and 'Other non current liabilities'.

The Sonae SGPS shares plans correspond to the delivery of Sonae SGPS shares, but, as they are attributed by Sonaecom and not by Sonae SGPS, the plans are treated as cash-settled plans. Considering the cash-settled share swap transactions implemented to hedge these plans, the liability is included under "Other Liabilities" capped at a maximum share price of 1.829 euros, 1.905 euros and 1.15 euros for the MTIP 2005, 2006 and 2007, respectively. At 31 December 2008, the total amount provided is 518,436 euros.

The cost of Sonaecom's MTIP is recognised in the accounts over the respective deferral period for each annual plan. As at 31 December 2008, 21.2 million euros had been expensed as a cost (0.7 negative million euros during 2008 and 21.9 million euros in previous years).

#### 4.1.4 - 11) Relevant transactions with related parties

The relevant transactions with related parties are described in paragraph 22 of the Notes to the Individual Financial Statements. There were no further material non-operational transactions during the year with related parties (including Sonaecom Officers or Governing Bodies, such as Members of the Board of Directors and the Statutory External Auditor, owners of qualified shareholdings or with controlling or Group companies), apart from the agreements signed in 2003, 2004 and 2005 with Sonae Investments BV and Sonae SGPS, relating to the hedging of Sonaecom's MTIP as described above.

#### 4.1.4 - 12) Investor Relations

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

## 4.1 Corporate governance report (continued)

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

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

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

### **António Castro**

#### **Investor Relations Manager**

Tel: (+351) 93 100 2099

Fax: (+351) 93 102 2099

Email: [antonio.gcastro@sonae.com](mailto:antonio.gcastro@sonae.com) / [investor.relations@sonae.com](mailto:investor.relations@sonae.com)

Address: Rua Henrique Pousão, 432 – 7º Piso, 4460-191 Senhora da Hora, Portugal

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

During 2008 the Investor Relations department participated in 40 one-on-one and group meetings, 2 international roadshows (covering Lisbon and London) and 5 investor and telecommunications conferences, providing analysts and investors with information on Sonaecom's performance and future prospects.

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

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E-mail: [antonio.xavier@sonae.com](mailto:antonio.xavier@sonae.com) / [investor.relations@sonae.com](mailto:investor.relations@sonae.com)

Address: Rua Henrique Pousão, 432 – 7º Piso, 4460-191 Senhora da Hora, Portugal

### 4.1.4 - 13) Fees of the Statutory External Auditor

During 2008, Sonaecom Group paid the following fees to the Statutory External Auditor Deloitte and their network of companies:

#### Statutory External Auditor Fees

	2008		2007	
Audit	276,148	90%	201,213	81%
Tax Consultancy Services	31,301	10%	48,561	19%
Other Compliance & Assurance Services	-	-	-	-
Other Services	-	-	-	-
Total	307,449	100%	249,774	100%

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

### 4.1.5. Article 447, 448 and qualified holdings

Please refer to 3.3 under the 'Our management' section.

## 4.1 Corporate governance report (continued)

### APPENDIX

#### 1.1. QUALIFICATIONS, PROFESSIONAL EXPERIENCE AND SHARES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS

##### Duarte Paulo Teixeira de Azevedo

**Academic qualifications:** Degree in Chemical Engineering from the École Polytechnique Federal de Lausanne; MBA from ISEE, Institute of Business Studies of Porto University.

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

**Responsibilities at Sonaecom:** Chairman of the Board of Sonaecom; Chairman of the Board Nomination and Remuneration Committee.

**Number of Sonaecom shares held:** see table in 1.2 below

##### Ângelo Gabriel Ribeirinho dos Santos Paupério

**Academic qualifications:** Degree in Civil Engineering at Porto University. MBA from ISEE, Institute of Business Studies of Porto University.

**Professional experience:** Executive Vice-President of Sonae S.G.P.S., SA, Director of Sonae Distribuição, S.G.P.S., SA and Sonae Sierra, S.G.P.S., SA. Invited lecturer at Instituto Superior de Estudos Empresariais of Porto University.

**Responsibilities at Sonaecom:** CEO of Sonaecom.

**Number of Sonaecom shares held:** see table in 1.2 below

##### Luís Filipe Campos Dias de Castro Reis

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

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

**Responsibilities at Sonaecom:** Executive Director of Sonaecom.

**Number of Sonaecom shares held:** see table in 1.2 below

##### George Christopher Lawrie

**Academic qualifications:** Degree with distinction in Business Studies and Finance from Thames University, in England.

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

**Responsibilities at Sonaecom:** Executive Director and CFO of Sonaecom.

**Number of Sonaecom shares held:** see table in 1.2 below

##### Maria Cláudia Teixeira de Azevedo

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

## 4.1 Corporate governance report (continued)

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

**Responsibilities at Sonaecom:** Executive Director of Sonaecom – Media and SSI.

**Number of Sonaecom shares held:** see table in 1.2 below

### Miguel Nuno Santos Almeida

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

**Professional experience:** Executive Director of Sonaecom – Serviços de Comunicações; Non-Executive Director of WeDo. Previously, he has been Marketing Director of Modelo Continente.

**Responsibilities at Sonaecom:** Executive Director of Sonaecom – Residential Markets.

**Nº of Sonaecom shares held:** see table below

### António Sampaio e Mello

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

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

**Responsibilities at Sonaecom:** Independent Non-executive Director of Sonaecom; Member of the Board Audit and Finance Committee.

**Number of Sonaecom shares held:** does not hold any shares

### David Charles Denholm Hobley

**Academic qualifications:** Fellow of the Institute of Chartered Accountants of England and Wales.

**Professional experience:** Managing Director of Deutsche Bank AG, London; Director of certain Orange Group companies.

**Responsibilities at Sonaecom:** Non-executive Director of Sonaecom; Member of the Board Audit and Finance Committee.

**Number of Sonaecom shares held:** does not hold any shares

### Franck Emmanuel Dangeard

**Academic qualifications:** Graduate from École des Hautes Études Commerciales (HEC), Institut d'Études Politiques de Paris (IEP) and the Harvard Law School (Fulbright Scholar, HLS Fellow).

**Professional experience:** Chairman and CEO of Thomson; Senior Executive Vice-President of France Télécom; Managing Director of SBC Warburg France.

**Responsibilities at Sonaecom:** Independent Non-executive Director of Sonaecom; Member of the Board Nomination and Remuneration Committee.

**Number of Sonaecom shares held:** does not hold any shares

### Gervais Gilles Pellissier

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

**Professional experience:** Member of France Telecom Group Management Committee; Deputy CEO in charge of Finance and Information System. Previously he had supervised the operational and geographic integration of France Telecom's businesses in Spain and, was Vice Chairman of the Board of Bull (2004 - 2005)

## 4.1 Corporate governance report (continued)

**Responsibilities at Sonaecom:** Non-executive Director of Sonaecom.

**Number of Sonaecom shares held:** does not hold any shares

**Jean-François René Pontal**

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

**Professional experience:** CEO of the Spanish branch of Carrefour – PRYCA; Member of the Board of Directors of Carrefour; Group Executive Vice-President in charge of Mass Market Products & Services of France Telecom; CEO of Orange.

**Responsibilities at Sonaecom:** Independent Non-Executive Director of Sonaecom; Chairman of the Board Audit and Finance Committee; Member of the Board Nomination and Remuneration Committee.

**Number of Sonaecom shares held:** does not hold any shares

**Nuno Manuel Moniz Trigos Jordão**

**Academic Qualifications:** Degree in Economics by the ISCTE – University of Lisbon.

**Professional experience:** Member of the Board of Directors and CEO of Sonae Distribuição; Executive Vice-President of Sonae SGPS.

**Responsibilities at Sonaecom:** Non-executive Director of Sonaecom.

**Number of Sonaecom shares held:** does not hold any shares

### 1.2. Shares held by the Board of Directors and respective transactions during 2008

	Date	Additions		Reductions		Balance at
		Quantity	Average value €	Quantity	Average value €	31 December 2008
<b>Duarte Paulo Teixeira de Azevedo</b>						
Efanor Investimentos, SGPS, SA (1)						1
Migracom, SGPS, SA (3)						1,969,996
Capital increase	27.11.2008	1,900,000	1.00			
Sonae, SGPS, SA (6)						3,293
<b>Ângelo Gabriel Ribeirinho dos Santos Paupério</b>						
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			
<b>George Christopher Lawrie</b>						
Sonae, SGPS, SA (6)						62,500
Acquisition	21.01.2008	50,380	1.19			
Sonaecom, SGPS, SA						162,659
Shares attributed under the Medium Term Incentive Plan	11.03.2008	17,659	0.00			
<b>Miguel Nuno Santos Almeida</b>						
Sonaecom, SGPS, SA						18,257
Shares attributed under the Medium Term Incentive Plan	11.03.2008	18,167	0.00			
<b>Maria Cláudia Teixeira de Azevedo</b>						
Efanor Investimentos, SGPS, SA (1)						1
Linhacom, SGPS, SA (4)						99,996

## 4.1 Corporate governance report (continued)

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	Quantity	Additions Average value €	Reductions Quantity	Average value €	Balance at 31 December 2008 Quantity
<b>(1) Efanor Investimentos, SGPS, SA</b>						
Sonae, SGPS, SA (6)						659,650,000
Acquisition	19.09.2008	845,576	0.603			
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
Sonae, SGPS, SA (6)						351,296
Acquisition	03.01.2008	3	1.92			
Sonaecom, SGPS, SA						36,183
Acquisition	31.03.2008	10,963	2.18			
<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						838,649
Acquisition	17.12.2008	125,000	0.98			
Acquisition	19.12.2008	40,000	0.98			
Acquisition	30.12.2008	650,000	1.00			
Sontel BV (8)						4,286
Capital increase	22.08.2008	3,786	50,512.78			
<b>(7) Sonae Investments BV</b>						
Sontel BV (8)						5,714
Capital increase	22.08.2008	5,714	50,517.78			
<b>(8) Sontel BV</b>						
Sonaecom, SGPS, SA						193,550,515
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			
Acquisition	Aug-08	727,264	1.87			
Acquisition	Sep-08	1,057,750	1.80			

## 4.1 Corporate governance report (continued)

Acquisition	Oct-08	280,000	1.64		
Sale	Oct-08			2,972,506	1.27
Acquisition	Nov-08	497,670	0.98		
Acquisition	Dec-08	186,500	1.01		
Sale	Dec-08			650,000	1.00

## 2. OTHER OFFICES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS

### Duarte Paulo Teixeira de Azevedo

#### Offices held in companies in which Sonaecom is a shareholder:

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

#### Other Offices held:

Efanor Investimentos, SGPS, S.A. (Member of the Board of Directors)

Imparfin, SGPS, S.A. (Member of the Board of Directors)

Migracom, SGPS, S.A. (Chairman of the Board of Directors)

Sonae, SGPS S.A. (Member of the Board of Directors, CEO)

Sonae Distribuição, SGPS, S.A. (Chairman of the Board of Directors)

Sonae Indústria, SGPS, S.A. (Member of the Board of Directors)

Sonae Sierra, SGPS, S.A. (Chairman of the Board of Directors)

### Ângelo Gabriel Ribeirinho dos Santos Paupério

#### Offices held in companies in which Sonaecom is a shareholder:

Be Artis, S.A. (Chairman of the Board of Directors)

Público – Comunicação Social, S.A. (Chairman of the General and Supervisory Board)

Sonae Telecom, SGPS, S.A. (Chairman of the Board of Directors)

Sonaecom – Serviços de Comunicações, S.A. (Chairman of the Board of Directors)

Sonaecom – Sistemas de Informação, SGPS, S.A. (Chairman of the Board of Directors)

WeDo Consulting, S.A. (Chairman of the Board of Directors)

#### Other offices held:

Cooper Gay (Holdings) Limited (Member of the Board of Directors, Non-Executive)

MDS SGPS, S.A. (Member of the Board of Directors, Executive)

MDS – Corretor de Seguros, S.A. (Chairman of the Board of Directors)

Sonae SGPS, S.A. (Member of the Board of Directors, Executive)

Sonae Investments, B.V. (Managing Director)

Sonae Distribuição SGPS, S.A. (Member of the Board of Directors, Non-Executive)

Sonae Sierra SGPS, S.A. (Member of the Board of Directors, Non-Executive)

Sontel B.V. (Managing Director)

Enxomil SGPS, S.A. (Managing Director)

Enxomil – Sociedade Imobiliária, S.A. (Managing Director)

Lapidar SGPS, S.A. (Member of the Board of Directors, Executive)



## 4.1 Corporate governance report (continued)

### George Christopher Lawrie

#### Offices held in companies in which Sonaecom is a shareholder:

Be Artis, S.A. (Member of the Board of Directors, Non-Executive)

Sonaecom B.V. (Managing Director)

Sonaecom – Serviços de Comunicações S.A. (Member of the Board of Directors, Executive)

WeDo Consulting – Sistemas de Informação, S.A. (Member of the Board of Directors, Non-Executive)

#### Other offices held:

Does not hold any office in any other company

### Luís Filipe Campos Dias de Castro Reis

#### Offices held in companies in which Sonaecom is a shareholder:

Be Artis, SA (Member of the Board of Directors – Executive)

Be Towering – Gestão de Torres de Telecomunicações, SA (Chairman of the Board of Directors)

Público – Comunicação Social, SA (Member of the General Council)

Sonaecom B.V. – Managing Director

Sonaecom – Serviços de Comunicações, SA (Member of the Board of Directors – Executive)

Sonaecom – Sistemas de Informação, SGPS, SA (Member of the Board of Directors – Executive)

Sonae Telecom, SGPS, SA (Member of the Board of Directors of Directors – Executive)

Telemilénio – Telecomunicações, Sociedade Unipessoal, Lda (Managing Director)

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

#### Other offices held:

Does not hold any office in any other company.

### Maria Cláudia Teixeira de Azevedo

#### Offices held in companies in which Sonaecom is a shareholder:

Digitmarket – Sistemas de Informação, S.A. (Chairman of the Board of Directors)

Lugares Virtuais, S.A. (Chairman of the Board of Directors)

Mainroad – Serviços de Tecnologias de Informação, S.A. (Chairman of the Board of Directors)

Miauger – Organização e Gestão de Leilões Electrónicos, S.A. (Chairman of the Board of Directors)

Público Comunicação Social, S.A. (Member of the General Council)

Saphety Level – Trusted Services, S.A. (Chairman of the Board of Directors)

Sonaecom Serviços de Comunicações, S.A. (Member of the Board of Directors)

Sonaecom Sistemas de Informação, S.A. (Member of the Board of Directors)

WeDo Consulting, Sistemas de Informação, S.A. (Member of the Board of Directors)

#### Other offices held:

Efanor – Serviços de Apoio à Gestão, S.A. (Chairman of the Board of Directors)

Efanor Investimentos, SGPS, S.A. (Member of the Board of Directors, Non-Executive)

Fundação Belmiro de Azevedo (Member of the Board of Directors, Non-Executive)

## 4.1 Corporate governance report (continued)

Imparfin, SGPS, S.A. (Chairman of the Board of Directors)

Linhacom, SGPS, S.A. (Chairman of the Board of Directors)

Praça Foz – Sociedade Imobiliária, S.A. (Member of the Board of Directors, Non-Executive)

### Miguel Nuno Santos Almeida

#### **Offices held in companies in which Sonaecom is a shareholder:**

Be Artis, SA (Member of the Board of Directors – Executive)

Be Towering – Gestão de Torres de Telecomunicações, SA (Member of the Board of Directors – Executive)

Per-Mar, Sociedade de Construções, SA (Chairman of the Board of Directors)

Sonae Telecom, SGPS, SA (Member of the Board of Directors – Executive)

Sonaecom – Serviços de Comunicações, SA (Member of the Board of Directors – Executive)

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

#### **Other offices held:**

Does not hold any office in any other company.

### António Sampaio e Mello

#### **Offices held in companies in which Sonaecom is a shareholder:**

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

#### **Other offices held:**

Nakoma Capital Management (Member of the Board of Directors)

Casb (Member of the Board of Directors)

### David Charles Denholm Hobley

#### **Offices held in companies in which Sonaecom is a shareholder:**

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

#### **Other offices held:**

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

Mobinil SA (Member of the Board of Directors)

Nectar Capital LLC (Member of the Board of Directors)

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

Orange Romania SA (Member of the Board of Directors)

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

Velti plc (Member of the Board of Directors)

Deutsche Bank AG, London Branch (Managing Director)

### Franck Emmanuel Dangeard

#### **Offices held in companies in which Sonaecom is a shareholder:**

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

## 4.1 Corporate governance report (continued)

### Other offices held:

Harcourt, S.L. (Managing Director)

Calyon - Crédit Agricole Group (Director)

EDF – Electricité de France (Chairman of the Audit Committee; Member of the Nomination and Remuneration Committee)

Infogrames (Chairman – Non-Executive)

Symantec (US) (Member of the Audit Committee; Member of the Nomination and Governance Committee)

Moser Baer (India) (Member of the Strategy Committee)

Bruegel (Member of the Board of Directors)

Energos (Member of the Advisory Board)

PriceWaterhouseCoopers (France) (Member of the Advisory Board)

Reech AIM (UK) (Member of the Advisory Board)

### Gervais Gilles Pellissier

#### Offices held in companies in which Sonaecom is a shareholder:

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

#### Other offices held:

France Telecom Spain (Member of the Board of Directors)

Mobistar (Member of the Board of Directors)

Studio 37 (Member of the Board of Directors)

### Jean-François René Pontal

#### Offices held in companies in which Sonaecom is a shareholder:

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

#### Other Offices held:

Ing Direct, France (Member of the Advisory Board)

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

### Nuno Manuel Moniz Trigos Jordão

#### Offices held in companies in which Sonaecom is a shareholder:

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

#### Other offices held:

Arat Inmuebles S.A.

Azulino – Imobiliária, S.A.

Bertimóvel – Sociedade Imobiliária, S.A.

Best Offer - Prestação de Informações pela Internet, S.A.

Bikini – Portal de Mulheres, S.A.

Canasta - Empreendimentos Imobiliários, S.A.

Carnes do Continente - Indústria e Distribuição de Carnes, S.A.

Chão Verde – Sociedade de Gestão Imobiliária, S.A.

## 4.1 Corporate governance report (continued)

Citorres – Sociedade Imobiliária, S.A.

Contibomba - Comércio e Distribuição de Combustíveis, S.A.

Contimobe – Imobiliária do Castelo de Paiva, S.A.

Continente Hipermercados, S.A.

Cumulativa - Sociedade Imobiliária, S.A.

Difusão – Sociedade Imobiliária, S.A.

Edições Book.it – S.A.

Efanor - Design e Serviços, S.A.

Efanor - Indústria de Fios, S.A.

Estevão Neves – Hipermercados da Madeira, S.A.

Farmácia Selecção, S.A.

Fozimo - Sociedade Imobiliária, S.A.

Fozmassimo – Comércio e Indústria de Produtos Alimentares, S.A.

Global S – Hipermercado, Lda.

IGI – Investimento Imobiliário, S.A.

Igimo – Sociedade Imobiliária, S.A.

Iginha – Sociedade Imobiliária, S.A.

Imoconti – Sociedade Imobiliária, S.A.

Imoestrutura – Sociedade Imobiliária, S.A.

Imomuro – Sociedade Imobiliária, S.A.

Imoresultado – Sociedade Imobiliária, S.A.

Imosistema - Sociedade Imobiliária, S.A.

Infocfield – Informática, S.A.

Inventory – Acessórios de Casa, S.A.

MJLF - Empreendimentos Imobiliários, S.A.

Modalfa - Comércio e Serviços, S.A.

Modelo – Distribuição de Materiais de Construção, S.A.

Modelo Continente – Operações de Retalho, SGPS, S.A.

Modelo Continente Hipermercados, S.A.

Modelo Continente Hipermercados, S.A., Sucursal en España

Modelo Continente Seguros - Sociedade de Mediação, Lda.

Modelo Hiper Imobiliária, S.A.

Modelo Hipermercados Trading, S.A.

Modelo.Com – Vendas por Correspondência, S.A.

NA - Comércio de Artigos de Desporto, S.A.

NA - Equipamentos Para o Lar, S.A.

Peixes do Continente - Indústria e Distribuição de Peixes, S.A.

## 4.1 Corporate governance report (continued)

Pharmacontinente - Saúde e Higiene, S.A.

Predicomercial – Promoção Imobiliária, S.A.

Selifa - Sociedade de Empreendimentos Imobiliários, S.A.

Sempre à Mão – Sociedade Imobiliária, S.A.

Sesagest – Projectos e Gestão Imobiliária, S.A.

Socijofra - Sociedade Imobiliária, S.A.

Sociloures - Sociedade Imobiliária, S.A.

Solaris - Supermercados, S.A.

Sonae Distribuição - S.G.P.S., S.A..

Sonae Retalho Espanã – Servicios Generales, S.A.

Sonaecor – Comercio y Distribución S.A.

Sonaegest – Sociedade Gestora de Fundos de Investimento, S.A.

Sondis Imobiliária, S.A.

Sontária – Empreendimentos Imobiliários, S.A.

Sport Zone – Comércio de Artigos de Desporto, S.A.

Sport Zone España - Comercio de Articulos de Deporte, S.A.

Tlantic Portugal - Sistemas de Informação, S.A.

Todos os Dias - Comércio Retalhista e Exploração de Centros Comerciais, S.A.

Valor N, S.A.

Worten - Equipamentos para o Lar, S.A.

Worten España Distribución S.L.

## 4.1 Corporate governance report (continued)

### 3. QUALIFICATIONS, PROFESSIONAL EXPERIENCE AND SHARES HELD BY THE STATUTORY AUDIT BOARD

#### Arlindo Dias Duarte Silva

**Academic qualifications:** Degree in Economics by Porto University.

**Professional experience:** Member of the Institute of Statutory Auditors, Statutory External Auditor and member of several Statutory Audit Boards.

**Number of Sonaecom shares held:** does not hold any shares

#### Armando Luís Vieira de Magalhães

**Academic qualifications:** Degree in Economics by Porto University. Executive MBA – European Management from IESF/IFG.

**Professional experience:** Statutory Auditor in various Portuguese companies.

**Number of Sonaecom shares held:** does not hold any shares

#### Óscar José Alçada da Quinta

**Academic qualifications:** Degree in Economics by Porto University.

**Professional experience:** Member of the Institute of Statutory Auditors, Partner of Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC and member of several Statutory Audit Boards.

**Number of Sonaecom shares held:** does not hold any shares

#### Jorge Manuel Felizes Morgado

**Academic qualifications:** Degree in Economics by Porto University.

**Professional experience:** Statutory Auditor and Member of the Statutory Audit Board in various Portuguese companies.

**Number of Sonaecom shares held:** does not hold any shares

### 4. OTHER OFFICES HELD BY THE MEMBERS OF THE STATUTORY AUDIT BOARD

#### Arlindo Duarte Silva

**Offices held in Sonaecom Group companies:**

Does not hold any office in any Sonaecom Group company.

**Other Offices:**

DMJB – Consultadoria de Gestão, S.A. (Statutory External Auditor)

Loisir – Equipamentos de Diversão e Ocupação de Tempos Livres, S.A. (Statutory External Auditor)

Orbirio – Imobiliário e Empreendimentos Turísticos, S.A. (Statutory External Auditor)

Rochinvest – Investimentos Imobiliários e Turísticos, S.A. (Member of the Statutory Audit Board)

Sintigraf II – Tintas Gráficas, S.A. (Statutory External Auditor)

Sonae SGPS, S.A. (Member of the Statutory Audit Board)

Sonae Distribuição SGPS, S.A. (Member of the Statutory Audit Board)

**Offices in non-profitable institutions:**

ALADI – Associação Lavrense de Apoio ao Diminuído Intelectual (Member of the Statutory Audit Board)

Centro Social e Paroquial Padre Ângelo Ferreira Pinto (Member of the Statutory Audit Board)

Associação de Apoio Social de Perafita (Member of the Statutory Audit Board)

Associação Cultural do Senhor do Padrão (Member of the Statutory Audit Board)

Liga dos Amigos do Hospital Pedro Hispano (Member of the Statutory Audit Board)

#### Armando Luís Vieira de Magalhães

**Offices held in Sonaecom Group companies:**

Does not hold any office in any Sonaecom Group company.

**Other Offices:**

Sonae Capital SGPS, S.A. (Member of the Statutory Audit Board)

Sonae Indústria SGPS, S.A. (Member of the Statutory Audit Board)

Fundação Eça de Queiroz (Member of the Statutory Audit Board)

Futebol Clube do Porto – Futebol S.A.D. (Member of the Statutory Audit Board)

#### Óscar José Alçada da Quinta

## 4.1 Corporate governance report (continued)

### **Offices held in Sonaecom Group companies:**

Does not hold any office in any Sonaecom Group company.

### **Other Offices:**

BA GLASS I – Serviços de Gestão e Investimentos, S.A. (Member of the Statutory Audit Board)

LISGRÁFICA – Impressão e Artes Gráficas, S.A. (Member of the Statutory Audit Board)

Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC (Member of the Board of Directors)

Sonae Distribuição SGPS, S.A. (Member of the Statutory Audit Board)

Sonae Indústria SGPS, S.A. (Member of the Statutory Audit Board)

### **Jorge Manuel Felizes Morgado**

### **Offices held in Sonaecom Group companies:**

Does not hold any office in any Sonaecom Group company.

### **Other Offices:**

Sonae SGPS, S.A. (Member of the Statutory Audit Board)

Sonae Capital SGPS, S.A. (Member of the Statutory Audit Board)

Sonae Distribuição SGPS, S.A. (Member of the Statutory Audit Board - Substitute)

Sonae Indústria SGPS, S.A. (Member of the Statutory Audit Board)

Sonae Sierra SGPS, S.A. (Member of the Statutory Audit Board)

# 5.0

## **Our performance**

Our performance during 2008 was sound. Turnover rose 9.4% to 976 million euros with customer revenues up 9.8% to 674.2 million euros. Despite cuts to regulated tariffs and intensive capital investment, EBITDA was just 1% below 2007. Customer growth was particularly strong in the mobile sector, where subscriber numbers rose 9.5%. SSI's performance was especially satisfying as its turnover grew by over 51% to a record 120 million euros.



## 5.1 Sonaecom consolidated financial statements

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

(Amounts expressed in Euro)

### Consolidated balance sheets

For the years ended at 31 December 2008 and 2007

	Notes	December 2008	December 2007
<b>Assets</b>			
<b>Non current assets</b>			
Tangible assets	1d, 1i and 6	<b>585,741,539</b>	533,166,510
Intangible assets	1e, 1f and 7	<b>272,817,888</b>	189,436,634
Goodwill	1g and 9	<b>526,030,904</b>	528,216,604
Investments in associated companies	1b and 4	–	747,614
Investments available for sale	1h, 8 and 10	<b>1,207,320</b>	1,207,320
Deferred tax assets	1q and 11	<b>124,862,171</b>	101,118,096
<b>Total non current assets</b>		<b>1,510,659,822</b>	1,353,892,778
<b>Current assets</b>			
Inventories	1j and 12	<b>29,613,696</b>	24,036,540
Trade debtors	1k and 13	<b>173,693,076</b>	192,029,940
Other current debtors	1k and 14	<b>39,861,834</b>	17,704,719
Other current assets	1s, 1t, 1y and 15	<b>113,893,680</b>	87,096,013
Cash and cash equivalents	1l, 8 and 17	<b>105,719,328</b>	83,851,612
<b>Total current assets</b>		<b>462,781,614</b>	404,718,824
<b>Total assets</b>		<b>1,973,441,436</b>	1,758,611,602
<b>SHAREHOLDERS' FUNDS AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	18	<b>366,246,868</b>	366,246,868
Own shares	1v and 19	<b>(13,499,750)</b>	(8,938,165)
Reserves	1u	<b>570,756,015</b>	540,469,726
Consolidated net income/(loss) for the year		<b>4,998,142</b>	36,777,870
		<b>928,501,275</b>	934,556,299
Minority interests	20	<b>452,717</b>	865,131
<b>Total shareholders' funds</b>		<b>928,953,992</b>	935,421,430
<b>Liabilities</b>			
<b>Non current liabilities</b>			
Medium and long-term loans – net of short-term portion	1m, 1n, 8 and 21	<b>381,717,412</b>	373,213,990
Other non current financial liabilities	1i, 8 and 22	<b>17,171,773</b>	17,916,038
Provisions for other liabilities and charges	1p, 1t and 23	<b>32,205,441</b>	30,885,378
Securitisation of receivables	8 and 24	<b>79,090,793</b>	–
Deferred tax liabilities	1q and 11	<b>605,414</b>	284,402
Other non current liabilities	1s, 1t, 1y and 25	<b>60,683,153</b>	291,147
<b>Total non current liabilities</b>		<b>571,473,986</b>	422,590,955
<b>Current liabilities</b>			
Short-term loans and other loans	1m, 1n, 8 and 21	<b>5,018,044</b>	624,457
Trade creditors	8 and 26	<b>179,071,782</b>	185,332,554
Other current financial liabilities	1i, 8 and 27	<b>1,553,506</b>	1,926,041
Securitisation of receivables	8 and 24	<b>19,478,607</b>	–
Other creditors	8 and 28	<b>30,130,988</b>	18,350,798
Other current liabilities	1s, 1t, 1y and 29	<b>237,760,531</b>	194,365,367
<b>Total current liabilities</b>		<b>473,013,458</b>	400,599,217
<b>Total shareholders' funds and liabilities</b>		<b>1,973,441,436</b>	1,758,611,602

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

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 Gilles Pellissier

Jean-François René Pontal

Nuno Miguel Moniz Trigos Santos Jordão

## 5.1 Sonaecom consolidated financial statements (continued)

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

(Amounts expressed in Euro)

### Consolidated profit and loss account by nature

For the quarters and the years ended at 31 December 2008 and 2007

	Notes	December 2008	September to December 2008 (Not audited)	December 2007	September to December 2007 (Not audited)
Sales	30	106,556,250	33,705,573	79,052,510	24,134,556
Services rendered	30	869,663,720	215,613,739	813,641,181	224,281,105
Other operating revenues	31	10,493,123	4,750,820	6,421,176	2,188,901
		<b>986,713,093</b>	<b>254,070,132</b>	<b>899,114,867</b>	<b>250,604,562</b>
Cost of sales	12	(132,834,084)	(40,834,981)	(108,621,905)	(33,901,886)
External supplies and services	32	(562,645,655)	(135,481,693)	(507,530,381)	(142,230,185)
Staff expenses		(94,796,820)	(24,166,795)	(95,000,392)	(25,920,379)
Depreciation and amortisation	1d, 1e, 6 and 7	(157,575,667)	(39,314,206)	(139,982,820)	(38,485,608)
Provisions and impairment losses	1p, 1x and 23	(21,875,618)	(7,203,453)	(12,176,960)	(2,944,485)
Other operating costs	33	(14,175,446)	(2,904,094)	(13,791,210)	(4,183,035)
		<b>(983,903,290)</b>	<b>(249,905,222)</b>	<b>(877,103,668)</b>	<b>(247,665,578)</b>
Gains and losses on associated companies	34	(43,525)	(34,069)	224,427	312,000
Gains and losses on investments available for sale	34	—	—	5,578,307	—
Other financial expenses	1n, 1o, 1w, 1x and 34	(21,520,763)	(6,557,413)	(39,460,766)	(4,707,415)
Other financial income	1o, 1w and 34	3,710,518	1,122,047	12,176,948	554,561
<b>Current income/(loss)</b>		<b>(14,956,917)</b>	<b>(1,236,387)</b>	<b>530,115</b>	<b>(901,870)</b>
Income taxation	1q, 11 and 35	20,181,800	14,349,188	36,635,013	34,929,818
<b>Consolidated net income/(loss)</b>		<b>5,224,883</b>	<b>13,112,801</b>	<b>37,165,128</b>	<b>34,027,948</b>
Attributed to:					
Shareholders of parent company	39	4,998,142	13,101,903	36,777,870	33,846,503
Minority interests	20	226,741	10,898	387,258	181,445
<b>Earnings per share</b>					
Including discontinued operations:					
Basic		0.01	0.04	0.10	0.09
Diluted		0.01	0.04	0.10	0.09
Excluding discontinued operations:					
Basic		0.01	0.04	0.10	0.09
Diluted		0.01	0.04	0.10	0.09

The notes are an integral part of the consolidated financial statements at 31 December 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  
 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 Gilles Pellissier  
 Jean-François René Pontal  
 Nuno Miguel Moniz Trigos Santos Jordão

## 5.1 Sonaecom consolidated financial statements (continued)

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

(Amounts expressed in Euro)

### Consolidated movements in shareholders' funds

For the years ended at 31 December 2008 and 2007

	Share capital	Own shares (Note 19)	Legal reserves	Share premium	Other reserves	Reserves for Medium Term Incentive Plans	Hedging reserve	Reserves of own shares	Fair value reserves (Note 10)	Reserves	Minority interests	Net income/(loss)	Total
										Total reserves			
<b>2008</b>													
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 year ended 31 December 2008	–	–	–	–	–	–	–	–	–	–	–	4,998,142	4,998,142
Delivery of own shares under Medium Term Incentive Plans	–	4,275,838	–	–	2,113,542	–	–	(4,275,838)	–	(2,162,296)	–	–	2,113,542
Effect of the recognition of contracts with settlement in shares	–	–	–	–	(116,398)	–	–	–	–	(116,398)	–	–	(116,398)
Acquisition of own shares	–	(8,837,423)	–	–	(8,837,423)	–	–	8,837,423	–	–	–	–	(8,837,423)
Fair value reserves (Note 21)	–	–	–	–	–	–	(719,978)	–	–	(719,978)	–	–	(719,978)
Transfer to liabilities of the responsibilities associated with the Medium Term Incentive Plans	–	–	–	–	–	(3,186,678)	–	–	–	(3,186,678)	–	–	(3,186,678)
Adjustments in foreign currency translation reserves and others	–	–	–	–	(306,231)	–	–	–	–	(306,231)	–	–	(306,231)
Balance at 31 December 2008	366,246,868	(13,499,750)	1,002,287	775,290,377	(218,729,331)	–	(307,068)	13,499,750	–	570,756,015	–	4,998,142	928,501,275
<b>Minority interests</b>													
Balance at 31 December 2007	–	–	–	–	–	–	–	–	–	–	865,131	–	865,131
Minority interests on results	–	–	–	–	–	–	–	–	–	–	226,741	–	226,741
Other changes	–	–	–	–	–	–	–	–	–	–	(639,155)	–	(639,155)
Balance at 31 December 2008	–	–	–	–	–	–	–	–	–	–	452,717	–	452,717
<b>Total</b>	<b>366,246,868</b>	<b>(13,499,750)</b>	<b>1,002,287</b>	<b>775,290,377</b>	<b>(218,729,331)</b>	<b>–</b>	<b>(307,068)</b>	<b>13,499,750</b>	<b>–</b>	<b>570,756,015</b>	<b>452,717</b>	<b>4,998,142</b>	<b>928,953,992</b>

## 5.1 Sonaecom consolidated financial statements (continued)

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

(Amounts expressed in Euro)

### Consolidated movements in shareholders' funds (continued)

For the years ended at 31 December 2008 and 2007

	Share capital	Own shares (Note 19)	Legal reserves	Share premium	Other reserves	Reserves for Medium Term Incentive Plans	Hedging reserve	Reserves of own shares	Fair value reserves (Note 10)	Reserves	Minority interests	Net income/(loss)	Total
										Total reserves			
<b>2007</b>													
Balance at 31 December 2006	366,246,868	—	559,078	775,290,377	(225,277,495)	952,390	—	—	5,121,876	556,646,226	—	(13,883,168)	909,009,926
Appropriation of the consolidated net result of 2006	—	—	443,209	—	(14,326,377)	—	—	—	—	(13,883,168)	—	13,883,168	—
Consolidated net income/(loss) for the year ended 31 December 2007	—	—	—	—	—	—	—	—	—	—	—	36,777,870	36,777,870
Acquisition of own shares	—	(8,938,165)	—	—	(8,938,165)	—	—	8,938,165	—	—	—	—	(8,938,165)
Fair value reserves	—	—	—	—	—	—	412,910	—	(5,121,876)	(4,708,966)	—	—	(4,708,966)
Medium Term Incentive Plans recognition	—	—	—	—	—	2,234,288	—	—	—	2,234,288	—	—	2,234,288
Reimbursements of expenses incurred in share capital increases (stamp tax)	—	—	—	—	300,000	—	—	—	—	300,000	—	—	300,000
Adjustments in foreign currency translation reserves and others	—	—	—	—	(118,654)	—	—	—	—	(118,654)	—	—	(118,654)
Balance at 31 December 2007	366,246,868	(8,938,165)	1,002,287	775,290,377	(248,360,691)	3,186,678	412,910	8,938,165	—	540,469,726	—	36,777,870	934,556,299
<b>Minority interests</b>													
Balance at 31 December 2006	—	—	—	—	—	—	—	—	—	—	471,382	—	471,382
Minority interests on results	—	—	—	—	—	—	—	—	—	—	387,258	—	387,258
Other changes	—	—	—	—	—	—	—	—	—	—	6,491	—	6,491
Balance at 31 December 2007	—	—	—	—	—	—	—	—	—	—	865,131	—	865,131
<b>Total</b>	366,246,868	(8,938,165)	1,002,287	775,290,377	(248,360,691)	3,186,678	412,910	8,938,165	—	540,469,726	865,131	36,777,870	935,421,430

The notes are an integral part of the consolidated financial statements at 31 December 2008 and 2007.

## 5.1 Sonaecom consolidated financial statements (continued)

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

(Amounts expressed in Euro)

### Consolidated cash flow statements

For the years ended at 31 December 2008 and 2007

	31 December 2008		31 December 2007	
<b>Operating activities</b>				
Receipts from trade debtors	956,095,588		859,288,809	
Payments to trade creditors	(725,186,117)		(574,683,704)	
Payments to employees	(109,134,455)		(107,936,161)	
Cash flows from operating activities	121,775,016		176,668,944	
Payments/receipts relating to income taxes, net	(4,309,927)		(3,052,899)	
Other payments/receipts relating to operating activities, net	(13,336,428)		(23,686,174)	
<b>Cash flows from operating activities (1)</b>	<b>104,128,661</b>	<b>104,128,661</b>	<b>149,929,871</b>	<b>149,929,871</b>
<b>Investing activities</b>				
Receipts from:				
Investments	4,269,500		115,310,368	
Tangible assets	2,727,163		1,057,408	
Intangible assets	30,653		6,966	
Interest and similar income	3,191,080	10,218,396	11,683,303	128,058,045
Payments for:				
Loans granted	–		(1,233,597)	
Investments	(1,900,464)		(34,864,358)	
Tangible assets	(140,950,203)		(105,570,640)	
Intangible assets	(26,538,933)	(169,389,600)	(33,976,535)	(175,645,130)
<b>Cash flows from investing activities (2)</b>		<b>(159,171,204)</b>		<b>(47,587,085)</b>
<b>Financing activities</b>				
Receipts from:				
Loans obtained	110,559,868	110,559,868	225,000,000	225,000,000
Payments for:				
Leasing	(1,926,048)		(3,251,496)	
Interest and similar expenses	(22,029,986)		(36,364,867)	
Own shares	(8,837,422)		(8,938,165)	
Loans obtained	–	(32,793,456)	(324,458,200)	(373,012,728)
<b>Cash flows from financing activities (3)</b>		<b>77,766,412</b>		<b>(148,012,728)</b>
Net cash Flows (4)=(1)+(2)+(3)		<b>22,723,869</b>		<b>(45,669,942)</b>
		<b>(359,918)</b>		
<b>Effect of the foreign exchanges</b>				
				117,920
Cash and cash equivalents at the beginning of the year		<b>83,234,605</b>		<b>128,779,177</b>
Cash and cash equivalents at end of the year		<b>105,598,556</b>		<b>83,227,155</b>

The notes are an integral part of the consolidated financial statements at 31 December 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 Gilles Pellissier  
 Jean-François René Pontal  
 Nuno Miguel Moniz Trigos Santos Jordão

## 5.1 Sonaecom consolidated financial statements (continued)

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

(Amounts expressed in Euro)

### Notes to the consolidated cash flow statement

For the years ended at 31 December 2008 and 2007

#### 1. Acquisition or sale of subsidiaries or other businesses

	2008	2007
<b>a) Acquisitions</b>		
Tecnológica Telecomunicações, Ltda.	–	1,148,715
Telemilénio Telecomunicações – Sociedade Unipessoal, Lda.	–	13,924,227
Cape Technologies, Limited	–	22,149,145
Praesidium Holdings Limited	–	1,579,349
<b>b) Amounts paid of acquisitions from previous years</b>		
Tecnológica Telecomunicações, Ltda.	631,216	–
Cape Technologies, Limited	594,390	–
Praesidium Holdings Limited	674,858	–
<b>c) Amount paid of acquisitions of financial investments</b>		
Tecnológica Telecomunicações, Ltda.	–	917,494
Cape Technologies, Limited	–	3,070,000
Praesidium Holdings Limited	–	578,369
<b>d) Amounts received from the acquisition of financial investments</b>		
Telemilénio Telecomunicações – Sociedade Unipessoal, Lda.	–	628,785
	<b>1,900,464</b>	<b>34,864,358</b>
<b>e) Sales</b>		
Sale of Portugal Telecom, S.G.P.S., S.A. shares	–	108,461,474
Sale of Sonae, S.G.P.S., S.A. shares	–	385,979
Outsystem Software em Rede, S.A.	–	87,790
Despegar.com Inc	–	2,904,245
Profimetrics Software Solutions, S.A.	–	300,000
<b>f) Amounts received of sales from previous years</b>		
Retailbox BV	2,622,580	3,320,880
Profimetrics Software Solutions, S.A.	150,000	–
<b>g) Amounts received from acquisitions of previous years (price adjustments)</b>		
Telemilénio Telecomunicações – Sociedade Unipessoal, Lda	1,496,920	–
<b>h) Amount paid related to financial investments sold</b>		
Profimetrics Software Solutions, S.A.	–	150,000
	<b>4,269,500</b>	<b>115,310,368</b>

## 5.1 Sonaecom consolidated financial statements (continued)

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

(Amounts expressed in Euro)

### Notes to the consolidated cash flow statement (continued)

For the years ended at 31 December 2008 and 2007

#### 2. Details of cash and cash equivalents

	2008	2007
Cash in hand	351,455	581,803
Cash at bank	4,270,711	4,431,889
Treasury applications	101,097,162	78,837,920
Overdrafts	(5,018,044)	(624,457)
Cash and cash equivalents	100,701,284	83,227,155
Overdrafts	5,018,044	624,457
<b>Cash assets</b>	<b>105,719,328</b>	<b>83,851,612</b>

The difference between cash and cash equivalents at 31 December 2007 and cash and cash equivalents at the beginning of the year relates to the change of the consolidation perimeter and the detail is as follows:

Cash and cash equivalents at 31 December 2007	83,227,155
Changes on the consolidation perimeter:	
Unipress – Centro Gráfico, Lda.	7,450
<b>Cash and cash equivalents at the beginning of the year ended on 31 December 2008</b>	<b>83,234,605</b>

#### 3. Description of non monetary financing activities

	2008	2007
a) Bank credit granted and not used	103,463,305	104,611,398
b) Purchase of company through the issue of shares	Not applicable	Not applicable
c) Conversion of loans into shares	Not applicable	Not applicable

#### 4. Cash flow breakdown by activity

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
Telecommunication	142,954,310	(161,173,887)	94,539,762	76,320,185
Multimedia	320,210	(308,766)	(193,976)	(182,532)
Information Systems	(34,593,268)	(2,736,672)	170,948	(37,158,992)
Others	(4,552,591)	5,048,121	(16,750,322)	(16,254,792)
	104,128,661	(159,171,204)	77,766,412	22,723,869

The notes are an integral part of the consolidated financial statements at 31 December 2008 and 2007.

#### Chief Accountant

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## 5.2 Notes to the consolidated financial statements

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

SONAECOM, S.G.P.S., S.A. (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal. It is the parent company of the group of companies listed in Notes 2, 3 and 4 ('the Group').

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

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

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

- A Retail Share Offer of 5,430,000 shares, representing 3.62% of the share capital, made in the domestic market and aimed at: (i) employees of the Sonae Group; (ii) customers of the companies controlled by Sonaecom; and (iii) the general public;
- An Institutional Offering for sale of 26,048,261 shares, representing 17.37% of the share capital, aimed at domestic and foreign institutional investors.

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

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

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

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

By decision of the Shareholders' General Meeting held on 12 September 2005, Sonaecom's share capital was increased in Euro 70,276,868, from Euro 226,250,000 to Euro 296,526,868, by the issuance of 70,276,868 new shares of 1 Euro each and with a

share premium of Euro 242,455,195, fully subscribed by France Telecom. The corresponding public deed was executed on 15 November 2005.

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

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

The Group's business consists essentially of:

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

The Group operates in Portugal and has subsidiaries (from the information systems consultancy segment) operating in Brazil, United Kingdom, Ireland, Poland, Australia, Mexico, Malaysia, Egypt and the United States of America.

Since 1 January 2001, all Group companies based in the Euro zone have adopted the Euro as their base currency for processing, systems and accounting.

The consolidated financial statements are also presented in Euro, rounded at unit, and the transactions in foreign currencies are included in accordance with the accounting policies detailed below.

### 1. Basis of presentation

The accompanying financial statements 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.

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 capitalising such costs as part of



## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

the cost of the related assets and, consequently, the revision of this standard will not have any impact on the Group consolidated financial statements.

At 13 October 2008, as a consequence of the instability in the international financial markets, amendments were made in the financial reporting standards (namely, IAS 39 and IFRS 7) and endorsed by the European Union. These changes relate mainly to the possibility of transferring financial assets to other classes and have immediate effects. Retrospective application from 1 July 2008 was allowed, provided that the reclassifications were reported until 1 November 2008. Since these changes have no significant impact on the Group's consolidated financial statements the referred option was not applied.

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

- Amendments to IAS 1, 16, 19, 20, 23, 27, 28, 29, 31, 32, 36, 38, 39, 40, and 41, and also to IFRS 2, mandatory at 1 January 2009;
- Amendments to IAS 27 and 39, and also to IFRS 1 and 5, mandatory at 1 July 2009;
- Amendment to IAS 39, mandatory at 1 July 2009, but not yet endorsed in the EU;
- Review of IAS 1 – 'Presentation of Financial Statements', mandatory at 1 January 2009;
- Review of IFRS 3 – 'Business Combinations' (includes amendments to IAS 28 and 31), mandatory at 1 July 2009;
- IFRS 8 – 'Operating Segments' and IFRIC 15 – 'Agreements for the Construction of Real Estate', both mandatory at 1 January 2009;
- IFRIC 12 – 'Service Concession Arrangements', mandatory at 1 January 2008, but not yet endorsed in the EU;
- IFRIC 16 – 'Hedges of a Net Investment in a Foreign Operation', mandatory at 1 October 2008, but not yet endorsed in the EU;
- IFRIC 17 – 'Distributions of Non-cash Assets to Owners', mandatory at 1 July 2009.

These standards and interpretations, when applicable, shall have no significant impact on the future Group's consolidated financial statements.

The accounting policies and measurement criteria adopted by the Group at 31 December 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

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

acquisition was recorded as Goodwill (Note 9). If the difference between cost and the fair value of the net assets and liabilities acquired is negative, it is recognised as income of 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 description 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 realisation value of tangible assets are recorded in the year in which they arise, by a corresponding charge to the caption 'Depreciation and amortisation' in 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.

### e) Intangible assets

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

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

Amortisations are calculated on a straight-line monthly basis, over the estimated useful life of the assets (three to six years) as from the month in which the corresponding expenses are incurred. Mobile and fixed network operator licenses are amortised over the estimated period for which they were granted. During the third quarter of 2008, the Group's Board of Directors revised, with prospective effects, the estimated useful life of the UMTS license, given the high degree of probability of its renewal and the high degree of probability that such renewal shall be obtained without significant costs. Therefore, after 1 July 2008, the UMTS license is being amortised on a straight-line basis for the period between the commercial launch date and the new estimated end date of the license (2030). Additional license costs, namely the ones related to the commitments assumed by the Group under the UMTS license, regarding the contributions to the 'Information Society', are being amortised up to the estimated useful life of the license above indicated. The amortisation of the customer's portfolios is provided on a straight-line basis over the estimated average retention period of the customers (4 to 6 years).

Expenditures with internally-generated intangible assets, namely research and development expenditures, are recognised in the profit and loss statement when incurred. Development expenditures can only be recognised as an intangible asset if the Group demonstrates the ability to complete the project and is able to put it in use or available for sale.

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

### f) Brands and patents

Brands and patents are recorded at their acquisition cost and are amortised on a straight-line basis over their respective estimated useful life. When the estimated useful life is undetermined, they are not depreciated but are subject to annual impairment tests.

Sonaecom Group does not hold any brands or patents with undetermined useful life therefore the second half of the above referred paragraph is not applicable.

### g) Goodwill

Differences between the cost of investments in subsidiaries and associated companies and the amount attributed to the fair value of

## 5.2 Notes to the consolidated financial statements (continued)

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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', subjecting them to impairment tests (paragraph x)). 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.

#### (i) 'Financial assets at fair value through profit or loss'

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

#### (ii) '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 their 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.

#### (iii) '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.

#### (iv) '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 profit and loss 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 loss 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 are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using other 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. If none of these techniques can be used, the Group values those investments at cost net of any identified impairment loss. 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 (above 25%) or prolonged (in two consecutive quarters) decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that financial asset previously recognised in profit or loss –

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is removed from equity and recognised in the profit and loss 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 their 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 12).

### 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 relating to loans obtained are generally recognised as expenses at the time they are incurred. Financial expenses related to loans obtained 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.



## 5.2 Notes to the consolidated financial statements (continued)

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

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

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

### q) Income tax

'Income tax' expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in accordance with IAS 12.

Sonaecom has adopted, since 1 January 2008, the special regime for the taxation of groups of companies, under which, the provision for income tax is determined on the basis of the estimated taxable income of all the companies covered by that regime, in accordance with such rules. The special regime for the taxation of groups of companies covers all subsidiaries on which the Group holds at least 90% of their share capital, with its headquarters located in Portugal and subject to Corporate Income Tax (IRC). The remaining Group companies not covered by the special regime for the taxation of groups of companies are taxed individually based on their respective taxable income, in accordance with the tax rules in force in the location of the headquarters of each company.

Deferred taxes are calculated using the liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the respective amounts for tax purposes.

Deferred tax assets are only recognised when there is reasonable expectation that sufficient taxable profits shall arise in the future to allow such deferred tax assets to be used. At the end of each period the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are, likely, enabling the recovery of such assets (Note 11).

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

Whenever deferred taxes derive from assets or liabilities directly registered in Shareholders' funds, its recording is also made in Shareholders' funds caption. In all other situations, deferred taxes are always recorded 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 are recorded as deferred income and are included in the profit and loss statement under the caption 'Other operating revenues'. If subsidies awarded are used to finance investments in tangible assets, they are recorded in the profit and loss statement during the estimated useful life of the

corresponding assets. If the subsidies awarded are used to finance other investments then they are recorded as the investment expenditure is incurred.

### s) Accrual basis and revenue recognition

Expenses and income are recorded in the year to which they relate, regardless of their date of payment or receipt. Estimated amounts are used when actual amounts are not known.

The captions of 'Other non-current assets', 'Other current assets', 'Other non-current liabilities' and 'Other current liabilities' include expenses and income relating to the current period, where payment and receipt will occur in future periods, as well as payments and receipts in the current period but which relate to future periods. The 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 before taxes and net of 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 23).

## 5.2 Notes to the consolidated financial statements (continued)

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### 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 Commercial 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 Medium Term Incentive Plans is registered under the heading of 'Reserves for Medium Term Incentive Plans', 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 31 December 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 year, in financial results.

Entities operating abroad with organisational, economic and financial autonomy are treated as foreign entities.

Assets and liabilities of the financial statements of foreign entities are translated into Euro using the rates of exchange in force 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 year. The resulting exchange differences are recorded in the shareholders' funds caption 'Other reserves'.

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

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

	2008		2007	
	31 December	Average	31 December	Average
Pounds Sterling	1.04987	1.25890	1.36361	1.46209
Brazilian Real	0.30830	0.37657	0.38516	0.37577
American Dollar	0.71855	0.68350	0.67930	0.73080
Polish Zloti	0.24076	0.28570	0.27828	0.26445
Australian Dollar	0.49324	0.57746	0.59677	0.61203
Mexican Peso	0.05199	0.06154	—	—
Egyptian Pound	7.89760	8.07765	—	—

### 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; and
- 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 the most recent business plans duly approved

## 5.2 Notes to the consolidated financial statements (continued)

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by the Group's Board of Directors. 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:

- (i) 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';
- (ii) 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';
- (iii) The net effect of the entries in (i) and (ii) above eliminate the original entry to 'Shareholders' funds';
- (iv) 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 loss 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 loss 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.

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

At 31 December 2008, only one of the Sonaecom share plans was covered through own shares. 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 loss statement caption 'Staff expenses'.

In relation to plans which will be liquidated through the delivery of shares of the parent company, the Group signed contracts with an external entity, under which the price for the acquisition of those shares was fixed. The responsibility associated to those plans is recorded based on that fixed price, 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 loss statement caption 'Staff expenses'.

### 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 years ended at 31 December 2008 and 2007, are as follows:

- (i) Useful lives of tangible and intangible assets;
- (ii) Impairment analysis of goodwill and of other tangible and intangible assets;
- (iii) Recognition of impairment losses on assets (Trade debtors and Inventories) and provisions;
- (iv) Assessment of the responsibilities associated with the customers' loyalty programmes.

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 neither foreseeable nor controlled by the Group, 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.

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The main estimates and assumptions in relation to future events included in the preparation of these consolidated financial statements are disclosed in the corresponding 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 minimise potential adverse effects that derive from that uncertainty, using, whenever it is possible and advisable, derivative financial instruments to hedge the exposure to such risks (Note 1. o)).

### Market risk

#### a) Foreign exchange risk

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

Foreign exchange risk management seeks to minimise the volatility of investments and transactions made in foreign currencies 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 a procedure is not possible, the Group adopts derivative financial hedging instruments.

The Group's exposure to 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.

The Group's assets and liabilities (in Euros) recorded in currency other than Euro may be summarised as follows:

	Assets		Liabilities	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Pounds Sterling	1,127,929	520,785	820,436	141,875
Brazilian Real	26,730,536	17,910,518	9,233,396	13,176,664
American Dollar	95,843	19,781	894,739	7,503
Polish Zloti	273,329	128,134	110,752	81,695
Australian Dollar	60,691	32,115	65,066	67,565
Mexican Peso	3,000	—	58,411	—

The Group's sensibility, in Euros, to changes in exchange rates can be summarised as follows (increases/(decreases)):

	Change in exchange rates	2008		2007	
		Income	Shareholders' funds	Income	Shareholders' funds
Pounds Sterling	1%	7,482	6,031	(577)	4,813
Brazilian Real	1%	(13,755)	25,745	310	18,744
American Dollar	1%	(799)	(827)	(336)	41
Polish Zloti	1%	(968)	(614)	(105)	(111)
Australian Dollar	1%	(68)	410	(386)	405
Mexican Peso	1%	49	12	—	—
		(8,060)	30,757	(1,094)	23,892

#### 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 on the Group results or on its shareholders' funds is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility to use derivative financial 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 latter 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 equalise 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 21) 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.



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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 year. 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's 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.

The analysis of sensibility to interest rate risk is presented in Note 21.

### 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 us to maximise the profitability and to minimise the opportunity costs related to 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 within the respective dates of maturity as well as any eventual not forecasted requests for funds, within the deadlines set for this; (ii) Safety, i.e., to minimise 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/minimises 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) Amortisation of short term debt – after comparing the opportunity cost of amortisation 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 ensure 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 equal the forecasted payments (or the applications should be easily convertible, in the 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 21.

### 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.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 2. Companies included in the consolidation

Group companies included in the consolidation through full consolidation method, their head offices, main activity, shareholders and percentage of share capital held at 31 December 2008 and 2007, are as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2008		2007	
				Direct	Effective*	Direct	Effective*
<b>Parent company</b>							
SONAECON, S.G.P.S., S.A. ('Sonaecom')	Maia	Management of shareholdings.	–	–	–	–	–
<b>Subsidiaries</b>							
Be Artis – Conceção, Construção e Gestão de Redes de Comunicações, S.A. ('Artis') (a)	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%	100%	100%
Be Towering – Exploração de Torres de Telecomunicações, S.A. ('Be Towering') (b)	Maia	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment.	Sonaecom Serviços de Comunicações	100%	100%	100%	100%
Cape Technologies Americas, Inc ('Cape America')	Miami	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
Cape Technologies Limited ('Cape Technologies')	Dublin	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	100%	100%
Cape Technologies (UK) Limited ('Cape UK')	Cardiff	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	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%
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')	Maia	Digital publishing, electronic publishing and production of Internet contents.	Público	100%	100%	100%	100%
Lugares Virtuais, S.A. ('Lugares Virtuais') (c)	Maia	Organisation and management of electronic online portals, content acquisition, management of electronic auctions, acquisition and deployment of products and services electronically and any related activities.	Miauger	100%	100%	-	-
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%	100%	100%
Praesidium Services Limited ('Praesidium Services')	Berkshire	Rendering of consultancy services in the area of information systems.	We Do UK	100%	100%	100%	100%
Praesidium Technologies Limited ('Praesidium Technologies')	Berkshire	Rendering of consultancy services in the area of information systems.	We Do UK	100%	100%	100%	100%
Público – Comunicação Social, S.A. ('Público')	Oporto	Editing, composition and publication of periodical and non-periodical material.	Sonaetelecom BV	100%	100%	100%	100%
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	86.995%	86.995%	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 Sonae Telecom Sonaecom BV	53.54% 37.94% 8.52%	53.54% 37.94% 8.52%	53.54% 37.94% 8.52%	53.54% 37.94% 8.52%
Sonae.com – Sistemas de Informação, S.G.P.S., S.A.	Maia	Management of shareholdings in the area of corporate ventures and joint ventures.	Sonaecom	100%	100%	100%	100%

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

Company (Commercial brand) ('Sonaecom Sistemas de Informação')	Head office	Main activity	Shareholder	Percentage of share capital held			
				2008		2007	
				Direct	Effective*	Direct	Effective*
Sonaecom Telecom, S.G.P.S., S.A. ('Sonaecom Telecom')	Maia	Management of shareholdings in the area of telecommunications.	Sonaecom	100%	100%	100%	100%
Sonaecom BV	Amsterdam	Management of shareholdings.	Sonaecom	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%	99.90%
Tele2 - Telecomunicações - Sociedade Unipessoal, Lda. ('Tele2')	Lisbon	Rendering of mobile telecommunications services, including fixed telecommunications and internet service.	Sonaecom	100%	100%	100%	100%
We Do Consulting - Sistemas de Informação, S.A. ('We Do')	Maia	Rendering of consultancy services in the area of information systems.	Sonaecom Sistemas de Informação	100%	100%	100%	100%
We 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%	99.91%
We Do Technologies BV ('We Do BV') (c)	Amsterdam	Management of shareholdings.	We Do	100%	100%	-	-
We Do Technologies BV - Sucursal Malaysia ('We Do Malaysia') (d)	Kuala Lumpur	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	-	-
We Do Technologies Mexico, S de R.L. ('We Do Mexico') (d)	Mexico City	Rendering of consultancy services in the area of information systems.	Sonaecom BV We Do BV	5% 95%	5% 95%	- -	- -
We Do Technologies Egypt Limited ('We Do Egypt') (d)	Cairo	Rendering of consultancy services in the area of information systems.	We Do BV Sonaecom BV Sonaecom BV	90% 5% 5%	90% 5% 5%	- - -	- - -
We Do Technologies (UK) Limited ('We Do UK') (e)	Berkshire	Management of shareholdings.	We Do	100%	100%	100%	100%
We Do Technologies Australia PTY Limited ('Cape Asia') (f)	Sydney	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Poland Sp. Z.o.o. ('Cape Poland') (g)	Posnan	Rendering of consultancy services in the area of information systems.	Cape Technologies	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 formerly designated as 'Optimus Towering - Exploração de Torres de Telecomunicações, S.A.'.

(c) Companies established in June 2008.

(d) Companies established in September 2008.

(e) Company formerly designated as 'Praesidium Holdings Limited'.

(f) Company formerly designated as 'Cape AsiaPac PTY Limited'.

(g) Company formerly designated as 'Cape Poland Sp. Z.o.o.'.

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).

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 3. Companies jointly controlled

At 31 December 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')	Lisbon	Optimisation of resources for the activity of editing of contents for periodic publications in paper to digital media, video or TV.	Público	50%	50%	50%	50%
Unipress – Centro Gráfico, Lda. ('Unipress') (a)	V.N. Gaia	Trade and industry of graphic design and publishing.	Público	50%	50%	40%	40%

\*Sonaecom effective participation.

(a) Company held by 50% since December 2008 and formerly consolidated by the equity method (Note 4).

At 31 December 2008 and 2007, the main impacts arising from the consolidation by the proportional method of the above mentioned entities, are as follows (debit/(credit)):

	2008	2007
Non current assets	3,891,947	13,973
Current assets	639,609	161,079
Non current liabilities	(2,801,069)	(183,446)
Current liabilities	(1,262,164)	–
Net result	530,940	139,975
Total revenues	(295,084)	(137,640)
Total costs	826,024	277,435

### 4. Investments in associated companies

At 31 December 2008 and 2007, this caption included investments in associated companies, which head offices, main activities, shareholders, percentage of share capital held and book value were as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held				Book value	
				2008		2007		2008	2007
				Direct	Effective*	Direct	Effective*		
<b>Associated companies</b>									
Net Mall, S.G.P.S., S.A. ('Net Mall')	Maia	Management of shareholdings.	Sonae.Com Sistemas de Informação	(Liquidated)		39.51%	39.51%	–	(a)
Unipress – Centro Gráfico, Lda. ('Unipress') (b)	V.N. Gaia	Trade and industry of graphic design and publishing.	Público	50%	50%	40%	40%	(b)	747,614
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)
								–	747,614

\*Sonaecom effective participation.

(a) Investment recorded at a nil book value.

(b) At 31 December 2008 the company was consolidated by the proportional method.

During the year ended at 31 December 2008, the changes under 'Investments in associated companies' are limited to changes in Unipress consolidation method as a result of the acquisition of additional 10% of its share capital.

The associated companies were included in the consolidated financial statements in accordance with the equity method, as referred in Note 1b). 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 31 December 2008 and 2007, the assets, liabilities, total revenues and net results of associated companies were as follows:

Company	Assets	Liabilities	Total revenues	Net results
<b>2008</b>				
Sociedade Independente de Radiodifusão Sonora, S.A.	548,282	491,068	962,006	101,305
<b>2007</b>				
Unipress – Centro Gráfico, Lda (a)	5,027,507	3,198,883	2,934,954	52,945
Sociedade Independente de Radiodifusão Sonora, S.A.	652,698	696,790	1,302,377	53,245
Netmall, S.G.P.S., S.A.	14,637	20,354	–	(1,576)

(a) Values at 31 December 2006.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 5. Changes in the Group

During the years ended at 31 December 2008 and 2007 the following changes occurred in the composition of the Group:

#### a) Acquisitions

Purchaser	Subsidiary	Date	% acquired	Current % shareholding
<b>2008</b>				
Público	Unipress	December 2008	<b>10.00%</b>	<b>50.00%</b>
<b>2007</b>				
Sonae.com SI	We Do	January 2007	0.70%	98.36%
Sonae.com SI	We Do	February 2007	0.66%	99.02%
Sonae.com SI	We Do	March 2007	0.06%	99.08%
Sonae.com SI	We Do	April 2007	0.14%	99.22%
We Do Brasil	Tecnológica	April 2007	99.99%	99.99%
Sonae.com SI	We Do	May 2007	0.10%	99.32%
Sonae.com SI	We Do	July 2007	0.09%	99.41%
Sonae.com SI	We Do	August 2007	0.03%	99.44%
Sonae.com SI	We Do	September 2007	0.00%	99.44%
Sonaecom	Tele2	September 2007	100.00%	100.00%
Sonae.com SI	We Do	October 2007	0.02%	99.46%
We Do	Cape Technologies Limited	October 2007	100.00%	100.00%
We Do	Praesidium Holdings Limited	October 2007	100.00%	100.00%
Sonae Telecom BV	Público	November 2007	1.00%	100.00%
Sonae.com SI	We Do	December 2007	0.54%	100.00%

During the years ended at 31 December 2008 and 2007, as a result of the above mentioned acquisitions, additional Goodwill of Euro 321,698 and Euro 21,313,832, respectively, was recorded (Note 9).

#### b) Incorporations

Subsidiary	Subsidiary	Date	Share capital	Current % shareholding
<b>2008</b>				
Miauger	Lugares Virtuais	June 2008	<b>50.000 EUR</b>	<b>100.00%</b>
We Do	We Do BV	June 2008	<b>18.000 EUR</b>	<b>100.00%</b>
We Do BV e Sonaecom BV	We Do Mexico	September 2008	<b>3.000 MXN</b>	<b>100.00%</b>
We Do BV	We Do Malaysia	September 2008	—	<b>100.00%</b>
We Do BV, Sonaecom BV e Sonae Telecom BV	We Do Egypt	October 2008	<b>6.600 EUR</b>	<b>100.00%</b>
<b>2007</b>				
Público	Vipu, ACE	October 2007	—	50.00%
Sonaecom-Serviços de Comunicações SA	Artis	October 2007	50.000 EUR	100.00%

#### c) Sales

During the years ended at 31 December 2008 and 2007, the following sales occurred:

Subsidiary	Subsidiary	Date	% sold	% shareholding
<b>2008</b>				
Sonaecom.SI	Saphety	December 2008	<b>13.005%</b>	<b>86.995%</b>
<b>2007</b>				
Sonaecom.SI	Profimetrics	November 2007	30.00%	—

The sale of a portion of the investment in Saphety during 2008 generated a capital gain of circa Euro 246,000.

The sale of Profimetrics in 2007 generated a capital gain of Euro 458,000.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### d) Liquidations

Subsidiary	Subsidiary	Date	% shareholding
<b>2008</b>			
Sonaecom.SI	Netmall	December 2008	100.00%
<b>2007</b>			
Sonaecom	Matrix	December 2007	100.00%

These liquidations did not have a significant impact on the accompanying consolidated financial statements.

### e) Others

During the year ended at 31 December 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 was decreased in an amount of Euro 2,409,079 (Note 9).

On 1 November 2007, the merger of Optimus into Novis occurred, i.e., the merger of the mobile and fixed telecommunications divisions was completed. This operation represented an internal reorganisation 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.

Additionally, the merger by incorporation, with accounting effects as from 1 January 2009, of the subsidiary Telemilénio Telecomunicações, Sociedade Unipessoal, Lda. into the subsidiary Sonaecom – Serviços de Comunicações, S.A., was approved at the General Shareholder Meetings of each company, both held on 24 November 2008.

## 6. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended at 31 December 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 December 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
New companies (Note 5a)	–	608,162	7,866,461	18,598	25,774	72,170	75,638	–	8,666,803
Additions	–	3,764,094	5,434,510	69,451	11,157,075	2,000	2,325,329	147,019,980	169,772,439
Disposals	–	(678,251)	(29,150,148)	(56,479)	(656,077)	–	(8,786)	(550,000)	(31,099,741)
Transfers and write-offs	–	13,385,800	64,163,726	–	3,148,307	18,239	19,141	(95,162,278)	(14,427,065)
Balance at 31 December 2008	1,391,593	252,295,915	891,297,575	161,116	157,107,115	1,189,329	5,139,704	88,154,502	1,396,736,849
<b>Accumulated depreciation and impairment losses</b>									
Balance at 31 December 2007	–	118,050,343	492,489,934	94,160	116,612,257	1,040,128	2,371,081	–	730,657,903
New companies (Note 5a)	–	95,716	4,531,581	5,380	25,085	71,072	58,069	–	4,786,903
Depreciation for the year	–	12,929,697	85,186,011	29,016	16,443,053	21,322	580,866	–	115,189,965
Disposals	–	(221,625)	(28,474,806)	(3,065)	(437,662)	–	(7,930)	–	(29,145,088)
Transfers and write-offs	–	56,434	(8,437,851)	–	(2,113,123)	(1,408)	1,575	–	(10,494,373)
Balance at 31 December 2008	–	130,910,565	545,294,870	125,491	130,529,609	1,131,114	3,003,661	–	810,995,310
<b>Net value</b>	1,391,593	121,385,350	346,002,705	35,625	26,577,506	58,215	2,136,043	88,154,502	585,741,539



## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

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### 6. Tangible assets (continued)

	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 December 2006	1,391,593	223,133,165	744,209,079	53,271	134,075,541	1,087,839	2,567,599	22,560,357	1,129,078,444
New companies (Note 5a)	–	491,711	7,090,488	74,852	1,288,385	–	–	–	8,945,436
Additions	–	4,292,180	12,661,578	91,200	4,540,131	3,816	17,322	130,672,281	152,278,508
Disposals	–	(964,385)	(21,533,950)	(109,098)	(2,216,455)	(342)	(39)	(28,439)	(24,852,708)
Transfers and write-offs	–	8,263,439	100,555,831	19,321	5,744,434	5,607	143,500	(116,357,399)	(1,625,268)
Balance at 31 December 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
<b>Accumulated depreciation and impairment losses</b>									
Balance at 31 December 2006	–	108,987,153	418,800,773	48,768	103,280,214	1,021,794	2,168,000	–	634,306,702
New companies (Note 5a)	–	478,833	930,227	39,572	816,573	–	–	–	2,265,205
Depreciation for the year	–	14,320,573	77,117,292	8,145	14,229,789	18,754	206,137	–	105,900,690
Reversal of impairment losses in the year	–	(319,710)	(120,207)	–	(27,136)	(228)	(16)	–	(467,297)
Disposals	–	(482,087)	(4,199,948)	(2,325)	(1,384,790)	(171)	(27)	–	(6,069,348)
Transfers and write-offs	–	(4,934,419)	(38,203)	–	(302,393)	(21)	(3,013)	–	(5,278,049)
Balance at 31 December 2007	–	118,050,343	492,489,934	94,160	116,612,257	1,040,128	2,371,081	–	730,657,903
<b>Net value</b>	<b>1,391,593</b>	<b>117,165,767</b>	<b>350,493,092</b>	<b>35,386</b>	<b>26,819,779</b>	<b>56,792</b>	<b>357,301</b>	<b>36,846,800</b>	<b>533,166,510</b>

The additions that occurred during the year 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 fixed assets held by the Group under finance lease contracts, amounted to Euro 26,329,587 and Euro 24,936,767 as of 31 December 2008 and 2007, and their net book value as of those dates amounted to Euro 19,309,439 and Euro 21,083,522 respectively.

At 31 December 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 31 December 2008 and 2007 were made up as follows:

	2008	2007
Development of mobile network	62,159,389	32,044,146
Development of fixed network	19,471,996	2,594,034
Information systems	3,585,239	44,341
Other projects in progress	2,937,878	2,164,279
	<b>88,154,502</b>	<b>36,846,800</b>

At 31 December 2008, the movement occurred in the amounts for the 'Development of mobile network' concern, essentially, to commitments related to the 'Information Society'.

At 31 December 2008 and 2007, the amounts of commitments to third parties relating to investments to be made were as follows:

	2008	2007
Network	26,750,521	15,389,209
Information systems	3,022,223	3,376,440
	<b>29,772,744</b>	<b>18,765,649</b>

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

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### 7. Intangible assets

In the years ended at 31 December 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>				
Balance at 31 December 2007	184,616,429	212,851,390	5,011,298	402,479,117
Acquired companies (Note 5a)	37,579	–	–	37,579
Additions	98,376,981	2,542,622	21,355,059	122,274,663
Disposals	–	(37,773)	–	(37,773)
Transfers and write-offs	4,586,038	(369,020)	(15,116,988)	(10,899,970)
Balance at 31 December 2008	287,617,028	214,987,219	11,249,369	513,853,616
<b>Accumulated amortisation and impairment losses</b>				
Balance at 31 December 2007	48,060,543	164,981,940	–	213,042,483
Acquired companies (Note 5a)	37,579	–	–	37,579
Amortisation for the year	20,509,842	21,875,860	–	42,385,702
Disposals	–	(7,136)	–	(7,136)
Transfers and write-offs	503,138	(14,926,038)	–	(14,422,900)
Balance at 31 December 2008	69,111,102	171,924,626	–	241,035,728
<b>Net value</b>	<b>218,505,926</b>	<b>43,062,593</b>	<b>11,249,369</b>	<b>272,817,888</b>

	Brands and patents and other rights	Software	Intangible assets in progress	Total
<b>Gross assets</b>				
Balance at 31 December 2006	147,400,303	190,159,744	7,986,808	345,546,855
Acquired companies (Note 5a)	14,988,405	2,428,836	–	17,417,241
Additions	22,137,088	765,246	20,235,791	43,138,125
Disposals	(13,034)	(23,113)	(11,420)	(47,567)
Transfers and write-offs	103,667	19,520,677	(23,199,881)	(3,575,537)
Balance at 31 December 2007	184,616,429	212,851,390	5,011,298	402,479,117
<b>Accumulated amortisation and impairment losses</b>				
Balance at 31 December 2006	31,677,199	147,204,682	–	178,881,881
Acquired companies (Note 5a)	180,217	–	–	180,217
Amortisation for the year	16,215,118	17,867,012	–	34,082,130
Reversal of impairment losses in the year	(236)	(131,636)	–	(131,872)
Disposals	(11,835)	(10,004)	–	(21,839)
Transfers and write-offs	80	51,886	–	51,966
Balance at 31 December 2007	48,060,543	164,981,940	–	213,042,483
<b>Net value</b>	<b>136,555,886</b>	<b>47,869,450</b>	<b>5,011,298</b>	<b>189,436,634</b>

At 31 December 2008, the additions that occurred in the year included the amount of Euro 95 million that represent the present value of the estimated responsibilities with the 'Initiatives E' project.

Under the agreed terms resulting from the grant of the UMTS License, Sonaecom – Serviços de Comunicações (Optimus at the time) committed to contribute to the promotion and development of an 'Information Society' in Portugal. The total amount of the obligations assumed arose to Euro 274 million which will have to be realised until the end of 2015.

In accordance with the Agreement established on 5 June 2007, with the Ministry of Public Works, Transportation 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 recognised by the MOPTC and by entities created specially for this purpose. At the date of approval of these financial statements, Euro 130 million (Euro 64 million in 2007) were already incurred in previous years and were validated by the above referred entities. 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.



## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 7. Intangible assets (continued)

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, depended 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 these facts, it was not possible, at 31 December 2007, to estimate in a reliable way the success of this project, and therefore, at that date it was not possible to produce a secure and reliable estimate of the responsibilities to be recognised.

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

During the third quarter of 2008, taking into account important facts occurred in recent months, namely that: incumbent operators were not allowed to take part in the fourth license tendering process; and current national and international practice of extension, without costs, of GSM licenses and the renewal of UMTS licenses; the Group's Board of Directors decided to revise the useful life of the UMTS license, extending the amortisation period from 2015 to 2030, given the high probability of its renewal and the high probability of such renewal being granted without significant costs. Therefore, in accordance with IAS 8, the impacts of the estimated useful life revision were recorded prospectively and amounted to minus 4 million Euros in the depreciations.

At 31 December 2008 and 2007, the Group kept recorded under the heading 'Intangible assets' the amounts of Euro 197,381,992 and Euro 111,732,870, respectively, that correspond to the investments net of depreciations made in the development of the UMTS network, including: (i) Euro 66,006,338 (amount of Euro 72,006,914 in 2007) related to the license; (ii) Euro 22,055,138 (amount of Euro 24,060,150 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 6,773,799 (Euro 7,389,598 in 2007) related to a contribution to the Information Society Fund, established in 2007, under an agreement entered with 'MOPTC' and the three mobile telecommunication operators in Portugal; and (iv) Euro 96,907,100 (Euro 2,123,896 in 2007) related with the programme 'Initiatives E', these last two associated to the commitments assumed by the Group in relation to the 'Information Society'.

The assessment of impairment for the main intangible assets, in the mobile and fixed segments, is carried out as described in Note 9 ('Goodwill'), to the extent that such assets are closely related to the overall activity of the segment and consequently cannot be analyzed separately.

The intangible assets in progress, at 31 December 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 31 December 2008 and 2007 such expenses amounted to Euro 16,408,120 and Euro 14,365,760, respectively. The amount capitalised in the years ended at 31 December 2008 and 2007 were Euro 2,568,749 and Euro 1,269,250, respectively. An interest capitalisation rate of 5.14% was used in 2008 (4.77% in 2007), which corresponds to the average interest rate supported by the Group.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 8. Breakdown of financial instruments

At 31 December 2008 and 2007, the breakdown of financial instruments was as follows:

	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>2008</b>							
<b>Non current assets</b>							
Investments available for sale (Note 10)	–	–	–	1,207,320	1,207,320	–	1,207,320
	–	–	–	1,207,320	1,207,320	–	1,207,320
<b>Current assets</b>							
Trade debtors (Note 13)	–	173,693,076	–	–	173,693,076	–	173,693,076
Other current debtors (Note 14)	–	8,691,062	–	–	8,691,062	31,170,772	39,861,834
Cash and cash equivalents (Note 17)	–	105,719,328	–	–	105,719,328	–	105,719,328
	–	288,103,466	–	–	288,103,466	31,170,772	319,274,238
	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>2007</b>							
<b>Non current assets</b>							
Investments available for sale (Note 10)	–	–	–	1,207,320	1,207,320	–	1,207,320
	–	–	–	1,207,320	1,207,320	–	1,207,320
<b>Current assets</b>							
Trade debtors (Note 13)	–	192,029,940	–	–	192,029,940	–	192,029,940
Other current debtors (Note 14)	–	7,919,281	–	–	7,919,281	9,785,438	17,704,719
Cash and cash equivalents (Note 17)	–	83,851,612	–	–	83,851,612	–	83,851,612
	–	283,800,833	–	–	283,800,833	9,785,438	293,586,271

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 8. Breakdown of financial instruments (continued)

	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>2008</b>							
<b>Non current liabilities</b>							
Medium and long-term loans – net of short-term portion (Note 21)	–	307,068	381,410,344	–	381,717,412	–	381,717,412
Other non current financial liabilities (Note 22)	–	–	–	17,171,773	17,171,773	–	17,171,773
Securitisation of receivables (Note 24)	–	–	79,090,793	–	79,090,793	–	79,090,793
	–	307,068	460,501,137	17,171,773	477,979,978	–	477,979,978
<b>Current liabilities</b>							
Short-term loans and other loans (Note 21)	–	–	5,018,044	–	5,018,044	–	5,018,044
Trade creditors (Note 26)	–	–	–	179,071,782	179,071,782	–	179,071,782
Other current financial liabilities (Note 27)	–	–	–	1,553,506	1,553,506	–	1,553,506
Securitisation of receivables (Note 24)	–	–	19,478,607	–	19,478,607	–	19,478,607
Other creditors (Note 28)	–	–	–	3,170,216	3,170,216	26,960,772	30,130,988
	–	–	24,496,651	183,795,504	208,292,155	26,960,772	235,252,927
<b>2007</b>							
<b>Non current liabilities</b>							
Medium and long-term loans – net of short-term portion (Note 21)	–	(412,910)	373,626,900	–	373,213,990	–	373,213,990
Other non current financial liabilities (Note 22)	–	–	–	17,916,038	17,916,038	–	17,916,038
	–	(412,910)	373,626,900	17,916,038	391,130,028	–	391,130,028
<b>Current liabilities</b>							
Short-term loans and other loans (Note 21)	–	–	624,457	–	624,457	–	624,457
Trade creditors (Note 26)	–	–	–	185,332,554	185,332,554	–	185,332,554
Other current financial liabilities (Note 27)	–	–	–	1,926,041	1,926,041	–	1,926,041
Other creditors (Note 28)	–	–	–	11,407,495	11,407,495	6,943,303	18,350,798
	–	–	624,457	198,666,090	199,290,547	6,943,303	206,233,850

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.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 9. Goodwill

For the years ended at 31 December 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 5a)	321,698	21,313,832
Others	(2,507,398)	—
<b>Closing balance</b>	<b>526,030,904</b>	<b>528,216,604</b>

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

Goodwill at 31 December 2008 and 2007 was made up as follows:

	2008	2007
Sonaecom – Serviços de Comunicações	485,092,375	485,092,375
Público	20,000,000	20,000,000
Cape	17,476,354	19,871,947
WeDo	1,971,668	1,971,668
Praesidium	1,038,023	1,149,828
Unipress	321,698	—
SIRS	72,820	72,820
Permar	47,253	47,253
Optimus Towering	10,713	10,713
	<b>526,030,904</b>	<b>528,216,604</b>

The evaluation of the existence of impairment losses in Goodwill was based on the most recent business plans duly approved by the Group's Board of Directors, which are prepared attending to the cash flow projections 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, as indicated in the table below. In perpetuity, the Group considered a growth rate of circa 3%.

	Discount rate
Telecommunications	7.90%
Multimedia	9.60%
Information Systems	9.30%

### 10. Investments available for sale

At 31 December 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 23)	Net amount	Gross amount	Accumulated impairment losses (Note 23)	Net amount
Altitude, SGPS, S.A.	11.54%	1,000,000	—	1,000,000	1,000,000	—	1,000,000
Lusa – Agência de Notícias de Portugal, S.A.	1.38%	197,344	—	197,344	197,344	—	197,344
Others	—	9,976	—	9,976	9,976	—	9,976
		<b>1,207,320</b>	<b>—</b>	<b>1,207,320</b>	<b>1,207,320</b>	<b>—</b>	<b>1,207,320</b>

At 31 December 2008, these investments correspond to participations of immaterial amount, in unlisted companies in which the Group has no significant influence, and in which the acquisition cost of such investments is a reasonable estimation of their fair value, adjusted where applicable, by the respective impairment losses.

The assessment of impairment in the investments described above is performed through the comparison between the multiples of sales and EBITDA of the sector with those presented by the Company.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 10. Investments available for sale (continued)

The financial information regarding these investments is detailed below (in thousands of Euro):

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

Amounts expressed in thousands Euros at 31 December 2007.

During the years ended at 31 December 2008 and 2007, the movements in 'Investments available for sale' were as follows:

	2008	2007
Opening balance	1,207,320	112,317,225
Fair value adjustments recorded in reserves	–	(5,121,876)
Sales	–	(111,566,336)
Capital gain recorded under profit and loss statement (Note 34)	–	5,578,307
<b>Closing balance</b>	<b>1,207,320</b>	<b>1,207,320</b>

Sales and corresponding capital gains recognised at the year ended at 31 December 2007, relate to: (i) the sale of 1% of the share capital of Portugal Telecom, S.G.P.S., S.A., in March 2007; (ii) the sale of 1.5% of the share capital of Outsystem in, July 2007; and (iii) the sale of 5.5% of the share capital of Despegar in August 2007. These sales resulted in the recognition of capital gains of Euro 2,473,445, Euro 87,792 and Euro 3,017,070, respectively.

### 11. Deferred taxes

Deferred tax assets at 31 December 2008 and 2007, amounted to Euro 124,862,171 and Euro 101,118,096, respectively, and arose, mainly, from tax losses carried forward, timing differences and from differences between the accounting and tax amount of some fixed assets.

The movements in deferred tax assets in the years ended at 31 December 2008 and 2007 were as follows:

	2008	2007
Opening balance	101,118,096	61,786,654
Impact in results:		
Tax losses carried forward	1,936,846	(3,966,246)
Adjustments to prior years taxable results	–	143,501
Deferred tax assets not recorded in previous years, as its recovery was not expected (Mainroad, Miauger and Cape Ireland in 2008 and Sonaecom – Serviços de Comunicações and Digitmarket in 2007)	621,178	8,613,498
Movements in provisions not accepted for tax purposes and tax benefits	(162,949)	681,621
Tax benefits (SIFIDE essentially Sonaecom – Serviços de Comunicações)	1,200,399	–
Temporary net differences between the tax and the accounting amount of certain fixed assets	4,352,115	35,258,598
Temporary differences arising from the securitisation of receivables (Sonaecom – Serviços de Comunicações)	16,100,000	–
Impairment of deferred tax assets recognised in prior years (Público)	–	(1,373,788)
Sub-total effect on results (Note 35)	24,047,589	39,357,184
Others	(303,514)	(25,742)
<b>Closing balance</b>	<b>124,862,171</b>	<b>101,118,096</b>

The recognition of deferred tax assets amounting to approximately Euro 16.1 million regards to the securitisation of future receivables completed in December 2008 (Note 24). As a result of that operation, and in accordance with the provisions of Decreto-Lei nº 219/2001 of 4 August, an amount of Euro 100 million was generated from that operation and it was added for purposes of determining the taxable income for the year 2008, thereby generating a temporary difference between accounting and taxable income result, which led to the recognition of a deferred tax asset to the extent that its use was, with reasonable safety, probable. Until the maturity of that operation, a partial reversion of the corresponding deferred tax asset shall occur, by deduction, in the determination of the taxable income of each year, of the revenue associated to the securitised receivables.

At 31 December 2008 and 2007, the movement in temporary differences between the accounting and tax amount of fixed assets resulted primarily from the sale of technological equipments of Sonaecom – Serviços de Comunicações to Be Artis. Although the accounting results obtained in these transactions have been reversed, in the attached consolidated financial statements, a difference between the accounting and tax amount of those assets was generated.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 11. Deferred taxes (continued)

At 31 December 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 most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated.

The main criteria used in those business plans are described in Note 9.

The rate used at 31 December 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 31 December 2008 was as follows:

Nature	Sonaecom - Serviços de Comunicações	We Do	We Do Brasil	Praesidium	Digitmarket	Mainroad	Miauger	Cape	Total
<b>Tax losses:</b>									
To be used until 2009	—	—	—	—	153,040	—	—	—	153,040
To be used until 2010	—	—	—	—	257,298	230,287	123,787	—	611,372
To be used until 2011	—	—	—	—	210,662	31,676	82,213	—	324,551
To be used until 2012	—	—	—	—	—	170,616	—	—	170,616
To be used until 2013	—	—	—	—	—	68,421	—	—	68,421
Unlimited Utilisation	—	—	—	89,398	—	—	—	134,506	223,904
<b>Tax benefits (SIFIDE)</b>	1,716,399	98,000	—	—	—	—	—	—	1,814,399
Tax provisions not accepted and other temporary differences	8,361,312	239,296	—	—	—	—	—	—	8,600,608
Temporary differences arising from the securitization of receivables	16,100,000	—	—	—	—	—	—	—	16,100,000
Adjustments in the conversion to IAS/IFRS	42,041,590	—	7,618	—	—	—	—	—	42,049,208
Differences between the tax and accounting amount of certain fixed assets and others	54,746,052	—	—	—	—	—	—	—	54,746,052
<b>Total</b>	<b>122,965,353</b>	<b>337,296</b>	<b>7,618</b>	<b>89,398</b>	<b>621,000</b>	<b>501,000</b>	<b>206,000</b>	<b>134,506</b>	<b>124,862,171</b>

At 31 December 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	57,831,938	92,944,433
Temporary differences (mainly provisions not accepted for tax purposes)	33,643,567	18,520,485
Adjustments in the conversion to IAS/IFRS	(250,600)	892,611
	<b>91,224,905</b>	<b>112,357,529</b>

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 11. Deferred taxes (continued)

At 31 December 2008, tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2008	2007
2008	–	26,753,197
2009	1,787,738	10,186,641
2010	8,383,268	5,849,663
2011	8,093,797	13,058,434
2012	11,051,863	16,918,590
2013	19,758,588	19,501,290
2014	2,533,903	–
2015	2,280,260	–
2016	1,204,308	–
2017	1,771,661	–
Unlimited	966,552	676,618
	<b>57,831,938</b>	<b>92,944,433</b>

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

The deferred tax liabilities on 31 December 2008 and 2007, amount to Euro 605,414 and Euro 284,402, respectively, and result mainly from consolidation adjustments and adjustments in the conversion to IAS / IFRS.

The movements that occurred in deferred tax liabilities in the years ended at 31 December 2008 and 2007 were as follows:

	2008	2007
Opening balance	(284,402)	–
Impact on results:		
Consolidation adjustments	(605,414)	–
Adjustments in the conversion to IAS/IFRS	284,402	(284,402)
Total impact on results (Note 35)	(321,012)	(284,402)
<b>Closing balance</b>	<b>(605,414)</b>	<b>(284,402)</b>

The reconciliation between the earnings before taxes and the taxes recorded for the years ended at 31 December 2008 and 2007 is as follows:

	2008	2007
Earnings before taxes	(14,956,917)	530,115
Income tax rate (25%)	3,739,229	(132,529)
Deferred tax assets not recognised in the individual accounts and/or resulting from consolidation adjustments and other adjustments to taxable income	(5,225,707)	(6,820,152)
Tax benefits (SIFIDE essentially Sonaecom – Serviços de Comunicações)	1,200,399	–
Deferred tax assets not recognised in previous years	621,178	8,613,498
Record of deferred tax liabilities	(605,414)	(284,402)
Temporary differences arising from the securitisation of receivables	16,100,000	–
Movements in the temporary differences between the tax and accounting amounts of certain fixed assets	4,352,115	35,258,598
<b>Income taxation recorded in the year (Note 35)</b>	<b>20,181,800</b>	<b>36,635,013</b>

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 2005 (inclusive) are still subject to such review. The Board of Directors believes that any correction that may arise as a result of such review would not have a significant impact on 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 consolidated financial statements, associated to probable tax contingencies, that should have been registered or disclosed in the accompanying financial statements, at 31 December 2008 and 2007.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 12. Inventories

At 31 December 2008 and 2007 this caption was made up as follows:

	2008	2007
Raw materials	1,659,166	1,839,957
Merchandise	39,227,737	30,860,286
	<b>40,886,903</b>	32,700,243
Accumulated impairment losses on inventories (Note 23)	<b>(11,273,207)</b>	(8,663,703)
	<b>29,613,696</b>	24,036,540

The cost of goods sold in the years ended at 31 December 2008 and 2007 amounted to Euro 132,834,084 and Euro 108,621,905, respectively, and was determined as follows:

	2008	2007
Opening inventories	32,700,243	21,260,480
New companies	36,108	106,090
Purchases	155,373,698	126,935,458
Inventory adjustments	<b>(14,389,062)</b>	(6,979,880)
Closing inventories	<b>(40,886,903)</b>	(32,700,243)
	<b>132,834,084</b>	108,621,905

The amounts recorded under the caption 'Inventory adjustments' at 31 December 2008 and 2007 correspond, essentially, to the transfer of telecommunications handsets from the caption 'Inventories' to the caption 'Tangible assets', as a result of the rental contracts agreements signed with customers by the subsidiary Sonaecom – Serviços de Comunicações.

The accumulated impairment losses on inventories reflect the difference between the acquisition cost and market net realisable value of the inventory, as well as the estimate of impairment losses due to low stock turnover, obsolescence and deterioration.

### 13. Trade debtors

At 31 December 2008 and 2007 this caption was made up as follows:

	2008	2007
Trade debtors:		
Telecommunications	150,556,821	173,394,341
Information Systems	16,157,877	11,743,693
Multimedia and others	6,978,379	6,891,906
	<b>173,693,076</b>	192,029,940
Doubtful debtors	<b>75,297,043</b>	65,641,188
	<b>248,990,119</b>	257,671,128
Impairment losses in accounts receivable (Note 23)	<b>(75,297,043)</b>	(65,641,188)
	<b>173,693,076</b>	192,029,940

At 31 December 2008 and 2007, the accumulated impairment losses by segment were made up as follows:

	2008	2007
Impairment losses in accounts receivable:		
Telecommunications	71,626,230	62,141,724
Information Systems	690,568	770,023
Multimedia and others	2,980,245	2,729,441
	<b>75,297,043</b>	65,641,188

The Group's exposure to credit risk is mainly related to accounts receivable arising from its operational activity. The amounts included in the balance sheet are net of cumulative doubtful debtors impairment losses that were estimated by the Group, taking into consideration its past experience and an assessment of the current macroeconomic environment. The Board of Directors believes that the book value of the accounts receivable does not differ significantly from its fair value.



## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 13. Trade debtors (continued)

Trade debtors by age at 31 December 2008 and 2007 were as follows:

	Total	Not due	Until 30 days	Due without impairment		Until 90 days	From 90 to 180 days	Due with impairment	
				From 30 to 90 days	More than 90 days			From 180 to 360 days	More than 360 days
<b>2008</b>									
Trade debtors	<b>248,990,119</b>	<b>70,111,069</b>	<b>16,367,744</b>	<b>12,141,828</b>	<b>55,516,141</b>	<b>5,444,802</b>	<b>4,667,974</b>	<b>4,371,783</b>	<b>80,368,778</b>
<b>2007</b>									
Trade debtors	257,671,128	69,205,465	19,759,858	8,265,381	39,652,184	35,983,219	8,845,605	5,997,673	69,961,743

At 31 December 2008, of the total amount of accounts receivable impaired and overdue for more than 90 days, net of VAT, that the Group expects and makes efforts to recover, around 95% were covered by provisions.

Credit risk monitoring, which is performed on a continuous basis, can be resumed as follows:

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

Agents are classified, in terms of risk, based on the regularity of the services rendered and their financial situation, the impairment adjustment is calculated by applying an uncollectibility percentage, based on historical data, to the accounts receivables overdue.

In the case of regular customers, impairment adjustment is calculated by applying an uncollectibility percentage based on historical data regarding collections, to the accounts receivables overdue.

In the case of the remaining accounts receivable, impairment adjustments are determined on a stand alone basis, based on the age of the receivables, net of the amounts payable.

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

### 14. Other current debtors

At 31 December 2008 and 2007, this caption was made up as follows:

	2008	2007
Other debtors	<b>7,431,117</b>	6,673,662
Advances to suppliers	<b>1,750,969</b>	1,771,739
State and other public entities	<b>31,170,772</b>	9,785,438
Accumulated impairment losses in accounts receivable (Note 23)	<b>(491,024)</b>	(526,120)
	<b>39,861,834</b>	17,704,719

At 31 December 2008 and 2007 the caption 'Other debtors' refers essentially to accounts receivables from the subsidiary Sonaecom – Serviços de Comunicações, S.A.

At 31 December 2008 and 2007, the caption 'State and other public entities' includes VAT reimbursement requests of Be Artis, in an amount of Euro 24,557,352, due essentially to the purchase of assets to Sonaecom – Serviços de Comunicações, at the end of 2008.

Other debtors and advances to suppliers by age at 31 December 2008 and 2007 are as follows:

	Total	Not due	Until 30 days	Due without impairment		Until 90 days	From 90 to 180 days	Due with impairment	
				From 30 to 90 days	More than 90 days			From 180 to 360 days	More than 360 days
<b>2008</b>									
Other debtors	<b>7,431,117</b>	<b>2,044,531</b>	<b>1,144,559</b>	<b>745,799</b>	<b>821,265</b>	<b>1,676,183</b>	<b>356,576</b>	<b>71,234</b>	<b>570,970</b>
Advances to suppliers	<b>1,750,969</b>	–	<b>655,039</b>	<b>183,646</b>	<b>912,284</b>	–	–	–	–
	<b>9,182,086</b>	<b>2,044,531</b>	<b>1,799,598</b>	<b>929,445</b>	<b>1,733,549</b>	<b>1,676,183</b>	<b>356,576</b>	<b>71,234</b>	<b>570,970</b>
<b>2007</b>									
Other debtors	6,673,662	756,947	2,463,179	1,193,920	1,709,198	152,220	–	–	398,198
Advances to suppliers	1,771,739	33,532	34,602	188,094	1,515,511	–	–	–	–
	8,445,401	790,479	2,497,781	1,382,014	3,224,709	152,220	–	–	398,198

The amounts due and without impairment correspond, mostly, to Sonae Group companies and other entities, without credit risk.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 15. Other current assets

At 31 December 2008 and 2007, this caption was made up as follows:

	2008	2007
Information Society	39,317,881	5,423,001
Invoices to be issued to clients for services rendered	38,490,949	44,816,553
Invoices to be issued to operators	22,408,510	22,920,309
Specialised work paid in advance	7,676,564	7,748,244
Other accrued income	1,972,727	1,979,854
Rappel discounts (annual quantity discounts)	1,600,591	1,567,391
Medium Term Incentive Plan (Notes 1y and 40)	1,298,736	275,373
Prepaid rents	1,085,181	1,302,925
Other costs paid in advance	42,540	1,062,363
	<b>113,893,680</b>	<b>87,096,013</b>

The amounts related to the 'Information Society' are the amounts to be received from the 'Information Society Fund', under the 'Initiatives E' programme.

The results of the projects in progress, carried out by the information systems segment, are recognised based on the completion percentage method, which is calculated taking into consideration the relation between the costs already incurred and the works performed to date and the comparison to the total estimated costs for the same project, except when these are not representative of the stage of completion of the project.

At 31 December 2008 and 2007, projects in progress could be summarised as follows:

	2008	2007
Number of projects in progress	560	332
Total costs recognised	12,794,543	15,977,401
Total revenues recognised	18,890,764	24,941,448
Total deferred revenues	5,445,114	4,611,748
Total accrued revenues	1,910,082	1,904,875

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

During the years ended at 31 December 2008 and 2007, the movements in this heading were as follows:

	2008	2007
Opening balance	–	849,375
Sales during the year	–	(1,128,864)
Increases/reductions to fair value (Note 34)	–	279,489
<b>Closing balance</b>	<b>–</b>	<b>–</b>

At 31 December 2007, investments recorded at fair value through profit and loss refer to shares of Sonae, S.G.P.S., S.A., acquired to fulfil future obligations under the Medium Term Incentive Plans. During the year ended at 31 December 2007, 369,317 shares were delivered to employees and 193,183 shares were sold, generating a capital gain of Euro 154,160.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 17. Cash and cash equivalents

At 31 December 2008 and 2007, the detail of cash and cash equivalents was as follows:

	2008	2007
Cash	351,455	581,803
Bank deposits repayable on demand	4,270,711	4,431,889
Treasury applications	101,097,162	78,837,920
Cash and cash equivalents	105,719,328	83,851,612
Bank overdrafts (Note 21)	(5,018,044)	(624,457)
	100,701,284	83,227,155

At 31 December 2008 and 2007, the 'Treasury applications' had the following breakdown:

	2008	2007
Sonae Investments BV	100,000,000	—
National bank applications	—	77,905,000
Foreign bank applications	1,097,162	932,920
	101,097,162	78,837,920

During the year ended at 31 December 2008, the above mentioned treasury applications bear interests at an average rate of 3.985% (3,873% in 2007).

### 18. Share capital

At 31 December 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	193,550,515	52.85%	184,052,872	50.25%
Atlas Service Belgium	73,249,374	20.00%	—	0.00%
Shares traded on the Portuguese Stock Exchange ('Free float')	63,526,687	17.35%	80,848,153	22.07%
093X (EDP)	29,150,000	7.96%	29,150,000	7.96%
Own shares	5,930,643	1.62%	1,894,326	0.52%
Sonae SGPS	838,649	0.23%	23,649	0.01%
Efanor Investimentos, S.G.P.S., S.A.	1,000	0.00%	1,000	0.00%
Wirefree Services Belgium, S.A.	—	0.00%	70,276,868	19.19%
	366,246,868	100.00%	366,246,868	100.00%

The Group's capital structure is analysed in the Management report.

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

### 19. Own shares

During the year ended 31 December 2008, Sonaecom delivered to its employees 925,773 own shares under its Medium Term Incentive Plan.

Additionally, during the year of 2008, Sonaecom acquired 4,962,090 shares (at an average price of Euro 1.78), holding at the end of the year 5,930,643 own shares, representative of 1.62% of its share capital at the average acquisition cost of Euro 2.276.

During the year 2008, and with effect for the year 2009, the Group assumed a commitment to deliver 2,972,506 own shares to Sontel BV (Sonae group company).

### 20. Minority interests

Minority interests at 31 December 2008 and 2007 are made up as follows:

	2008	2007
Digitmarket	442,209	864,933
Saphety	9,506	—
Others	1,002	198
	452,717	865,131

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 21. Loans

At 31 December 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	June 2013	Final	<b>150,000,000</b>	150,000,000
	Costs associated with financing set-up	—	—	—	<b>(2,396,771)</b>	(2,879,021)
	Interests incurred but not yet due	—	—	—	<b>169,874</b>	260,883
	Fair value of swaps	—	—	—	<b>481,174</b>	56,194
					<b>148,254,277</b>	147,438,056
Sonaecom SGPS	Commercial paper	250,000,000	100,000,000 until July 2010 150,000,000 until July 2012	—	<b>211,000,000</b>	225,000,000
		70,000,000	January 2010	—	<b>20,000,000</b>	—
	Costs associated with financing set-up	—	—	—	<b>(368,299)</b>	(545,505)
	Interests incurred but not yet due	—	—	—	<b>2,429,089</b>	1,790,543
	Fair value of swaps	—	—	—	<b>(174,106)</b>	(469,104)
					<b>232,886,684</b>	225,775,934
Unipress	Bank loan	—	—	—	<b>189,583</b>	—
Saphety	Minority shareholder loan's	—	—	—	<b>386,868</b>	—
					<b>381,717,412</b>	373,213,990

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

Company	Lender	Type	Amount outstanding	
			2008	2007
Sonaecom	CGD	Overdraft facility	<b>4,873,000</b>	—
Several	Several	Bank overdrafts	<b>145,044</b>	624,457
			<b>5,018,044</b>	624,457

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

The placing underwriting consortium is composed by the following institutions: Banco Santander Totta, Caixa Geral de Depósitos, Banco BPI, Banco Bilbao Vizcaya Argentaria (Portugal), Banco Comercial Português and BNP Paribas (in Portugal).

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

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

These loans bear interest at marketable rates, indexed to the Euribor for the respective term, and were all contracted in Euros.

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

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 21. Loans (continued)

At 31 December 2008 and 2007, the repayment schedule of medium and long term loans and of interests, for both bonds and commercial paper was as follows (values based on the latest interest rate established for each type of loan):

	N+1	N+2	N+3	N+4	N+5	After N+5
<b>2008</b>						
Bond loan:						
Reimbursements	—	—	—	—	150,000,000	—
Interests	6,132,255	6,115,500	6,115,500	6,132,255	2,865,070	—
Commercial paper:						
Reimbursements	—	81,000,000	—	150,000,000	—	—
Interests	10,837,621	9,301,079	8,142,050	4,729,081	—	—
	<b>16,969,876</b>	<b>96,416,579</b>	<b>14,257,550</b>	<b>160,861,336</b>	<b>152,865,070</b>	<b>—</b>
<b>2007</b>						
Bond loan:						
Reimbursements	—	—	—	—	—	150,000,000
Interests	7,873,575	7,873,575	7,873,575	7,873,575	7,873,575	4,573,145
Commercial paper:						
Reimbursements	—	—	75,000,000	—	150,000,000	—
Interests	8,149,750	8,149,750	8,149,750	7,837,250	7,602,875	—
	<b>16,023,325</b>	<b>16,023,325</b>	<b>91,023,325</b>	<b>15,710,825</b>	<b>165,476,450</b>	<b>154,573,145</b>

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

Minority shareholder loan's have no maturity defined.

At 31 December 2008 and 2007, the available credit lines of the Group were as follows:

Company	Credit	Limit	Amount outstanding	Amount available	Until 12 months	Maturity More than 12 months
<b>2008</b>						
Sonaecom	Commercial paper	250,000,000	211,000,000	39,000,000		x
Sonaecom	Commercial paper	70,000,000	20,000,000	50,000,000		x
Sonaecom	Overdraft facilities	15,000,000	4,873,000	10,127,000	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	Authorised overdrafts	1,246,995	—	1,246,995	x	
WeDo Brasil	Overdraft facilities	92,916	—	92,916	x	
		<b>489,336,305</b>	<b>385,873,000</b>	<b>103,463,305</b>		
<b>2007</b>						
Sonaecom	Commercial paper	250,000,000	225,000,000	25,000,000		x
Sonaecom	Commercial paper	70,000,000	—	70,000,000		x
Sonaecom	Overdraft facilities	5,000,000	—	5,000,000	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	Authorised overdrafts	1,246,995	—	1,246,995	x	
WeDo Brasil	Overdraft facilities	368,009	—	368,009	x	
		<b>479,611,398</b>	<b>375,000,000</b>	<b>104,611,398</b>		

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 21. Loans (continued)

The interest rate hedging instruments outstanding at 31 December 2008 and 2007 and their correspondent fair value, calculated through the discounted future cash-flows method, were as follows:

Company	Hedged loan	Notional amount	Maturity date	Base rate	Fixed rate contracted	Fair value of the derivative instruments
<b>2008</b>						
Sonaecom	Commercial paper	110,000,000	March 2009	Euribor 6m	4.365%	(174,106)
Sonaecom	Bond loan	75,000,000	June 2009	Euribor 6m	4.565%	481,174
						<b>307,068</b>
<b>2007</b>						
Sonaecom	Commercial paper	110,000,000	March 2009	Euribor 6m	4.365%	(469,104)
Sonaecom	Bond loan	75,000,000	June 2009	Euribor 6m	4.565%	56,194
						<b>(412,910)</b>

In September 2007, Sonaecom entered into an 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 entered into an 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 year ended at 31 December 2008, the movements that occurred in the fair value of the swaps, related to the Commercial Paper Programme, in the amount of minus Euro 294,998 and the bonds loans, in the amount of minus Euro 424,980, were recorded in the caption 'Hedging reserves', as the hedging is effective, in accordance with IAS 39.

Through the execution of these derivative financial instruments, at 31 December 2008, approximately 48% of gross debt is, in an indirect way, subject to fixed interest rates. The remaining 52% of gross debt is exposed to changes in the interest rates.

At 31 December 2008, based on the amount of debt exposed to variable rates, including the debt related to lease contracts, and taking into consideration the treasury applications and bank balances at the same date, if the market interest rates rise (fall), in average, 75bp for the year 2009, interest incurred in that year would be increased (decreased) by approximately Euro 1,600,000. However, considering that interest rates will be fixed until the contractually defined resetting moment, the impact in 2009, would only be of circa Euro 1,300,000.

### 22. Other non current financial liabilities

At 31 December 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 17,171,773 and Euro 17,916,038, respectively.

At 31 December 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
2008	–	–	2,875,757	1,926,041
2009	2,486,149	1,553,506	2,389,062	1,522,619
2010	2,146,585	1,299,199	2,070,704	1,266,085
2011	1,922,515	1,140,772	1,869,068	1,124,586
2012	1,940,720	1,215,015	1,885,669	1,196,417
2013	1,734,697	1,064,749	1,677,995	1,043,570
2014 and follows	15,994,816	12,452,038	14,996,915	11,762,761
	26,225,482	18,725,279	27,765,170	19,842,079
Interests	(7,504,991)	–	(7,923,091)	–
	18,720,491	18,725,279	19,842,079	19,842,079
Short term liability (Note 27)	–	(1,553,506)	–	(1,926,041)
	18,720,491	17,171,773	19,842,079	17,916,038

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.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 23. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2008 and 2007 were as follows:

	Opening balance	New companies	Transfers	Increases	Utilisations	Decreases	Closing balance
<b>2008</b>							
Accumulated impairment losses on accounts receivables (Notes 13 and 14)	66,167,308	64,359	(60,715)	17,535,464	(7,218,811)	(699,539)	75,788,067
Accumulated impairment losses on inventories (Note 12)	8,663,703	–	–	2,609,504	–	–	11,273,207
Provisions for other liabilities and charges	30,885,378	–	318,715	4,133,158	(617,834)	(2,513,975)	32,205,441
	<b>105,716,389</b>	<b>64,359</b>	<b>258,000</b>	<b>24,278,126</b>	<b>(7,836,645)</b>	<b>(3,213,514)</b>	<b>119,266,715</b>

#### 2007

Accumulated impairment losses on accounts receivables (Notes 13 and 14)	61,060,155	5,975,780	(949,642)	8,316,573	(8,096,333)	(139,225)	66,167,308
Accumulated impairment losses on inventories (Note 12)	6,122,085	–	–	2,541,618	–	–	8,663,703
Accumulated impairment losses on investments available for sale (Note 10)	2,539,229	–	–	–	(2,539,229)	–	–
Provisions for other liabilities and charges	20,078,571	5,708,383	949,642	5,175,929	(211,807)	(815,340)	30,885,378
	<b>89,800,040</b>	<b>11,684,163</b>	<b>–</b>	<b>16,034,120</b>	<b>(10,847,369)</b>	<b>(954,565)</b>	<b>105,716,389</b>

The increase of 'Provisions for other liabilities and charges' includes the amount of Euro 2,091,499 associated with the dismantling of sites (Euro 3,857,160 in 2007), as foreseen in IAS 16 (Note 1.d.)) and the amount of Euro 311,009 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 21,875,618 (Euro 12,176,960 in 2007).

The heading 'Utilisations' refers, essentially, to the use of provisions by the subsidiary Sonaecom – Serviços de Comunicações, which were registered against an entry in customers' current accounts.

At 31 December 2008 and 2007, the breakdown of the provisions for other liabilities and charges were as follows:

	2008	2007
Dismantling of sites	20,607,141	18,888,140
Several contingencies	4,850,924	6,594,725
Legal processes in progress	1,980,534	1,945,403
Indemnities	815,921	379,432
Others	3,950,921	3,077,678
	<b>32,205,441</b>	<b>30,885,378</b>

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 in headings 'Legal processes in progress' and '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. This is the reason why their financial actualisation was not carried out.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 24. Securitization of receivables

On 30 December 2008, the subsidiary Sonaecom – Serviços de Comunicação, S.A., carried out a securitisation operation of future receivables amounting to Euro 100 million (Euro 98,569,400, net of initial costs) following which it ceded future credits to be generated under a portfolio of existing 'Corporate' customer contracts, under the regime established in the Decreto-Lei nº 453/99, of 5 November.

This operation was coordinated by Deutsche Bank, having the future credits been assigned to TAGUS – Sociedade de Titularização de Créditos, S.A. ('TAGUS'), which, for this purpose, issued securitised bonds designated 'Magma No. 1 Securitisation Notes', that received from the CMVM (National Securities Market Commission) the legally required alphanumeric code: 200812TGSSONSXXN0031.

Future receivables in the necessary amounts required for TAGUS to perform the quarter interest and principal instalment payments due to bondholders, as well all the other payments due to the other creditors of this transaction, shall be allocated by Sonaecom – Serviços de Comunicação, S.A. throughout calendar years 2009/2013, up to a maximum of Euro 213,840,362. Under the terms of this transaction, the amount to be allocated in the year 2009 (Euro 19,478,607) was registered in current liabilities and the remainder, amounting to Euro 79,090,793, was registered in non-current liabilities.

The transaction did not determine any change in the accounting treatment of the underlying receivables or in the relationship established with the customers.

At 31 December 2008, the amount recorded in 'Securitisation of receivables' has the following maturity:

	N+1	N+2	N+3	N+4	N+5	Total
Securitisation of receivables	19,478,607	19,614,767	19,687,657	19,826,713	19,961,656	98,569,400

### 25. Other non-current liabilities

At 31 December 2008, the caption 'Other non-current liabilities', includes the amount of Euro 56,772,000 related to the medium and long-term portion of the estimate for the Company commitments under the 'Initiatives E' programme (Note 7).

This caption also includes the amount of Euro 1,298,736 (Euro 291,147 in 2007) representing the medium and long term portion associated with the Medium Term Incentive Plans (Note 40).

### 26. Trade creditors

At 31 December 2008 and 2007, this caption had the following composition and maturity plans:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
<b>2008</b>				
Suppliers – current account	132,210,705	132,210,705	–	–
Fixed assets suppliers	32,945,253	32,945,253	–	–
Suppliers – invoices pending approval	13,915,824	13,915,824	–	–
	179,071,782	179,071,782	–	–
<b>2007</b>				
Suppliers – current account	141,378,871	141,378,871	–	–
Fixed assets suppliers	35,620,058	35,620,058	–	–
Suppliers – invoices pending approval	8,333,625	8,333,625	–	–
	185,332,554	185,332,554	–	–

At 31 December 2008 and 2007, this caption included balances payable to suppliers resulting from the Group's operations and the acquisition of fixed assets. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

### 27. Other current financial liabilities

At 31 December 2008, this caption includes the amount of Euro 1, 553,506 (Euro 1,926,041 in 2007) related to the short term portion of lease contracts (Note 22).



## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 28. Other creditors

At 31 December 2008 and 2007 this caption was made up as follows:

	2008	2007
Other creditors	3,170,216	11,407,495
State and other public entities	26,960,772	6,943,303
	<b>30,130,988</b>	<b>18,350,798</b>

The liability to other creditors matures as follows:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
<b>2008</b>				
Other creditors	3,170,216	3,170,216	—	—
<b>2007</b>				
Other creditors	11,407,495	11,407,495	—	—

The liability to other creditors does not incorporate any interest. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

At 31 December 2008 and 2007, the caption 'State and other public entities' related essentially to Taxes payables (Value Added Tax, Corporate Income Tax, Social Security contributions and withholdings of Personal Income Tax) from the following subsidiaries:

	2008	2007
Sonaecom – Serviços de Comunicações	21,435,723	1,530,114
WeDo Brasil	1,247,337	859,254
WeDo	1,043,692	1,006,032
Be Artis	1,008,656	43,743
Be Towering	779,421	873,246
Público	583,420	919,835
Sonaecom	207,927	629,421
Others	654,596	1,081,658
	<b>26,960,772</b>	<b>6,943,303</b>

At 31 December 2008, the caption 'State and other public entities' of the subsidiary Sonaecom – Serviços de Comunicações includes the amount of Euro 24,633,991 of VAT to liquidate in consequence of the sale, in December 2008, of some fixed assets to Be Artis.

### 29. Other current liabilities

At 31 December 2008 and 2007 this caption was made up as follows:

	2008	2007
<b>Costs:</b>		
Tangible assets to be invoiced	52,666,463	23,507,993
Invoices to be issued by operators	52,235,559	67,830,456
Personnel costs	25,933,766	24,997,829
Information Society	25,702,090	—
Other external suppliers and services	11,774,869	10,749,316
Commissions	7,257,080	8,478,963
Advertising and promotion	7,229,347	7,233,546
Specialised works	7,112,198	7,235,652
Rappel discounts (annual quantity discounts)	1,481,090	2,527,552
Maintenance and repairs	1,393,628	1,521,079
Medium Term Incentive Plans (Note 40)	1,011,726	3,749,061
Other costs	4,090,783	7,443,083
	<b>197,888,599</b>	<b>165,274,530</b>
<b>Deferred income:</b>		
Customer advance payments	38,146,959	28,325,600
Other deferred income	1,724,973	765,237
	<b>39,871,932</b>	<b>29,090,837</b>
	<b>237,760,531</b>	<b>194,365,367</b>

The heading 'Information Society' relates to the amounts to be paid to the 'Information Society Fund', under the 'Initiatives E' programme (Note 7).

The heading 'Customer advance payments' is associated, mainly, with the recharges of mobile phones and the acquisition of pre-paid minutes which were not yet used, by the customers of the subsidiary Sonaecom – Serviços de Comunicações.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 30. Sales and services rendered

At 31 December 2008 and 2007 the caption 'Sales and services rendered' was made up as follows:

	2008	2007
Telecommunications	862,249,816	816,142,423
Multimedia	32,313,143	33,177,338
Information Systems	80,588,575	42,827,045
Others	1,068,436	546,885
	<b>976,219,970</b>	<b>892,693,691</b>

### 31. Other operating revenues

At 31 December 2008 and 2007 the caption 'Other operating revenues' was made up as follows:

	2008	2007
Supplementary income	4,278,507	3,297,103
Reversal of provisions (Note 23)	3,213,514	954,565
Others	3,001,102	2,169,508
	<b>10,493,123</b>	<b>6,421,176</b>

### 32. External supplies and services

'External supplies and services' for the years ended at 31 December 2008 and 2007 had the following composition:

	2008	2007
Interconnection costs	253,984,308	230,469,011
Specialised works	59,645,196	52,068,856
Advertising and promotion	56,189,705	41,527,503
Commissions	46,745,701	54,925,505
Rents	33,687,306	29,457,665
Other subcontracts	30,328,305	22,464,345
Leased lines	26,702,269	29,855,471
Energy	8,862,476	8,303,022
Maintenance and repairs	8,063,861	6,799,572
Communications	7,487,365	5,411,410
Travelling costs	5,577,734	4,619,237
Fees	2,837,009	3,087,843
Others	22,534,420	18,540,941
	<b>562,645,655</b>	<b>507,530,381</b>

The commitments assumed by the Group at 31 December 2008 related to operational leases are as follows:

	2008	2007
Minimum payments of operational leases:		
2009	43,561,908	6,815,307
2010	41,528,936	4,930,436
2011	38,295,263	3,373,779
2012	36,147,772	1,340,785
2013	34,477,191	92,295
2014	25,604,044	—
Renewable by periods of one year	3,352,435	1,527,939
	<b>222,967,549</b>	<b>27,167,876</b>

During the year ended at 31 December 2008, an amount of Euro 52,317,166 was recorded in the heading 'External supplies and services' related with operational leasing rents.

In 2008, besides the rental of facilities and 'renting' of vehicles, the commitments assumed with operational leasing rents include the rental of 'Sites' and leased lines given the nature of such contracts.

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).

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 33. Other operating costs

At 31 December 2008 and 2007 the caption 'Other operating costs' was made up as follows:

	2008	2007
Taxes	13,262,402	12,574,556
Others	913,044	1,216,654
	<b>14,175,446</b>	<b>13,791,210</b>

The caption 'Taxes' at 31 December 2008 and 2007 includes, essentially, the fees paid by the subsidiary Sonaecom – Serviços de Comunicações to ANACOM, calculated based on the number of its active customers. This obligation was included in the terms of the GSM operator license granted to that subsidiary.

### 34. Financial results

Net financial results for the years ended at 31 December 2008 and 2007 were made up as follows:

	2008	2007
Financial results related to associated companies:		
Losses on associated companies	–	(14,822)
Gains on associated companies	43,525	–
Gains on disposal of shareholdings in associated companies	–	239,249
	<b>43,525</b>	<b>224,427</b>
Gains on investments available for sale (Note 10)	–	5,578,307
	–	<b>5,578,307</b>
Other financial expenses:		
Interest expenses:	(19,902,711)	(27,585,575)
Bank loans	(18,101,274)	(19,498,500)
Set up costs	–	(282,620)
Other loans	–	(6,509,514)
Swap interests	(28,396)	(195,730)
Leasing	(968,375)	(968,893)
Other interests	(804,667)	(130,318)
Foreign exchange losses	(1,271,719)	(437,836)
Other financial expenses:	(346,333)	(11,437,355)
Set up costs (Note 21)	(50,000)	(11,074,426)
Swap fair value (Note 21)	–	107,462
Others	(296,333)	(470,391)
	<b>(21,520,763)</b>	<b>(39,460,766)</b>
Other financial income:		
Interest income	3,426,773	11,613,672
Foreign exchange gains	283,744	283,787
Adjustments to fair value on investments recorded at fair value through profit and loss (Note 16)	–	279,489
	<b>3,710,518</b>	<b>12,176,948</b>

At 31 December 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 31 December 2007, the 'Interest income' includes, mainly, interests earned on the treasury applications granted to Sonae and on bank deposits.

### 35. Income taxation

Income taxes recognised during the years ended at 31 December 2008 and 2007 were made up as follows (costs)/gains:

	2008	2007
Current tax	(2,949,366)	(2,437,769)
Tax provision (Note 23)	(311,009)	–
Deferred tax assets (Note 11)	24,047,589	39,357,184
Deferred tax liabilities (Note 11)	(605,414)	(284,402)
	<b>20,181,800</b>	<b>36,635,013</b>

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 36. Related parties

During the years ended at 31 December 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 31 December 2008 and 2007 were as follows:

	Balances at 31 December 2008			
	Accounts receivable	Accounts payable	Treasury applications	Other assets/(liabilities)
Sonae	72,281	214,549	—	47,195
Modelo Continente Hipermercados, S.A.	1,998,486	1,655,890	—	(464,075)
Worten	3,918,450	328,899	—	158,129
Sonae Investments BV	—	—	100,000,000	—
France Telecom	1,591,289	3,249,557	—	(9,816,906)
	<b>7,580,506</b>	<b>5,448,895</b>	<b>100,000,000</b>	<b>(10,075,656)</b>

	Balances at 31 December 2007			
	Accounts receivable	Accounts payable	Treasury applications	Other assets/(liabilities)
Sonae	96,973	215,936	—	391
Modelo Continente Hipermercados, S.A.	888,974	439,935	—	192,066
Worten	5,750,544	2,237,511	—	(1,019,247)
France Telecom	4,525,809	3,585,926	—	(13,649,802)
Sonae Investments BV	—	—	—	(3,304,474)
	<b>11,262,300</b>	<b>6,479,308</b>	<b>—</b>	<b>(17,781,066)</b>

	Transactions at 31 December 2007			
	Sales and services rendered	Supplies and services received	Interest and similar income/(expense)	Supplementary income
Sonae	374,573	248,571	543,825	11,280
Modelo Continente Hipermercados, S.A.	10,480,130	2,914,268	—	158
Worten	6,271,996	3,153,514	—	—
Sonae Investments BV	—	—	—	—
France Telecom	13,706,249	10,351,599	—	—
	<b>30,832,948</b>	<b>16,667,952</b>	<b>543,825</b>	<b>11,438</b>

	Transactions at 31 December 2008			
	Sales and services rendered	Supplies and services received	Interest and similar income/(expense)	Supplementary income
Sonae	367,473	139,312	2,091,349	78,653
Modelo Continente Hipermercados, S.A.	6,005,553	1,779,942	—	615,638
Worten	5,910,046	1,819,408	—	—
France Telecom	12,943,185	8,428,837	—	—
	<b>25,226,257</b>	<b>12,167,499</b>	<b>2,091,349</b>	<b>694,290</b>

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

All the above transactions were made at market prices.

Accounts receivable and payable to related companies will be settled in cash and are not covered by guarantees. During the years ended at 31 December 2008 and 2007, no impairment losses referring to related entities were recognised in accounts receivable.

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

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 37. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 2008 and 2007 were as follows:

Company	Beneficiary	Description	2008	2007
Sonaecom	BBVA – Portugal, ING Belgium Portugal and Millennium BCP	Commercial paper	<b>320,000,000</b>	320,000,000
Sonaecom – Serviços de Comunicações, Público and Sonaecom	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT Reimbursements	<b>8,788,467</b>	6,064,286
Sonaecom – Serviços de Comunicações	Direcção de Contribuições e Impostos (Portuguese tax authorities)	IRC – Tax assessment	<b>2,337,351</b>	1,650,000
Sonaecom	Direcção de Contribuições e Impostos (Portuguese tax authorities)	Tax audit 2005 – IS	<b>754,368</b>	-
Sonaecom – Serviços de Comunicações and Público	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT – Impugnation process	<b>598,000</b>	598,000
Sonaecom – Serviços de Comunicações	Governo Civil de Lisboa (Lisbon Government Civil)	Guarantee the sweepstakes plan complete fulfilment	<b>335,029</b>	161,474
Sonaecom – Serviços de Comunicações and Tele2	Direcção Geral do Tesouro (Portuguese tax authorities)	IRC – Withholding tax on payments to non-residents	<b>306,954</b>	470,954
Sonaecom – Serviços de Comunicações	Câmara Municipal de Coimbra, Lisboa, Braga, Elvas e Caldas da Rainha (Coimbra, Lisboa, Braga, Elvas, Caldas da Rainha, Guarda, Mealhada, Barcelos and Faro Municipalities)	Performance bond – works	<b>288,595</b>	287,494
Público	Tribunal de Trabalho de Lisboa (Lisbon Labour Court)	Execution action n. 199A/92	<b>271,511</b>	271,511
Público	Fazenda Pública do Porto (Oporto Public Treasury)	Tax process n. 3190/98	<b>209,493</b>	209,493
WeDo	Emirates Telecom. Corp.	Completion of work to be done	<b>204,668</b>	-
WeDo	API (Portuguese Investment Agency)	Application to PRIME subsidies	<b>184,004</b>	184,004
Sonaecom – Serviços de Comunicações and Digitmarket	Hewlett Packard	Finance lease and services provider contracts	<b>159,859</b>	159,859
Sonaecom – Serviços de Comunicações	Governo Civil de Santarém (Santarém Local Government)	Guarantee the fulfilment of legal obligations	<b>119,703</b>	119,703
Sonaecom – Serviços de Comunicações	Beiralusa	Completion of work to be done	-	147,809
Several	Others		<b>1,120,870</b>	954,589
			<b>335,678,873</b>	331,279,177

At 31 December 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 on the consolidated financial statements.

### 38. Information by business segment

The following business segments were identified for the years ended at 31 December 2008 and 2007:

- Telecommunications;
- Multimedia; and
- Information systems.

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

Inter-segment transactions at 31 December 2008 and 2007 were eliminated in the consolidation process. All these transactions were made at market prices.

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.

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 38. Information by business segment (continued)

Overall information by business segment at 31 December 2008 and 2007 can be summarised as follows:

	Telecommunications		Multimedia		Information Systems		Other		Subtotal		Eliminations		Total	
	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007
Revenues:														
Sales and services rendered	864,676,573	817,216,458	32,313,142	33,154,870	120,131,939	79,512,209	8,658,145	7,547,991	1,025,779,800	937,431,529	(49,559,830)	(44,737,838)	976,219,970	892,693,691
Other operating revenues	12,347,884	10,955,218	721,583	247,408	2,387,702	359,081	66,870	24,314,732	15,524,039	35,876,439	(5,030,916)	(29,455,263)	10,493,123	6,421,176
Total revenues	877,024,457	828,171,676	33,034,725	33,402,278	122,519,641	79,871,290	8,725,015	31,862,723	1,041,303,839	973,307,968	(54,590,746)	(74,193,100)	986,713,093	899,114,867
Depreciation and amortisation	(156,214,346)	(144,035,273)	(518,224)	(696,094)	(1,954,705)	(1,730,709)	(417,669)	(244,096)	(159,104,943)	(146,706,172)	1,529,276	6,723,352	(157,575,667)	(139,982,820)
Net operating income/(loss) for the segment	289,470	(3,444,320)	(3,599,767)	(3,966,068)	5,161,943	2,853,227	(1,290,672)	21,152,715	560,974	16,595,554	2,248,829	5,415,645	2,809,803	22,011,199
Net interests	(17,503,712)	(14,378,841)	(153,242)	(274,826)	(272,492)	438,735	1,481,688	(1,389,727)	(16,447,758)	(15,604,659)	(28,180)	(367,246)	(16,475,938)	(15,971,905)
Gains and losses in associated companies	—	—	—	—	—	—	—	(82,074,258)	—	(82,074,258)	38,716	82,298,685	43,525	224,427
Other financial results	(266,036)	(10,735,000)	7,717	(12,601)	(1,022,400)	2,950,603	16,886,554	11,297,445	15,605,836	3,500,447	(16,935,335)	(9,234,054)	(1,334,307)	(5,733,607)
Income taxation	21,082,911	39,267,960	(115,918)	(1,394,799)	(323,826)	(1,211,860)	144,047	(26,286)	20,787,214	36,635,015	(605,414)	(2)	20,181,800	36,635,013
Consolidated net income/(loss) for the year	3,602,633	10,709,799	(3,861,210)	(5,648,294)	3,543,225	5,030,705	17,221,617	(51,040,111)	20,506,266	(40,947,902)	(15,281,384)	78,113,030	5,224,883	37,165,128
Attributable to:														
Shareholders of Parent Company	3,602,633	10,709,799	(3,861,210)	(5,648,294)	3,321,876	4,637,498	17,221,617	(51,040,112)	20,284,916	(41,341,109)	(15,286,775)	78,118,979	4,998,142	36,777,870
Minority interests	—	—	—	—	221,349	393,207	—	—	221,349	393,207	5,392	(5,949)	226,741	387,258
Assets:														
Fixed assets and Goodwill	856,591,444	724,305,383	5,314,737	2,095,621	62,071,410	65,181,390	3,347,766	1,907,139	927,325,356	793,489,533	457,264,975	457,330,215	1,384,590,331	1,250,819,748
Inventories	19,693,913	21,270,043	1,614,166	1,794,957	8,305,617	971,540	—	—	29,613,696	24,036,540	—	—	29,613,696	24,036,540
Financial investments	1,282,025	1,282,025	436,509	1,097,695	907,494	907,494	1,185,236,704	1,220,716,956	1,187,862,732	1,224,004,170	(1,186,655,409)	(1,222,049,234)	1,207,320	1,954,934
Other non current assets	124,394,532	100,959,814	—	—	1,690,818	1,742,461	543,680,398	510,187,974	669,765,747	612,890,249	(544,903,576)	(511,772,153)	124,862,171	101,118,096
Other current assets of the segment	311,384,890	279,876,652	9,478,074	8,744,178	47,328,834	34,694,952	245,576,382	227,214,153	613,768,180	550,529,935	(180,600,262)	(169,847,653)	433,167,918	380,682,284
	1,313,346,804	1,127,693,917	16,843,486	13,732,451	120,304,173	103,497,837	1,977,841,250	1,960,026,222	3,428,335,711	3,204,950,427	(1,454,894,272)	(1,446,338,825)	1,973,441,436	1,758,611,602
Liabilities:														
Liabilities of the segment	856,356,433	747,727,329	17,154,268	14,533,022	62,081,688	47,650,293	668,625,202	636,734,216	1,604,217,590	1,446,644,860	(559,730,142)	(623,454,688)	1,044,487,444	823,190,172
	856,356,433	747,727,329	17,154,268	14,533,022	62,081,688	47,650,293	668,625,202	636,734,216	1,604,217,590	1,446,644,860	(559,730,142)	(623,454,688)	1,044,487,444	823,190,172

## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

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### 38. Information by business segment (continued)

Despite the merger occurred in 2007 between the mobile and fixed telecommunications businesses, 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	
	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007
Income:								
Services rendered	629,132,126	619,368,772	291,415,379	255,426,850	(55,870,932)	(57,579,164)	864,676,573	817,216,458
Other operating revenues	46,537,839	37,003,172	4,222,007	3,808,503	(38,411,961)	(29,856,458)	12,347,884	10,955,218
Total revenues	675,669,965	656,371,944	295,637,386	259,235,353	(94,282,893)	(87,435,622)	877,024,457	828,171,676
Depreciation and amortisation	(123,243,018)	(115,546,228)	(32,971,327)	(28,489,045)	–	–	(156,214,346)	(144,035,273)
Operational results of the segments	19,194,101	28,140,571	(18,924,570)	(31,999,336)	19,939	414,445	289,470	(3,444,320)
Assets:								
Tangible assets and Goodwill	675,855,498	552,368,912	180,735,946	171,940,013	–	(3,542)	856,591,444	724,305,383
Inventories	14,277,274	19,340,722	5,416,639	1,929,322	–	–	19,693,913	21,270,043
Financial investments	1,282,025	1,282,025	–	–	–	–	1,282,025	1,282,025
CAPEX	244,655,119	127,075,612	45,401,350	82,561,308	526,389	–	290,582,858	209,636,921

During the years ended at 31 December 2008 and 2007, the inter-segments sales and services were as follows:

	Telecommunications	Multimedia	Information Systems	Others
<b>2008</b>				
Telecommunications	–	–	39,135,385	6,973,097
Multimedia	1,638,228	–	276,602	465,347
Information Systems	722,599	60,250	–	151,265
Sonaecom others	65,930	–	71,126	–
Others	862,249,816	32,252,892	80,648,826	1,068,436
	864,676,573	32,313,142	120,131,939	8,658,145
<b>2007</b>				
Telecommunications	–	–	36,162,830	6,652,727
Multimedia	588,209	–	414,914	180,000
Information Systems	406,267	25,029	–	140,047
Sonaecom others	79,559	46,290	75,228	–
Others	816,142,423	33,083,551	42,859,238	575,217
	817,216,458	33,154,870	79,512,209	7,547,991

### 39. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 4,998,142 in 2008 and Euro 36,777,870 in 2007) by the average number of shares outstanding during the years ended at 31 December 2008 and 2007, net of own shares (Euro 363,151,223 in 2008 and Euro 364,668,263 in 2007).



## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 40. Medium Term Incentive Plans

In June 2000, Sonaecom Group created a discretionary Medium Term Incentive Plan for more senior employees, based on Sonaecom options and shares and Sonae S.G.P.S., S.A. shares. The vesting occurs three years after the award of each plan, assuming that the employees are still employed in the Group.

The Sonaecom plans outstanding at 31 December 2008 can be summarised as follows:

	Share price at award date*	Award date	Vesting period	Aggregate number of participations	31 December 2008
			Vesting date		Number of options/shares
Sonaecom shares					
2004 Plan	3.96	31 March 2005	10 March 2008	—	—
2005 Plan	4.09	10 March 2006	9 March 2009	354	838,634
2006 Plan	4.70	9 March 2007	8 March 2010	390	1,002,639
2007 Plan	2.24	10 March 2008	9 March 2011	402	1,867,848
Sonae SGPS shares					
2004 Plan	1.17	31 March 2005	10 March 2008	—	—
2005 Plan	1.34	10 March 2006	9 March 2009	12	147,924
2006 Plan	1.68	9 March 2007	8 March 2010	6	153,968
2007 Plan	1.16	10 March 2008	9 March 2011	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 3 March and 5 April 2007; Sonae SGPS shares – the average share price between 13 February and 26 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 year ended at 31 December 2008, the movements that occurred in the plans can be summarised as follows:

	Sonaecom shares		Sonae SGPS shares	
	Aggregate number of participations	Number of shares	Aggregate number of participations	Number of shares
Outstanding at 31 December 2007:				
Unvested	1,142	2,902,082	30	496,440
Total	1,142	2,902,082	30	496,440
Movements in the year:				
Awarded	416	1,916,077	7	254,715
Vested	(349)	(976,395)	(12)	(274,202)
Cancelled/elapsed*	(63)	(132,643)	—	86,863
Outstanding at 31 December 2008:				
Unvested	1,146	3,709,121	25	563,816
<b>Total</b>	<b>1,146</b>	<b>3,709,121</b>	<b>25</b>	<b>563,816</b>

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

During the year ended at 31 December 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 established in such plans.

For Sonaecom's share plans, the total responsibility, calculated taking in consideration the share price at balance sheet date, is Euro 1,792,026 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 518,436.

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 year ended at 31 December 2008, were as follows:

	Amount
Costs recognised in previous years	21,950,820
Costs recognised in the year	(703,852)
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 year	(3,937,199)
<b>Total cost of the plans</b>	<b>2,310,462</b>
Recorded in other current liabilities	(1,011,726)
Recorded in other non current liabilities	(1,298,736)



## 5.2 Notes to the consolidated financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 41. Remuneration attributed to the key management personnel

During 2008 and 2007, the remunerations paid to Directors and other members of key management in functions at the years ended 31 December 2008 and 2007, were as follows:

	2008	2007
Short term employee benefits	<b>2,869,247</b>	2,943,670
Share based payments	<b>438,091</b>	2,522,131
	<b>3,307,338</b>	5,465,801

The amounts above relate to short term employee benefits and were calculated on an accruals basis. The share based payments for 2008 and 2007 corresponds to the value of the Medium Term Incentive Plan awarded in 2005, in respect of performance during 2004 (and the Medium Term Incentive Plan awarded in 2004 in respect of performance during 2003, for the 2007 amounts), whose shares, or the cash equivalent, were delivered in March 2008 and March 2007, and valued based on the share price on the delivery date (10 March 2008 and 9 March 2007, respectively). This amount also includes cash paid in 2007, corresponding to the early settlement of Plans awarded in 2005, 2006 and 2007, attributed to the Chairman of the Executive Board, following changes in the composition of the Board of Directors during the year.

Full details on the Sonaecom group remuneration policy are disclosed in the Corporate governance report.

### 42. Average number of employees

During the years ended at 31 December 2008 and 2007, the companies included in the consolidation employed an average number of 1,983 and 2,054, respectively. At 31 December 2008, the number of employees was 2,005.

### 43. Other matters

(i) At 31 December 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 Sonaecom – Serviços de Comunicação, S.A. (formerly Optimus) and, essentially, the operator TMN – Telecomunicações Móveis Nacionais, S.A., in relation to interconnection tariffs, recorded in the year ended 31 December 2001. The Group has considered the most penalising tariffs in their consolidated financial statements. In the lower court, the decision was favourable to Optimus. The 'Tribunal da Relação' (Court of Appeal), on appeal, rejected the intentions of TMN. However, TMN again appealed to the 'Supremo Tribunal de Justiça' (Supreme Court).

(ii) In the Arbitration Court proceeding imposed to resolve the conflict between Maxistar and the other shareholders of Sonaecom – Serviços de Comunicações, S.A. (at the time Optimus) – for breach of a clause of the Shareholders' Agreement, Maxistar was condemned to pay an indemnity of Euro 2,344,350 plus legal interest calculated until the date of payment or, alternatively, to subject itself to a purchase option over its participation in Sonaecom – Serviços de Comunicações at 70% of its actual value. Maxistar has appealed against the decision of the Arbitration Court but that appeal has already been rejected in the lower courts. In consequence of this rejection, Maxistar appealed to the 'Tribunal da Relação de Lisboa' (Lisbon Court of Appeal).

As a way to execute the amounts due to be paid by Maxistar, and after having informed Maxistar of their preference for the payment in cash, some shareholders have proposed an execution action. Before the decision of the Arbitration Court, Maxistar paid those shareholders, as a way of avoiding the execution, a total amount of Euro 4,068,048 (capital plus interest), of which Euro 2,183,899 was paid to Sonaecom.

The 'Tribunal da Relação de Lisboa' rejected 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 6 March 2009, having the conviction that they will be approved at the General Meeting of Shareholders without any changes.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS/IFRS) and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

## Appendix

At 31 December 2008, the related parties of Sonaecom Group are as follows:

### Key management personnel

Álvaro Carmona e Costa Portela  
 Álvaro Cuervo García  
 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 Bon  
 Miguel Nuno Santos Almeida  
 Nuno Manuel Moniz Trígoso Jordão  
 Nuno Miguel Teixeira Azevedo  
 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 Laminat 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.  
 Arat inmebles, 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  
 Boulanger España, SL  
 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,Urban., 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.  
 Contibomba – Comérc.Distr.Combustiveis, S.A.  
 Contimobe – Imobil.Castelo Paiva, S.A.  
 Continente Hipermercados, S.A.  
 Contry Club da Maia – Imobiliária, S.A.  
 Craiova Mall BV  
 Cronosaúde – Gestão Hospitalar, S.A.  
 Cumulativa – Sociedade Imobiliária, S.A.  
 Darbo S.A.S  
 Developpement & 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.  
 Edifícios Saudáveis Consultores, 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.

## Appendix (continued)

Equador & Mendes,Lda	Infocfield – Informática, S.A.
Espimaia – Sociedade Imobiliária, S.A.	Inparsi – Gestão Galeria Comercial, S.A.
Estação Oriente – Gest.de Galerias Com., S.A.	Inparvi SGPS, S.A.
Estação Viana – Centro Comercial, S.A.	Insulatroia – Sociedade Imobiliária, S.A.
Estêvão Neves – Hipermercados Madeira, S.A.	Integrum – Edifícios Sustentáveis, SA
Etablissement A. Mathe, S.A.	Integrum – Serviços Partilhados, S.A.
Euro Decorative Boards,Ltd	Interclean, S.A.
Euromegantic, Lteé	Interlog – SGPS, S.A.
Euroresinas – Indústrias Químicas, S.A.	Inventory – Acessórios de Casa, S.A.
Farmácia Seleção, SA	Investalentejo, SGPS, S.A.
Finlog – Aluguer e Comércio de Automóveis, S.A.	Invsauade – Gestão Hospitalar, S.A.
Fozimo – Sociedade Imobiliária, S.A.	Ipaper – Indústria Papeis Impregnados, S.A.
Fozmassimo – Sociedade Imobiliária, S.A.	ISF – Imobiliário, Serviços e Participaç
Freccia Rossa – Shopping Centre S.r.l.	Isoroy SAS
Friengineering International Ltda	KLC Holdings XII SA
Fundo de Invest. Imobiliário Imosede	La Farga – Shopping Center, SL
Fundo Invest.Imob.Shopp. Parque D.Pedro	Larissa Develop. Of Shopping Centers, S.A.
Gaiashopping I – Centro Comercial, S.A.	Lazam Corretora, Ltda.
Gaiashopping II – Centro Comercial, S.A.	Le Terrazze – Shopping Centre S.r.l.
Geotur – Viagens e Turismo, S.A.	Lembo Services Ltd (Euro)
GHP GmbH	Libra Serviços, Lda.
Gli Orsi – Shopping Centre, Srl	Lidergraf – Artes Gráficas, Lda.
Gli Orsi Shopping Centre 1 Srl	Lima Retail Park, S.A.
Global S – Hipermercado,Lda	Loureshopping – Centro Comercial, S.A.
Glunz AG	Luso Assistência – Gestão de Acidentes, S.A.
Glunz Service GmbH	Luz del Tajo – Centro Comercial S.A.
Glunz UK Holdings Ltd	Luz del Tajo B.V.
Glunz Uka GmbH	Madeirashopping – Centro Comercial, S.A.
Golf Time – Golfe e Invest. Turísticos, S.A.	Maiashopping – Centro Comercial, S.A.
Guerin – Rent a Car (Dois), Lda.	Maiequipa – Gestão Florestal, S.A.
Guimarãesshopping – Centro Comercial, S.A.	Marcas do Mundo – Viag. e Turismo Unip,Lda
Hornitex Polska Sp z.o.o	Marcas MC, ZRT
Iberian Assets, S.A.	Marimo – Exploração Hoteleira Imobiliária
IGI – Investimento Imobiliário, S.A.	Marina de Tróia S.A.
Igimo – Sociedade Imobiliária, S.A.	Marinamagic – Expl.Cent.Lúdicos Marít,Lda
Iginha – Sociedade Imobiliária, S.A.	Marmagno – Expl.Hoteleira Imob., S.A.
Imoareia – Invest. Turísticos, SGPS, S.A.	Martimope – Sociedade Imobiliária, S.A.
Imobiliária da Cacula, S.A.	Marvero – Expl.Hoteleira Imob., S.A.
Imoclub – Serviços Imobiliários, S.A.	MC Property Management S.A.
Imoconti – Soc.Imobiliária, S.A.	MDS Corretor de Seguros, S.A.
Imodivor – Sociedade Imobiliária, S.A.	Mediterranean Cosmos Shop. Centre Investments, S.A.
Imoestrutura – Soc.Imobiliária, S.A.	Megantic BV
Imoferro – Soc.Imobiliária, S.A.	MJLF-Empreendimentos Imobiliários, S.A.
Imohotel – Emp.Turist.Imobiliários, S.A.	Modalfa-Comércio e Serviços, S.A.
Imomuro – Sociedade Imobiliária, S.A.	Modelo – Dist.de Mat. de Construção, S.A.
Imopenínsula – Sociedade Imobiliária, S.A.	Modelo Cont. Seguros-Soc. De Mediação, Lda
Imoplamac Gestão de Imóveis, S.A.	Modelo Continente – Oper.Retalho SGPS, S.A.
Imoponte – Soc.Imobiliaria, S.A.	Modelo Continente Hipermercados, S.A.
Imoresort – Sociedade Imobiliária, S.A.	Modelo Continente, SGPS, S.A.
Imoresultado – Soc.Imobiliaria, S.A.	Modelo Hiper Imobiliária, S.A.
Imosedas – Imobiliária e Seviços, S.A.	Modelo Hipermergados Trading, S.A.
Imosistema – Sociedade Imobiliária, S.A.	Modelo.com – Vendas p / Correspond., S.A.
Imosona II	Monselice Centre Srl
Impaper Europe GmbH & Co. KG	Movelpartes – Comp.para Ind.Mobiliária, S.A.
Implantação – Imobiliária, S.A.	Movimento Viagens – Viag. e Turismo U.Lda

## Appendix (continued)

Mundo Vip – Operadores Turísticos, S.A.  
 NAB, Sociedade Imobiliária, S.A.  
 NA – Comércio de Artigos de Desporto, S.A.  
 NA – Equipamentos para o Lar, S.A.  
 Norscut – Concessionária de Scut Interior Norte, S.A.  
 Norte Shop. Retail and Leisure Centre BV  
 Norteshopping – Centro Comercial, S.A.  
 Nova Equador Internacional, Ag. Viag. T, Ld  
 Nova Equador P.C.O. e Eventos  
 Novobord (PTY) Ltd.  
 Oeste Retail Park – Gestão G.Comerc., S.A.  
 Operscut – Operação e Manutenção de Auto-estradas, S.A.  
 OSB Deutschland GmbH  
 Paracentro – Gest.de Galerias Com., S.A.  
 Pareuro, BV  
 Pargeste SGPS, S.A.  
 Park Avenue Develop. of Shop. Centers S.A.  
 Parque Atlântico Shopping – C.C., S.A.  
 Parque D. Pedro 1 B.V.  
 Parque D. Pedro 2 B.V.  
 Parque de Famalicão – Empr. Imob., S.A.  
 Parque Principado SL  
 Partnergiro – Empreend. Turísticos, Lda  
 Pátio Boavista Shopping Ltda.  
 Pátio Campinas Shopping Ltda  
 Pátio Goiânia Shopping Ltda  
 Pátio Londrina Empreend. e Particip. Ltda  
 Pátio Londrina Empreend.e Particip.Ltda  
 Pátio Penha Shopping Ltda.  
 Pátio São Bernardo Shopping Ltda  
 Pátio Sertório Shopping Ltda  
 Peixes do Continente – Ind.Dist.Peixes, S.A.  
 PHARMACONTINENTE – Saúde e Higiene, S.A.  
 PJP – Equipamento de Refrigeração, Lda  
 Plaza Eboli B.V.  
 Plaza Eboli – Centro Comercial S.A.  
 Plaza Mayor Holding, SGPS, S.A.  
 Plaza Mayor Parque de Ócio B.V.  
 Plaza Mayor Parque de Ocio, S.A.  
 Plaza Mayor Shopping B.V.  
 Plaza Mayor Shopping, S.A.  
 Ploi Mall BV  
 Ploiesti Shopping Center (Euro)  
 Poliface Brasil, Ltda  
 Poliface North America  
 Porturbe – Edifícios e Urbanizações, S.A.  
 Praedium II – Imobiliária, S.A.  
 Praedium III – Serviços Imobiliários, S.A.  
 Praedium SGPS, S.A.  
 Predicomercial – Promoção Imobiliária, S.A.  
 Prédios Privados Imobiliária, S.A.  
 Predisedas – Predial das Sedas, S.A.  
 Pridelease Investments, Ltd  
 Profimetrics – Software Solutions, S.A.  
 Proj. Sierra Germany 1 – Shop.C. GmbH

Proj. Sierra Germany 4 (four) – Sh.C.GmbH  
 Proj. Sierra Italy 2 – Dev.of Sh.C. Srl  
 Proj.Sierra 1 – Shopping Centre GmbH  
 Proj.Sierra Germany 2 (two) – Sh.C.GmbH  
 Proj.Sierra Germany 3 (three) – Sh.C.GmbH  
 Proj.Sierra Hold. Portugal V, SGPS, S.A.  
 Proj.Sierra Italy 1 – Shop.Centre Srl  
 Proj.Sierra Italy 2 – Dev. Of Sh.C.Srl  
 Proj.Sierra Italy 3 – Shop. Centre Srl  
 Proj.Sierra Portugal I – C.Comerc., S.A.  
 Proj.Sierra Portugal II – C.Comerc., S.A.  
 Proj.Sierra Portugal III – C.Comerc., S.A.  
 Proj.Sierra Portugal IV – C.Comerc., S.A.  
 Proj.Sierra Portugal V – C.Comercial, S.A.  
 Proj.Sierra Portugal VI – C.Comercial, S.A.  
 Proj.Sierra Portugal VII – C. Comerc., S.A.  
 Proj.Sierra Portugal VIII – C.Comerc., S.A.  
 Project 4, Srl  
 Project SC 1 BV  
 Project SC 2 BV  
 Project Sierra 1 B.V.  
 Project Sierra 10 BV  
 Project Sierra 2 B.V.  
 Project Sierra 3 BV  
 Project Sierra 4 BV  
 Project Sierra 5 BV  
 Project Sierra 6 BV  
 Project Sierra 7 BV  
 Project Sierra 8 BV  
 Project Sierra 9 BV  
 Project Sierra Brazil 1 B.V.  
 Project Sierra Charagionis 1 S.A.  
 Project Sierra Germany Shop. Center 1 BV  
 Project Sierra Germany Shop. Center 2 BV  
 Project Sierra Italy 5 Srl  
 Project Sierra One Srl  
 Project Sierra Spain 1 B.V.  
 Project Sierra Spain 2 B.V.  
 Project Sierra Spain 2 – Centro Comer. S.A.  
 Project Sierra Spain 3 B.V.  
 Project Sierra Spain 3 – Centro Comer. S.A.  
 Project Sierra Spain 5 BV  
 Project Sierra Spain 6 B.V.  
 Project Sierra Spain 6 – Centro Comer. SA  
 Project Sierra Spain 7 B.V.  
 Project Sierra Spain 7 – Centro Comer. SA  
 Project Sierra Srl  
 Project Sierra Srl  
 Project Sierra Three Srl  
 Project Sierra Two Srl  
 Promessa Sociedade Imobiliária, S.A.  
 Prosa – Produtos e serviços agrícolas, S.A.  
 Publimeios – Soc.Gestora Part. Finan., S.A.  
 Racionaliz. y Manufact.Florestales, S.A.  
 RASO, SGPS, SA

## Appendix (continued)

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

## Appendix (continued)

Sonae Turismo Gestão e Serviços, S.A.  
 Sonae Turismo – SGPS, S.A.  
 Sonae UK, Ltd.  
 Sonaecenter Serviços, SA  
 Sonaegest – Soc.Gest.Fundos Investimentos  
 Sondis Imobiliária, S.A.  
 Sontaria – Empreend.Imobiliários, S.A.  
 Sontel BV  
 Sontur BV  
 Sonvecap BV  
 Sopair, S.A.  
 Sótaqua – Soc. de Empreendimentos Turist  
 Spanboard Products,Ltd  
 Spinarq, 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  
 Tarkett Agepan Laminate Flooring SCS  
 Tavapan, S.A.  
 Tecmasa Reciclados de Andalucia, SL  
 Teconologias del Medio Ambiente, S.A.

Textil do Marco, S.A.  
 Tlantic Portugal – Sist. de Informação, SA  
 Tlantic Sistemas de Informação Ltdª  
 Todos os Dias – Com.Ret.Expl.C.Comer., S.A.  
 Tool GmbH  
 Torre Colombo Ocidente – Imobiliária, S.A.  
 Torre Colombo Oriente – Imobiliária, S.A.  
 Torre São Gabriel – Imobiliária, S.A.  
 TP – Sociedade Térmica, S.A.  
 Troia Market, SA  
 Troia Market – Supermercados, S.A.  
 Tróia Natura, S.A.  
 Troiaresort – Investimentos Turísticos, S.A.  
 Troiaverde – Expl.Hoteleira Imob., S.A.  
 Tulipamar – Expl.Hoteleira Imob., S.A.  
 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.  
 Viajens y Turismo de Geotur España, S.L  
 World Trade Center Porto, S.A.  
 Worten España, S.A.  
 Worten – Equipamento para o Lar, S.A.  
 Zubiarte Inversiones Inmob, S.A.

### FT Group Companies

France Telecom, S.A.  
 Atlas Services Belgium, SA.

## 5.3 Sonaecom individual financial statements

SONAECON, S.G.P.S., S.A.  
(Amounts expressed in Euro)

### Balance sheets

At 31 December 2008 and 31 December 2007

	Notes	December 2008	December 2007
<b>Assets</b>			
<b>Non current assets</b>			
Tangible assets	1a, 1e and 2	582,567	181,562
Intangible assets	1b and 3	49,674	71,121
Investments in group companies	1c and 5	898,096,556	920,727,475
Other non current assets	1c, 1l, 1m, 4, 6 and 21	521,631,372	492,695,948
<b>Total non current assets</b>		<b>1,420,360,169</b>	<b>1,413,676,106</b>
<b>Current assets</b>			
Other current debtors	1d, 1f, 4 and 8	90,091,502	9,022,179
Other current assets	1l, 1m and 9	3,178,023	3,766,451
Cash and cash equivalents	1g, 4 and 11	50,098,913	145,779,175
<b>Total current assets</b>		<b>143,368,438</b>	<b>158,567,805</b>
<b>Total assets</b>		<b>1,563,728,607</b>	<b>1,572,243,911</b>
<b>SHAREHOLDERS' FUNDS AND LIABILITIES</b>			
<b>Shareholders funds</b>			
Share capital	12	366,246,868	366,246,868
Own shares	1o and 13	(13,499,750)	(8,938,165)
Reserves	1n	775,693,142	794,137,940
Net income/(loss) for the year		19,657,889	(15,334,817)
<b>Total shareholders' funds</b>		<b>1,148,098,149</b>	<b>1,136,111,826</b>
<b>Liabilities</b>			
<b>Non current liabilities</b>			
Medium and long-term loans – net of short-term portion	1h, 4 and 14a	381,509,261	373,680,136
Provisions for other liabilities and charges	1j and 15	57,265	23,706
Other non current liabilities	1l, 1m, 1r 16	326,483	129,379
<b>Total non current liabilities</b>		<b>381,893,009</b>	<b>373,833,221</b>
<b>Current liabilities</b>			
Short-term loans and other loans	1h, 4, and 14b	30,784,090	17,860,473
Other creditors	4 and 17	1,043,250	41,292,121
Other current liabilities	1l, 1m, 1r and 18	1,910,109	3,146,270
<b>Total current liabilities</b>		<b>33,737,449</b>	<b>62,298,864</b>
<b>Total shareholders' funds and liabilities</b>		<b>1,563,728,607</b>	<b>1,572,243,911</b>

The notes are an integral part of the financial statements at 31 December 2008 and 2007.

### The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

### The Board of Directors

Duarte Paulo Teixeira de Azevedo  
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Luís Filipe Campos Dias de Castro Reis  
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Frank Emmanuel Dangeard



## Appendix

### Profit and loss account by nature

For the year ended at 31 December 2008 and for the year ended at 31 December 2007

	Notes	December 2008	December 2007
Services rendered	19	7,031,999	6,776,984
Other operating revenues	19	38,852	24,183,266
		<b>7,070,851</b>	<b>30,960,250</b>
External supplies and services	20	(3,588,815)	(4,658,695)
Staff expenses	26 and 27	(4,392,499)	(5,170,239)
Depreciation and amortisation	1a, 1b, 1q, 2 and 3	(115,562)	(72,718)
Provisions and impairment losses	1j, 1q and 15	(3,701)	—
Other operating costs		(104,222)	(76,530)
		<b>(8,204,799)</b>	<b>(9,978,182)</b>
Gains and losses on group companies	21	11,141,093	(43,481,386)
Other financial expenses	1c, 1h, 1q, 14 and 21	(20,616,916)	(13,283,729)
Other financial income	1c, 14 and 21	30,387,026	20,460,321
<b>Current income/(loss)</b>		<b>19,777,255</b>	<b>(15,322,726)</b>
Income taxation	1k and 7	(119,366)	(12,091)
<b>Net income/(loss)</b>		<b>19,657,889</b>	<b>(15,334,817)</b>
<b>Earnings per share</b>	24		
Including discontinued operations:			
Basic		0.05	(0.04)
Diluted		0.05	(0.04)
Excluding discontinued operations:			
Basic		0.05	(0.04)
Diluted		0.05	(0.04)

The notes are an integral part of the financial statements at 31 December 2008 and 2007.

### The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

### The Board of Directors

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### 5.3 Sonaecom individual financial statements (continued)

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

(Amounts expressed in Euro)

#### Movements in shareholders funds

For the year ended at 31 December 2008 and for year ended at 31 December 2007

	Reserves									Net income/(loss)	Total
	Share capital	Own shares (Note 13)	Share premium	Legal reserves	Medium Term Incentive Plans reserves (Note 25)	Own shares reserves	Hedging reserves	Other reserves	Total reserves		
<b>2008</b>											
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 result of 2007	—	—	—	—	—	—	—	(15,334,817)	(15,334,817)	15,334,817	—
Net income/(loss) for the year ended 31 December 2008	—	—	—	—	—	—	—	—	—	19,657,889	19,657,889
Own shares delivery with Medium Term Incentive Plan	—	4,275,838	—	—	—	(4,275,838)	—	2,073,732	2,202,106	—	2,073,732
Acquisition of own shares	—	(8,837,423)	—	—	—	8,837,423	—	(8,837,423)	—	—	(8,837,422)
Fair value reserves	—	—	—	—	—	—	(719,978)	—	(719,978)	—	(719,978)
Medium Term Incentive Plans recognition	—	—	—	—	(304,296)	—	—	—	(304,296)	—	(304,296)
Recognition of contracts with share liquidation	—	—	—	—	—	—	—	116,399	116,399	—	116,399
<b>Balance at 31 December 2008</b>	<b>366,246,868</b>	<b>(13,499,750)</b>	<b>775,290,377</b>	<b>1,002,287</b>	<b>—</b>	<b>13,499,750</b>	<b>(307,068)</b>	<b>(13,792,203)</b>	<b>775,693,142</b>	<b>19,657,889</b>	<b>1,148,098,149</b>

	Reserves									Net income/(loss)	Total
	Share capital	Own shares (Note 13)	Share premium	Legal reserves	Medium Term Incentive Plans reserves (Note 25)	Own shares reserves	Hedging reserves	Other reserves	Total reserves		
<b>2007</b>											
Balance at 31 December 2006	366,246,868	—	775,290,377	559,078	108,132	—	—	8,449,654	784,407,241	9,121,625	1,159,775,734
Appropriation of result of 2006	—	—	—	443,209	—	—	—	8,678,416	9,121,625	(9,121,625)	—
Net income/(loss) for the year ended 31 December 2007	—	—	—	—	—	—	—	—	—	(15,334,817)	15,334,817
Acquisition of own shares	—	(8,938,165)	—	—	—	8,938,165	—	(8,938,165)	—	—	(8,938,165)
Fair value reserves	—	—	—	—	—	—	412,910	—	412,910	—	412,910
Medium Term Incentive Plans recognition	—	—	—	—	196,164	—	—	—	196,164	—	196,164
<b>Balance at 31 December 2007</b>	<b>366,246,868</b>	<b>(8,938,165)</b>	<b>775,290,377</b>	<b>1,002,287</b>	<b>304,296</b>	<b>8,938,165</b>	<b>412,910</b>	<b>8,189,905</b>	<b>794,137,940</b>	<b>(15,334,817)</b>	<b>1,136,111,826</b>

The notes are an integral part of the financial statements at 31 December 2008 and 2007.

### 5.3 Sonaecom individual financial statements (continued)

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

(Amounts expressed in Euro)

#### Cash flow statements

For the year ended at 31 December 2008 and for the year ended at 31 December 2007

	31 December 2008		31 December 2007	
<b>Operating activities</b>				
Payments to employees	(5,436,839)		(4,637,963)	
Cash flows from operating activities	(5,436,839)		(4,637,963)	
Payments/receipts relating to income taxes, net	(1,721,721)		(492,261)	
Other payments/receipts relating to operating activities, net	6,656,289		17,136,161	
<b>Cash flows from operating activities (1)</b>	<b>(502,270)</b>	<b>(502,270)</b>	<b>12,005,937</b>	<b>12,005,937</b>
<b>Investing activities</b>				
Receipts from:				
Investments	18,752,929		273,470,063	
Tangible assets	–		5,762	
Interest and similar income	29,949,662		13,179,899	
Dividends	21,414,813	70,117,404	38,592,872	325,248,596
Payments for:				
Investments	(239,826,149)		(104,947,682)	
Tangible assets	(443,794)		(92,082)	
Intangible assets	(140)		(2,503)	
Loans granted	(85,123,782)	(155,146,301)	(313,314,109)	(418,356,376)
<b>Cash flows from investing activities (2)</b>		<b>(85,028,897)</b>		<b>(93,107,780)</b>
<b>Financing activities</b>				
Receipts from:				
Loans obtained	248,752,000	248,752,000	225,000,000	225,000,000
Payments for:				
Interest and similar expenses	(19,584,199)		(11,264,818)	
Own shares	(8,837,422)		(8,938,165)	
Loans obtained	(230,376,000)	(258,797,621)	(68,993,000)	(89,195,983)
<b>Cash flows from financing activities (3)</b>		<b>(10,045,621)</b>		<b>135,804,017</b>
Net cash flows (4)=(1)+(2)+(3)		<b>(95,576,788)</b>		<b>54,702,174</b>
<b>Effect of the foreign exchanges</b>				
				–
Cash and cash equivalents at the beginning of the year		145,675,702		90,973,527
Cash and cash equivalents at year end		50,098,913		145,675,702

The notes are an integral part of the financial statements at 31 December 2008 and 2007.

#### Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

#### The Board of Directors

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## 5.3 Sonaecom individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### Notes to the cash flow statements

For the year ended at 31 December 2008 and for the year ended at 31 December 2007

#### 1. Acquisition or sale of subsidiaries or other businesses

	2008	2007
<b>a) Amount of other assets and liabilities acquired</b>		
Coverage of losses in Sonae Matrix Multimédia S.G.P.S., S.A.	–	61,344,670
Telemilénio Telecomunicações – Sociedade Unipessoal, Lda.	–	14,553,012
Sonaecom – Serviços de Comunicações, S.A.	–	29,000,000
Be Artis – Conceção, Construção e Gestão de Redes de Comunicações, S.A.		50,000
Payments in advance to Sonaecom BV regarding the future acquisition of Sonaecom – Serviços de Comunicações, S.A. shares	80,000,000	–
<b>b) Other business activities</b>		
Supplementary capital to Sonaetelecom BV	40,000,000	–
Supplementary capital to Telemilénio Telecomunicações – Sociedade Unipessoal, Lda.	2,106,149	–
Supplementary capital to Be Artis – Conceção, Construção e Gestão de Redes de Comunicações, S.A.	117,720,000	–
	<b>239,826,149</b>	<b>104,947,682</b>
<b>c) Sales</b>		
Delivery of Sonae S.G.P.S., S.A. shares	–	385,980
Portugal Telecom, S.G.P.S., S.A. shares	–	106,253,492
Liquidation of Sonae Matrix Multimédia S.G.P.S., S.A.		20,000,000
<b>d) Amount received from acquisitions of previous years (price adjustments)</b>		
Telemilénio Telecomunicações – Sociedade Unipessoal, Lda.	1,496,920	–
<b>e) Other business activities</b>		
Reimburse of supplementary capital from Sonae Telecom S.G.P.S., S.A.	15,176,009	76,450,000
Reimburse of supplementary capital from Be Artis – Conceção, Construção e Gestão de Redes de Comunicações, S.A.	2,080,000	–
Reimburse of supplementary capital from Sonae Matrix S.G.P.S., S.A.	–	70,380,591
	<b>18,752,929</b>	<b>273,470,063</b>

#### 2. Details of cash and cash equivalents

	2008	2007
Cash in hand	10,151	9,674
Cash at bank	105,762	38,951
Treasury applications	49,983,000	145,730,550
Overdrafts	–	(103,473)
Cash and cash equivalents	50,098,913	145,675,702
Overdrafts	–	103,473
<b>Cash assets</b>	<b>50,098,913</b>	<b>145,779,175</b>

#### 3. Description of non monetary financing activities

	2008	2007
a) Bank credit granted and not used	99,127,000	100,000,000
b) Purchase of company through the issue of shares	Not applicable	Not applicable
c) Conversion of loans into shares	Not applicable	Not applicable

The notes are an integral part of the financial statements at 31 December 2008 and 2007.

#### Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

#### The Board of Directors

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George Christopher Lawrie	David Charles Denholm Hobley
Miguel Nuno Santos Almeida	Jean-François René Pontal
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## 5.4 Notes to the individual financial statements

AT 31 DECEMBER 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, 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').

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

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

At 13 October 2008, as a consequence of the instability in the international financial markets, amendments were made in the financial reporting standards (namely, IAS 39 and IFRS 7) and endorsed by the European Union. These changes relate mainly to the possibility of transferring financial assets to other classes and have immediate effects. Retrospective application from 1 July 2008 was allowed, provided that the reclassifications were reported until 1 November 2008. Since these changes have no significant impact on the Group's consolidated financial statements the referred option was not applied.

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

- Amendments to IAS 1, 16, 19, 20, 23, 27, 28, 29, 31, 32, 36, 38, 39, 40, and 41, and also to IFRS 2, mandatory at 1 January 2009;
- Amendments to IAS 27 and 39, and also to IFRS 1 and 5, mandatory at 1 July 2009;
- Amendment to IAS 39, mandatory at 1 July 2009, but not yet endorsed in the EU;

## 5.4 Notes to the individual financial statements (continued)

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- Review of IAS 1 – ‘Presentation of Financial Statements’, mandatory at 1 January 2009;
- Review of IFRS 3 – ‘Business Combinations’ (includes amendments to IAS 28 and 31), mandatory at 1 July 2009;
- IFRS 8 – ‘Operating Segments’ and IFRIC 15 – ‘Agreements for the Construction of Real Estate’, both mandatory at 1 January 2009;
- IFRIC 12 – ‘Service Concession Arrangements’, mandatory at 1 January 2008, but not yet endorsed in the EU;
- IFRIC 16 – ‘Hedges of a Net Investment in a Foreign Operation’, mandatory at 1 October 2008, but not yet endorsed in the EU;
- IFRIC 17 – ‘Distributions of Non-cash Assets to Owners’, mandatory at 1 July 2009.

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

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

### 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 realisation value of tangible assets are recorded in the year in which they arise, by a corresponding charge to the caption ‘Depreciation and amortisation’ of the 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 and others constructions – improvements in buildings owned by third parties	10-20
Plant and machinery	5-10
Tools	4
Fixtures and fittings	3-10
Other tangible assets	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.

#### 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.

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

Impairment losses estimated for investments and loans granted to Group companies are recorded, in the year that they are estimated, under the caption ‘Other financial costs’ in the 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

## 5.4 Notes to the individual financial statements (continued)

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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.

### (i) 'Financial assets at fair value through profit or loss'

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if it has been acquired principally 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.

### (ii) '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 of any impairment losses.

Loans and receivables are recorded as current assets, except when their 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.

### (iii) '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.

### (iv) '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 are 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. If none of these valuation techniques can be used, the Company values these investments at acquisition cost net of any identified impairment losses. 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 decline (above 25%) or prolonged decline (during 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



## 5.4 Notes to the individual financial statements (continued)

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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 Group 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, demand and term bank deposits and other treasury applications where the risk of any change in value is insignificant.

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

The cash flow statement is classified by operating, financing and investing activities. Operating activities include payments to personnel and other receipts and payments relating to operating activities.

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

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

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

### h) Loans

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

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

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 future periods 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 15).

### **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 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.i) and it is non distributable nor can it be used to absorb losses.

#### **Own shares reserve**

The own shares reserve reflects the acquisition cost 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 31 December 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.



## 5.4 Notes to the individual financial statements (continued)

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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	
	31 December	Average	31 December	Average
Pounds Sterling	1.04987	1.25890	1.36361	1.46209
American Dollar	0.71855	0.68350	0.6793	0.7308

### 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 the last business plans duly approved by the Board of Directors of the Company.

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 will go 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:

- 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';
- 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';
- The net effect of the entries in (a) and (b) above eliminate the original entry to 'Shareholders' funds';
- 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 31 December 2008, only one of the Sonaecom share plans was not covered through the detention of own shares. The other two plans were not covered. The impacts of the share plans of the Medium Term Incentive Plans are recorded, in the balance sheet, in the captions 'Other non current liabilities' and 'Other current

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

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'.

### 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 31 December 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 neither foreseeable nor controlled by the Company, 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 corresponding notes, when applicable.

### 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 to project cash flows and profits. The Company's financial risk management policy, based on a long term ongoing perspective, seeks to minimise potential adverse effects that derive from that uncertainty, using, whenever it is possible and advisable, derivative financial instruments to hedge the exposure to such risks (Note 1i).

### Market risk

#### a) Foreign exchange risk

Foreign exchange risk management policy seeks to minimise the volatility of investments and transactions made in foreign currencies

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 a 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 rates 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 on the Company's results or on 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 latter a positive effect in other lines of the Company's results, and in this way partially offsetting the increase of financial expenses ('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 debt (Note 14) is 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 debt 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.

## 5.4 Notes to the individual financial statements (continued)

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(Amounts expressed in Euro)

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 debt captions and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the year. The fair value of derivatives of cash flow hedge, that are considered effective according to IAS 39, is recognised under debt captions and changes in the fair value are recognised in equity.

Sonaecom's 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 inherent 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.

The analysis of sensitivity to interest rate risk is presented in Note 14.

### 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 us to maximize the profitability and to minimize the opportunity costs related to 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 within the respective dates of maturity as well as any eventual not forecasted requests for funds, within the deadlines set for this; (ii) Safety, i.e., to minimise the probability of default in any reimbursement of application of funds; and (iii) Financial Efficiency, i.e., to ensure that the Company maximizes the value/minimises the opportunity cost of holding excess liquidity in the short term.

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

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

- (i) Amortisation 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 ensure 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 equal the forecasted payments (or the applications should be easily convertible, in the 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 analysis of the maturity of the liabilities associated to the financial instruments is presented in Note 14.

### 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.

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 2. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in years ended 31 December 2008 and 2007 was as follows:

	Buildings and other constructions	Plant and machinery	Tools	Fixtures and fittings	Other tangible assets	Total
<b>Gross assets</b>						
Balance at 31 December 2007	321,863	25,444	171	211,689	103	559,270
Additions	357,580	20,881	–	116,518	–	494,979
Balance at 31 December 2008	679,443	46,325	171	328,207	103	1,054,249
<b>Accumulated depreciation and impairment losses</b>						
Balance at 31 December 2007	227,887	2,330	7	147,473	11	377,708
Depreciation for the year	48,866	7,277	85	37,654	92	93,974
Balance at 31 December 2008	276,753	9,607	92	185,127	103	471,682
<b>Net value</b>	<b>402,690</b>	<b>36,718</b>	<b>79</b>	<b>143,080</b>	<b>–</b>	<b>582,567</b>

	Buildings and other constructions	Plant and machinery	Tools	Fixtures and fittings	Other tangible assets	Total
<b>Gross assets</b>						
Balance at 31 December 2006	313,312	4,365	–	157,283	2	474,962
Additions	8,551	21,079	171	60,084	103	89,988
Disposals	–	–	–	(5,678)	–	(5,678)
Transfers and write-offs	–	–	–	–	(2)	(2)
Balance at 31 December 2007	321,863	25,444	171	211,689	103	559,270
<b>Accumulated depreciation and impairment losses</b>						
Balance at 31 December 2006	196,720	1,098	–	136,111	2	333,931
Depreciation for the year	31,167	1,232	7	16,110	9	48,525
Disposals	–	–	–	(4,748)	–	(4,748)
Balance at 31 December 2007	227,887	2,330	7	147,473	11	377,708
<b>Net Value</b>	<b>93,976</b>	<b>23,114</b>	<b>164</b>	<b>64,216</b>	<b>92</b>	<b>181,562</b>

The additions in the year include, essentially, works in buildings owned by other parties.

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 3. Intangible assets

The movements in Intangible assets and in the corresponding accumulated amortisation and impairment losses in the years ended at 31 December 2008 and 2007, was as follows:

	Brands, patents and other rights	Software	Intangible assets in progress	Total
<b>Gross assets</b>				
Balance at 31 December 2007	6,509	168,027	13,917	188,453
Additions	141	–	–	141
Balance at 31 December 2008	6,650	168,027	13,917	188,594
<b>Accumulated depreciation and impairment losses</b>				
Balance at 31 December 2007	4,844	112,488	–	117,332
Depreciation for the year	786	20,802	–	21,588
Balance at 31 December 2008	5,630	133,290	–	138,920
<b>Net value</b>	<b>1,020</b>	<b>34,737</b>	<b>13,917</b>	<b>49,674</b>

	Brands, patents and other rights	Software	Intangible assets in progress	Total
<b>Gross assets</b>				
Balance at 31 December 2006	4,982	167,051	13,917	185,950
Additions	1,527	976	–	2,503
Balance at 31 December 2007	6,509	168,027	13,917	188,453
<b>Accumulated depreciation and impairment losses</b>				
Balance at 31 December 2006	4,203	88,936	–	93,139
Depreciation for the year	641	23,552	–	24,193
Balance at 31 December 2007	4,844	112,488	–	117,332
<b>Net value</b>	<b>1,665</b>	<b>55,539</b>	<b>13,917</b>	<b>71,121</b>

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

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 4. Breakdown of financial instruments

At 31 December 2008 and 2007, the breakdown of financial instruments was as follows:

	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>2008</b>							
<b>Non current assets</b>							
Other non current assets (Note 6)	– 521,631,372		–	– 521,631,372		–	521,631,372
	– 521,631,372		–	– 521,631,372		–	521,631,372
<b>Current assets</b>							
Other trade debtors (Note 8)	– 89,624,535		–	– 89,624,535		466,967	90,091,502
Cash and cash equivalents (Note 11)	– 50,098,913		–	– 50,098,913		–	50,098,913
	– 139,723,448		–	– 139,723,448		466,967	140,190,415

	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>2007</b>							
<b>Non current assets</b>							
Other non current assets (Note 6)	– 492,695,948		–	– 492,695,948		–	492,695,948
	– 492,695,948		–	– 492,695,948		–	492,695,948
<b>Current assets</b>							
Other trade debtors (Note 8)	– 8,004,994		–	– 8,004,994		1,017,185	9,022,179
Cash and cash equivalents (Note 11)	– 145,779,175		–	– 145,779,175		–	145,779,175
	– 153,784,169		–	– 153,784,169		1,017,185	154,801,354

	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>2008</b>							
<b>Non current liabilities</b>							
Medium and long-term loans – net of short-term portion (Note 14)	– 307,067	381,202,194		– 381,509,261		–	381,509,261
	– 307,067	381,202,194		– 381,509,261		–	381,509,261
<b>Current liabilities</b>							
Short-term loans and other loans (Note 14)	–	– 30,784,090		– 30,784,090		–	30,784,090
Other creditors (Note 17)	–	–	835,323	835,323	207,927	1,043,250	
	–	– 30,784,090	835,323	31,619,413	207,927	31,827,340	

	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>2007</b>							
<b>Non current liabilities</b>							
Medium and long-term loans – net of short-term portion (Note 14)	– (412,910)	374,093,046		– 373,680,136		–	373,680,136
	– (412,910)	374,093,046		– 373,680,136		–	373,680,136
<b>Current liabilities</b>							
Short-term loans and other loans (Note 14)	–	– 17,860,473		– 17,860,473		–	17,860,473
Other creditors (Note 17)	–	–	40,662,700	40,662,700	629,421	41,292,121	
	–	– 17,860,473	40,662,700	58,523,173	629,421	59,152,594	

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.

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 5. Investments in Group Companies

At 31 December 2008 and 2007, this caption included the following investments in Group companies:

Company	2008	2007
Sonaecom – Serviços de Comunicações, S.A. ('Sonaecom SC')	749,628,393	749,628,393
Sonae Telecom, S.G.P.S., S.A. ('Sonae Telecom')	105,799,987	105,799,987
Sonaetelecom BV	44,209,902	44,209,902
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	178,409
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	50,000
	<b>944,074,458</b>	931,176,378
Impairment losses (Note 15)	<b>(45,977,902)</b>	(10,448,903)
<b>Total investments in Group companies</b>	<b>898,096,556</b>	920,727,475

The movements that occurred in investments in Group companies during the years ended 31 December 2008 and 2007, were as follows:

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

Company	Balance at 31 December 2006	Additions	Disposals	Transfers and write-offs	Balance at 31 December 2007
Sonaecom SC	693,128,393	29,000,000	–	27,500,000	749,628,393
Sonae Telecom	105,799,987	–	–	–	105,799,987
Sonae Matrix	40,782,208	–	(40,782,208)	–	–
Sonae.com SI	26,641,587	–	–	–	26,641,587
Miauger	4,568,100	–	–	–	4,568,100
Sonaetelecom BV	4,209,902	40,000,000	–	–	44,209,902
Sonaecom BV	100,000	–	–	–	100,000
Be Artis	–	50,000	–	–	50,000
Tele 2	–	178,409	–	–	178,409
	875,230,177	69,228,409	(40,782,208)	27,500,000	931,176,378
Impairment losses	(22,573,509)	–	–	12,124,606	(10,448,903)
	852,656,668	69,228,409	(40,782,208)	39,624,606	920,727,475

The amount of Euro 13,766,215 in the heading 'Transfers and write-offs' in the year 2008, relates to the transfer of 'Supplementary capital' to cover accumulated losses in the subsidiary Tele 2 (Note 6). The amount of Euro 868,135 in the heading 'Additions', in the year 2008, is due to a correction to the acquisition price of Tele 2, which acquisition occurred during the year ended at 31 December 2007.

During the year ended at 31 December 2008, the amount related to Impairment losses was transferred to 'Other non current assets' (Note 6 and 15).

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

Previously to the merger, Novis used 'Supplementary capital' to cover accumulated losses and to reinforce 'Legal reserves', in an amount of Euro 27,500,000. Additionally in December 2007, the Company acquired 2.21% of Sonaecom SC from the subsidiary Sonae Matrix, for the amount of Euro 29,000,000.



## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 5. Investments in Group Companies (continued)

During 2007, the increase of Euro 40,000,000 in Sonaetelecom BV related to the reinforcement of 'Shareholders' funds'.

During 2007, the increase of Euro 178,409 relates to the acquisition of Tele 2, a company acquired for an amount of Euro 13,944,624, of which Euro 13,766,215 relates to Supplementary capital (Note 6).

During the year 2007, the amount recorded in the heading 'Disposals' is related to the Sonae Matrix S.G.P.S., S.A. liquidation.

During 2007, the amount related to impairment losses was transferred to 'Other non current assets' (Note 6).

Additionally, the merger by incorporation, with accounting effects as from 1 January 2009, of the subsidiary Telemilénio Telecomunicações, Sociedade Unipessoal, Lda. into the subsidiary Sonaecom – Serviços de Comunicações, SA., was approved at the General Assemblies of each company, both held on 24 November 2008.

The Company presents separate consolidated financial statements at 31 December 2008, in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union, which presents total consolidated assets of Euro 1,973,441,436, total consolidated liabilities of Euro 1,044,487,444 consolidated operational revenues of Euro 986,713,093 and consolidated Shareholders' funds of Euro 928,953,992 including a consolidated net profit (attributable to the shareholders of the parent company – Sonaecom, S.G.P.S., S.A.) for the year of Euro 4,998,142.

At 31 December 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	Maia	53.54%	506,473,697	16,364,229	53.54%	530,109,469	115,966,397
Sonae Telecom	Maia	100%	174,990,380	15,161,596	100%	175,004,793	72,667,381
Sonaecom SI	Maia	100%	47,015,632	219,546	100%	46,796,086	13,151,148
Miauger	Maia	100%	883,428	434,647	100%	448,781	234,950
Sonaetelecom BV	Amsterdam	100%	(8,055,939)	(23,123,941)	100%	3,568,002	(43,811,459)
Tele 2	Lisbon	100%	3,012,990	3,007,991	100%	(2,101,150)	(14,741,900)
Sonaecom BV	Amsterdam	100%	(14,943,358)	(3,011,399)	100%	(11,931,959)	(3,469,512)
Be Artis (ex Optimus Artis)	Maia	100%	110,683,416	(661,414)	100%	(4,295,170)	(4,345,170)

At 31 December 2008, Sonaecom owned, indirectly, through Sonae Telecom S.G.P.S., S.A. and Sonaecom BV, an additional stake of 37.94% and 8.52% in Sonaecom – Serviços de Comunicações, respectively, totalling a participation of 100%.

The evaluation of the existence of impairment losses for the main investments in the Group companies was based on the most up-to-date business plans duly approved by the Group's Board of Directors, which include projected cash flows for periods of five years. The discount rates used were based on the estimated weighted average cost of capital, which depends on the business segment of each subsidiary, and are as indicated in the table below. In perpetuity, the Group considered a growth rate of circa 3%.

	Discount rate
Telecommunications	7.90%
Multimedia	9.60%
Information systems	9.30%



## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 6. Other non current assets

At 31 December 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:		
Be Artis	190,780,000	–
Sonaecom BV	138,887,000	120,660,000
Sonaetelecom BV	27,401,000	70,175,000
Lugares Virtuais	900,000	–
Sonae.com SI	390,000	390,000
Sonaecom SC	–	262,795,000
Tele 2	–	961,782
	<b>358,358,000</b>	<b>454,981,782</b>
Supplementary capital:		
Be Artis	115,640,000	–
Sonae.com SI	33,574,187	33,574,187
Sonae Telecom SGPS	15,788,458	30,964,467
Sonaetelecom BV	11,500,000	–
Tele 2	2,106,149	13,766,215
	<b>178,608,795</b>	<b>78,304,869</b>
Accumulated impairment losses (Note 15)	<b>(15,335,423)</b>	<b>(40,590,703)</b>
	<b>521,631,372</b>	<b>492,695,948</b>

During the year ended in 31 December 2008, the movements that occurred in 'Medium and long-term loans granted to Group companies' were as follows:

Company	Opening balance	Increases	Decreases	Transfers	Closing balance
Be Artis	–	199,930,000	(9,150,000)	–	190,780,000
Sonaecom BV	120,660,000	36,277,000	(18,050,000)	–	138,887,000
Sonaetelecom BV	70,175,000	17,301,000	(48,575,000)	(11,500,000)	38,901,000
Lugares Virtuais	–	900,000	–	–	900,000
Sonae.com SI	390,000	–	–	–	390,000
Sonaecom SC	262,795,000	–	(262,795,000)	–	–
Tele 2	961,782	–	(961,782)	–	–
	<b>454,981,782</b>	<b>254,408,000</b>	<b>(339,531,782)</b>	<b>(11,500,000)</b>	<b>369,858,000</b>

During the years ended at 31 December 2008 and 2007, the loans granted to Group companies earned interest at market rates with an average interest rate of 5.31% and 5.09%, respectively. Supplementary capital is non interest bearing.

The movement in the caption 'Accumulated impairment losses' is due to the reinforcement performed during the year in the amount of Euro 10,273,720 (Note 15), and due to the transfers from the caption 'Investments in Group companies' (Notes 5 and 15).

Loans granted to Group companies and Supplementary capital, do not have a defined maturity, therefore no information about the aging of these loans is presented.

The evaluation of the existence of impairment losses for the loans made to Group companies was based on the most up-to-date business plans duly approved by the Group's Board of Directors, which include projected cash flows for periods of five years. The discount rates used and the perpetuity growth considered are presented in the previous note (Note 5).

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 7. Deferred tax assets

At 31 December 2008, the detail of deferred tax assets by nature was as follows:

Year of origin	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	—	—	11,431,819	11,431,819	3,029,432
2003	—	—	31,154,781	31,154,781	8,256,017
2004	—	—	9,662,981	9,662,981	2,560,690
2005	—	—	(3,033,899)	(3,033,899)	(803,983)
2006	24,341,554	(257,440)	(149,858)	23,934,256	5,977,455
2007	54,563,604	81,031	(537,036)	54,107,599	13,520,060
2008	—	55,359	7,754,170	7,809,529	2,069,526
	78,905,158	(121,050)	59,745,958	138,530,066	35,526,892

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 35,526,892.

The rate used at 31 December 2008 to calculate the deferred tax assets relating to tax losses carried forward was of 25%. The rate used 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 2005 (inclusive) are still subject to such review. The Board of Directors believes that any correction that may arise as a result of such review would not produce a significant impact in the accompanying financial statements.

Supported by the Company's lawyers and Tax consultants, the Board of Directors believes that there are no assets or 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 31 December 2008.

### 8. Other current debtors

At 31 December 2008 and 2007, this heading was made up as follows:

	2008	2007
Trade debtors	89,626,541	8,005,800
State and other public entities	466,967	1,017,185
Accumulated impairment losses on accounts receivables (Note 15)	(2,006)	(806)
	90,091,502	9,022,179

The amount registered in the caption 'Other current debtors', corresponds mainly to the advance in the amount of 80 million Euros, made to Sonaecom BV for the acquisition of the participation of 8.52% held by this company in Sonaecom – Serviços de Comunicações, S.A., which shall take place in 2009. At 31 December 2008 and 2007, this caption also included amounts to be received from subsidiary Group companies, for debts issued in December 2008 and 2007, relating to interests receivable from subsidiaries on shareholders loans, interest on treasury applications and services rendered.

The caption 'State and other public entities', at 31 December 2008 and 2007, includes the special advanced payment, retentions and taxes to be recovered.

At 31 December 2008 and 2007, the aging of Trade debtors was as follows:

	Total	Not due	Till 30 days	Due without impairment		Till 90 days	Due and with impairment		
				From 30 to 90 days	More than 90 days		From 90 to 180 days	From 180 to 360 days	More than 360 days
<b>2008</b>									
Trade debtors	89,626,541	6,859,523	82,734,728	3,574	26,710	—	—	—	2,006
<b>2007</b>									
Other debtors	8,005,800	7,482,232	(260,808)	147,661	634,950	—	—	—	1,764

The balances related to 'State and other public entities' are not financial assets, and therefore such caption was not detailed in the table above.

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 9. Other non current assets

At 31 December 2008 and 2007, this caption was made up as follows:

	2008	2007
<b>Accrued income</b>		
Interest receivable	2,858,648	3,333,843
Invoices to be issued	116,398	338,654
Other accrued income	–	1,398
	<b>2,975,046</b>	<b>3,673,895</b>
<b>Pluriannual costs</b>		
Other pluriannual costs	133,705	50,000
Insurance	56,085	40,936
Rents	13,187	1,620
	<b>202,977</b>	<b>92,556</b>
	<b>3,178,023</b>	<b>3,766,451</b>

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

During the years ended at 31 December 2008 and 2007, the movements in this heading were as follows:

	2008	2007
Opening balance	–	849,375
Acquisitions in the year	–	–
Sales in the year	–	(1,128,864)
Changes in fair value (Note 21)	–	279,489
	–	–

At 31 December 2006, 'Investments recorded at fair value through profit and loss' refers to 562,500 shares of Sonae, S.G.P.S., S.A., acquired to fulfil future obligations under the Medium Term Incentive Plans and which were recorded based on the closing share price of Euronext at the balance sheet date. During the year ended at 31 December 2007, 369,183 shares were issued to employees, generating a capital gain of Euro 154,160.

### 11. Cash and cash equivalents

At 31 December 2008 and 2007, the detail of cash and cash equivalents was as follows:

	2008	2007
Cash	10,151	9,674
Bank deposits repayable on demand	105,762	38,951
Treasury applications	49,983,000	145,730,550
	<b>50,098,913</b>	<b>145,779,175</b>

At 31 December 2008 and 2007, the heading 'Treasury applications' had the following breakdown:

	2008	2007
Sonaecom – Serviços de Comunicações	36,510,000	55,467,900
Wedo	12,285,000	10,629,650
Lugares Virtuais	700,000	–
Tele 2	488,000	–
Banco Espírito Santo	–	77,620,000
Público	–	1,893,000
Banco BPI	–	120,000
	<b>49,983,000</b>	<b>145,730,550</b>

During the year ended at 31 December 2008, the above mentioned treasury applications bearded interests at an average rate of 5.29% (5.23% in 2007).

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 12. Share capital

At 31 December 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	193,550,515	52.85%	184,052,872	50.25%
Atlas Service Belgium	73,249,374	20.00%	—	—
Free Float	63,526,687	17.35%	80,848,153	22.07%
093X (EDP)	29,150,000	7.96%	29,150,000	7.96%
Own shares	5,930,643	1.62%	1,894,326	0.52%
Sonae	838,649	0.23%	23,649	0.01%
Efanor Investimentos, S.G.P.S., S.A.	1,000	0.00%	1,000	0.00%
Wirefree Services Belgium, S.A.	—	—	70,276,868	19.19%
	<b>366,246,868</b>	<b>100.00%</b>	<b>366,246,868</b>	<b>100.00%</b>

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

### 13. Own shares

During the year ended at 31 December 2008, Sonaecom delivered to its employees 925,773 own shares under its Medium Term Incentive Plans.

Additionally, during the year ended at 31 December 2008, Sonaecom acquired 4,962,090 shares (at an average price of Euro 1.78), holding at the end of the year 5,930,643 own shares, representative of 1.62% of its share capital, with an average price of Euro 2.28.

During the year 2008, and with effect for the year 2009, the Group assumed a commitment to deliver 2,972,506 own shares to Sontel BV (Sonae group company).

### 14. Loans

At 31 December 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	June 2013	Final	<b>150,000,000</b>	150,000,000
Costs associated with setting-up the financing	—	—	—	<b>(2,396,771)</b>	(2,879,021)
Interests incurred but not yet due	—	—	—	<b>169,874</b>	260,883
Fair value of swaps	—	—	—	<b>481,174</b>	56,194
				<b>148,254,277</b>	147,438,056
Commercial paper	250,000,000	100.000.000 until July 2010		<b>211,000,000</b>	225,000,000
		150.000.000 until July 2012	—		
	70,000,000	January 2010	—	<b>20,000,000</b>	-
Costs associated with setting-up the financing	—	—	—	-	(79,359)
Interests incurred but not yet due	—	—	—	<b>2,429,090</b>	1,790,543
Fair value of swaps	—	—	—	<b>(174,106)</b>	(469,104)
				<b>233,254,984</b>	226,242,080
				<b>381,509,261</b>	<b>373,680,136</b>

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 Argentaria (Portugal), Banco Comercial Português and BNP Paribas (in Portugal).

The contract of these finances at Sonaecom allowed the subsidiary Optimus to reimburse its financing from European Investment Bank (BEI), in an amount of Euro 324 million, and 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.

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 14. Loans (continued)

These loans bear interest at market rates, indexed to the Euribor for the respective term, and were all contracted in Euro.

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

At 31 December 2008 and 2007, the repayment schedule of medium and long term loans and of interests, for both bonds and commercial paper was as follows:

	N+1	N+2	N+3	N+4	N+5	After N+5
<b>2008</b>						
<b>Bond loan</b>						
Reimbursements	—	—	—	—	150,000,000	—
Interests	6,132,255	6,115,500	6,115,500	6,132,255	2,865,070	—
<b>Commercial paper</b>						
Reimbursements	—	81,000,000	—	150,000,000	—	—
Interests	10,837,621	9,301,079	8,142,050	4,729,081	—	—
	16,969,876	96,416,579	14,257,550	160,861,336	152,865,070	—
<b>2007</b>						
<b>Bond loan</b>						
Reimbursements	—	—	—	—	—	150,000,000
Interests	7,873,575	7,873,575	7,873,575	7,873,575	7,873,575	7,873,575
<b>Commercial paper</b>						
Reimbursements	—	—	—	75,000,000	150,000,000	—
Interests	8,149,750	8,149,750	8,149,750	7,837,250	7,602,875	—
	16,023,325	16,023,325	16,023,325	90,710,825	165,476,450	157,873,575

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, and the Board of the Company recorded such liabilities in the medium and long-term.

At 31 December 2008 and 2007, the available credit lines were:

Credit	Limit	Amount outstanding	Amount available	Maturity	
				Until 12 months	More than 12 months
2008					
Commercial paper	250,000,000	211,000,000	39,000,000		x
Commercial paper	70,000,000	20,000,000	50,000,000		x
Overdraft facilities	15,000,000	4,873,000	10,127,000	x	
Bond loan	150,000,000	150,000,000	—		x
	485,000,000	385,873,000	99,127,000		
2007					
Commercial paper	250,000,000	225,000,000	25,000,000		x
Commercial paper	70,000,000	—	70,000,000		x
Overdraft facilities	5,000,000	—	5,000,000	x	
Bond loan	150,000,000	150,000,000	—		x
	475,000,000	375,000,000	100,000,000		

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 14. Loans (continued)

The following interest rate hedging instruments were outstanding at 31 December 2008 and 2007, and their fair values, calculated by the method of updating of future cash flows, were:

Hedged loan	Notional amount	Due date	Base rate	Fixed rate contracted	Fair value of the derivative instruments
<b>2008</b>					
Commercial paper	<b>110,000,000</b>	<b>March 2009</b>	<b>Euribor 6m</b>	<b>4.365%</b>	<b>(174,106)</b>
Bond Loan	<b>75,000,000</b>	<b>June 2009</b>	<b>Euribor 6m</b>	<b>4.565%</b>	<b>481,174</b>
					<b>307,068</b>
<b>2007</b>					
Commercial paper	110,000,000	March 2009	Euribor 6m	4.365%	(469,104)
Bond Loan	75,000,000	June 2009	Euribor 6m	4.565%	56,194
					(412,910)

In September 2007, Sonaecom contracted an interest rate swap, with a notional amount of Euro 110 million, for a period of 18 months re-fixed 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 an 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.

The movements that occurred in the fair value of the swaps, related to the Commercial Paper Programme, in the amount of minus Euro 294,998 and the bonds loans, in the amount of minus Euro 424,978, were recorded in reserves, as the hedging is effective, in accordance with IAS 39.

Through the execution of these derivative financial instruments, at 31 December 2008, approximately 48% of gross debt is, in an indirect way, subject to fixed interest rates. The remaining 52% of gross debt is exposed to changes in the interest rates.

At 31 December 2008, based on the amount of debt exposed to variable rates, including the debt related to lease contracts, and regarding the financial applications and bank balances at the same date, if the market interest rates rise (fall), in average, 75bp for the year 2009, interest incurred in that year would be increased (decreased) by approximately Euro 1,600,000. However, considering that interest rates will be fixed until the contractually defined resetting moment, the impact in 2009, would only be of circa Euro 1,300,000. In addition, considering that the loans granted to Group companies are bearing interests at market rates, if interest rates would increase (decrease) an average of 75bp over the year 2009, the net interests received, would be increased (decreased) by circa Euro 1,400,000.

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

The caption 'Short-term loans and other loans', at 31 December 2008 and 2007, includes an amount of Euro 30,784,090 and Euro 17,860,473, respectively, related to Treasury applications received from subsidiaries and was composed as follows:

	2008	2007
Be Towering	<b>14,813,060</b>	6,570,000
Digitmarket	<b>3,475,028</b>	2,095,000
Sonae.com SI	<b>2,687,326</b>	2,900,000
Mainroad	<b>2,606,863</b>	1,500,000
Publico	<b>885,650</b>	—
Miauger	<b>732,528</b>	515,000
Sonae Telecom	<b>444,785</b>	—
Saphety	<b>265,203</b>	—
Tele 2	<b>647</b>	4,177,000
	<b>25,911,090</b>	17,757,000

Funding entity	Type	Amount outstanding	
		2008	2007
Bank CGD	Overdrafts	<b>4,873,000</b>	103,473

The treasury applications received from Group companies are payable in less than three months and earn interests at market rates. During the year ended at 31 December 2008 and 2007, the Treasury applications earned an average interest rate of 4.29% and 4.02%, respectively.

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 15. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2008 and 2007 were as follows:

	Opening balance	Increases	Transfers	Utilisations	Decreases	Closing balance
<b>2008</b>						
Accumulated impairment losses on accounts receivables (Note 8)	806	1,200	–	–	–	2,006
Accumulated impairment losses on investments in Group companies (Note 5)	10,448,903	–	35,528,999	–	–	45,977,902
Accumulates impairment losses on other non current assets (Note 6)	40,590,703	10,273,720	(35,528,999)	–	–	15,335,424
Provisions for other liabilities and charges	23,706	33,558	–	–	–	57,264
	<b>51,064,118</b>	<b>10,308,478</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>61,372,596</b>
<b>2007</b>						
Accumulated impairment losses on accounts receivables (Note 8)	806	–	–	–	–	806
Accumulated impairment losses on investments in Group companies (Note 5)	22,573,509	–	(12,124,606)	–	–	10,448,903
Accumulates impairment losses on other non current assets (Note 6)	28,466,097	–	12,124,606	–	–	40,590,703
Provisions for other liabilities and charges	31,979	–	–	–	(8,273)	23,706
	<b>51,072,391</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(8,273)</b>	<b>51,064,118</b>

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' (Note 21).

The increase of 'Provisions for other liabilities and charges' includes the amount of Euro 31,059 registered in the financial statements, under the caption 'Income taxation'. Therefore, the amount registered in the profit and loss statements, in the heading 'Provisions and impairment losses', corresponds to Euro 3,701.

### 16. Other non current liabilities

This caption, in the amounts of Euro 326,483 and Euro 129,379, at 31 December 2008 and 2007, respectively, corresponds to the medium and long term amounts associated with the Medium Term Incentive Plans (Note 25).

### 17. Other creditors

At 31 December 2008 and 2007, this caption was made up as follows:

	2008	2007
Capital subscribed	–	40,000,000
State and other public entities	207,927	629,421
Legal services	192,441	354,535
Sonae SGPS remunerations	166,348	–
Medium Term Incentive Plans	139,034	–
Share services (Public relations)	119,860	218,066
Creditors subscription not deliberated	80,000	80,000
Fixed assets suppliers	65,102	–
Other creditors	72,539	10,099
	<b>1,043,250</b>	<b>41,292,121</b>

At 31 December 2007, the amount of Capital subscribed relates to Supplementary capital granted to Sonaetelecom BV, and was realised on 2 January 2008.



## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 17. Other creditors (continued)

The other creditors had the following maturity plan:

	Total	Until 90 days	From 90 to 180 days	More than 180 days
<b>2008</b>				
Fixed assets suppliers	65,102	65,102	—	—
Other creditors	770,221	770,221	—	—
	<b>835,323</b>	<b>835,323</b>	—	—
<b>2007</b>				
Capital subscribed	40,000,000	40,000,000	—	—
Other creditors	662,700	662,700	—	—
	<b>40,662,700</b>	<b>40,662,700</b>	—	—

### 18. Other current liabilities

At 31 December 2008 and 2007, this caption was made up as follows:

	2008	2007
<b>Accrued costs</b>		
Staff costs to be paid	1,266,837	1,222,205
Medium Term Incentive Plans	229,049	535,579
Other external supplies and services	136,373	242,572
Consultancy	20,449	5,109
Other accrued costs	194,851	1,028,015
	<b>1,847,559</b>	<b>3,033,480</b>
<b>Deferred income</b>		
Invoices to be issued	62,500	112,500
Other deferred income	50	290
	<b>62,550</b>	<b>112,790</b>
	<b>1,910,109</b>	<b>3,146,270</b>

### 19. Services rendered and other operating revenues

At 31 December 2008 and 2007 the caption 'Services rendered' was comprised by the charge of management fees to subsidiaries.

At 31 December 2008 and 2007, the caption 'Other operating revenues' was made up as follows:

	2008	2007
Recharge of spaces and facilities	31,036	326,697
Other operational income	7,816	271,702
Recharge of consultancy costs	—	23,519,585
Recharge of personnel	—	53,078
Reversal of provisions	—	8,273
Disposals of fixed assets	—	3,931
	<b>38,852</b>	<b>24,183,266</b>

The 'Recharge of consultancy costs' occurred at 31 December 2007, is related to the consultancy cost incurred by Sonaecom during the tender offer on Portugal Telecom, in 2007 and 2006, which were charged to subsidiaries Optimus and Sonaecom Serviços de Comunicações (ex Novis).

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 20. External supplies and services

At 31 December 2008 and 2007, this caption was made up as follows:

	2008	2007
Specialised work	2,016,121	2,686,194
Fees	527,480	392,925
Travel and accommodation	348,376	320,761
Rents and traveling expenses	318,351	312,141
Other external supplies and services	378,487	946,674
	<b>3,588,815</b>	<b>4,658,695</b>

The commitments assumed, at 31 December 2008, related to operational leases are as follows:

	2008	2007
Minimum payments of operational leases:		
2009	176,024	192,337
2010	143,476	132,480
2011	102,803	103,212
2012	53,676	32,632
2013	—	—
2014	—	—
Renewable by periods of one year	91,331	88,252
	<b>567,310</b>	<b>548,913</b>

During the year ended at 31 December 2008 an amount of Euro 300,015 was recorded in the heading 'External supplies and services' related to operational leasing rents.

### 21. Financial results

Net financial results for the years ended 31 December 2008 and 2007 are made up as follows:

	2008	2007
<b>Gains and losses on investments in Group companies</b>		
Losses related to Group companies (Notes 5 and 15)	(10,273,720)	(82,074,258)
Gains related to Group companies	21,414,813	38,592,872
	<b>11,141,093</b>	<b>(43,481,386)</b>
<b>Other financial expenses</b>		
Interest expenses:		
Bank loans	(10,880,213)	(2,391,116)
Other loans	(9,606,002)	(10,280,462)
Overdrafts and others	(97,435)	(33,547)
	<b>(20,583,649)</b>	<b>(12,705,125)</b>
Foreign currency exchange losses	(1,862)	(13)
Other financial expenses		
Charges of setting-up the financing	—	(444,862)
Others	(31,404)	(133,729)
	<b>(31,404)</b>	<b>(578,591)</b>
	<b>(20,616,916)</b>	<b>(13,283,729)</b>
<b>Other financial income</b>		
Interest income	30,387,017	20,157,603
Foreign currency exchange gains	9	23,229
Fair value adjustments of investments recorded at fair value through profit and loss (Note 10)	—	279,489
	<b>30,387,026</b>	<b>20,460,321</b>

At 31 December 2008, the caption 'Gains related to Group companies' relates to the dividends received from Sonaecom –Serviços de Comunicações, S.A.. At 31 December 2007 this caption was comprised by dividends received from Sonae Telecom S.G.P.S., S.A and Optimus (Euro 34,000,000 and Euro 4,592,872, respectively).

At 31 December 2007, the caption 'Losses related to Group companies' were related to the loss with Matrix liquidation.

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 22. Related parties

The most significant balances and transactions with related parties (which are detailed in the appendix) at 31 December 2008 and 2007 were as follows:

	Balances at 31 December 2008				
	Accounts receivable	Accounts payable	Treasury applications	Accruals	Loans granted/(obtained)
Sonaecom SC	2,688,808	(119,860)	36,510,000	2,001,438	—
Sonaecom BV	81,688,065	(80,000)	—	462,686	138,887,000
Be Artis	2,288,719	(187)	—	910,686	190,780,000
Sonaetelecom BV	515,736	—	—	135,025	27,401,000
Be Towering	105,104	—	—	835,632	(14,813,060)
Sonae 3P	23,029	(2,241)	—	—	—
Público	17,368	—	—	122,883	(885,650)
Tele 2	15,630	—	488,000	131,731	(647)
Wedo	14,545	(16,700)	12,285,000	507,197	—
Sonaecom SI	14,087	(2,887)	—	(187,880)	(2,297,326)
Outros	38,840	(330,977)	700,000	(13,146)	(6,624,406)
	<b>87,409,931</b>	<b>(552,851)</b>	<b>49,983,000</b>	<b>4,906,252</b>	<b>332,446,910</b>

	Balances at 31 December 2007				
	Accounts receivable	Accounts payable	Treasury applications	Accruals	Loans granted/(obtained)
Sonaecom SC	4,743,144	(238,453)	55,467,900	2,038,954	262,795,000
Sonaecom BV	1,625,857	(80,000)	—	606,162	120,660,000
Sonaetelecom BV	868,083	(40,000,000)	—	329,350	70,175,000
Wedo	52,498	—	10,629,650	109,983	—
Público	32,702	(2,405)	1,893,000	249,813	—
Tele 2	9,473	—	—	(17,914)	(3,215,218)
BeTowering	4,400	—	—	(101,383)	(6,570,000)
Outros	10,838	(500,260)	—	(5,644)	(6,620,000)
	<b>7,346,995</b>	<b>(40,821,118)</b>	<b>67,990,550</b>	<b>3,209,321</b>	<b>437,224,782</b>

	Transactions at 31 December 2008			
	Sales and services rendered	Supplies and services received	Interest and similar income/(expense)	Supplementary income
Sonaecom SC	6,304,955	1,394,879	13,645,714	6,769
Be Artis	282,162	1,367	5,728,236	(538)
Público	162,404	3,076	152,938	635
Wedo	114,513	(3,400)	649,895	900
Sonaecom BV	—	—	6,399,212	—
Sonaetelecom BV	114	—	1,894,977	—
Outros	165,041	338,408	69,123	34,572
	<b>7,029,188</b>	<b>1,734,331</b>	<b>28,540,096</b>	<b>42,338</b>

	Transactions at 31 December 2007			
	Sales and services rendered	Supplies and services received	Interest and similar income/(expense)	Supplementary income
Optimus	3,541,667	891,335	(327,114)	10,601,955
Sonaecom SC	2,883,820	87,451	6,365,083	13,462,499
Público	174,512	45,136	273,848	5,838
Wedo	116,537	(3,061)	(123,310)	4,615
Sonae SGPS	—	(15,455)	2,091,718	860
Sonaecom BV	—	—	6,149,108	—
Sonaetelecom BV	—	—	3,157,899	—
Outros	60,449	312,731	(716,615)	78,599
	<b>6,776,984</b>	<b>1,318,137</b>	<b>16,870,617</b>	<b>24,154,366</b>

All the above transactions were made at market prices.

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 23. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 2008 and 2007 were as follows:

Beneficiary	Description	2008	2007
BBVA – Portugal, ING Belgium Portugal e Millennium BCP	Commercial paper	320,000,000	320,000,000
Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT Reimbursements	8,098,449	6,064,286
		<b>328,098,449</b>	<b>326,064,286</b>

At 31 December 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 on the financial statements.

### 24. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the net income of the year (Euro 19,657,889 in 2008 and negative Euro 15,334,817 in 2007) by the average number of shares outstanding during the years ended at 31 December 2008 and 2007, net of own shares (Euro 363,151,223 in 2008 and Euro 364,668,263 in 2007).

### 25. Medium Term Incentive Plans

In June 2000, the Company created a discretionary Medium Term Incentive Plan for more senior employees, based on Sonaecom options and shares and Sonae S.G.P.S., S.A. shares. The vesting occurs three years after the award of each plan, assuming that the employees are still employed in the Company. In some annual plans, beneficiaries can choose between options or shares. Options are valued using the Black Scholes options pricing model.

The Sonaecom plans outstanding at 31 December 2008 can be summarised as follows:

				31 December 2008	
	Share price at award date*	Award date	Vesting period Vesting date	Aggregate number of participations	Number of shares
Sonaecom shares					
2004 Plan	3,960	31 March 2005	10 March 2008	—	—
2005 Plan	4.093	10 March 2006	9 March 2009	20	86,440
2006 Plan	4.697	9 March 2007	8 March 2010	20	116,911
2007 Plan	2.447	10 March 20-08	9 March 2011	20	261,501
Sonae SGPS shares					
2004 Plan	1.17	31 March 2005	10 March 2008	—	—
2005 Plan	1.34	10 March 2006	9 March 2009	4	93,747
2006 Plan	1.68	9 March 2007	8 March 2010	4	118,675
2007 Plan	1.16	10 March 2008	9 March 2011	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 years ended at 31 December 2008, the movements that occurred in the plans can be summarised as follows:

	Sonaecom shares		Sonae SGPS shares	
	Aggregate number of participations	Number of shares	Aggregate number of participations	Number of shares
Outstanding at 31 December 2007:				
Unvested	59	313,162	12	313,462
Total	59	313,162	12	313,462
Movements in year:				
Awarded	20	261,501	5	216,103
Vested	(18)	(105,455)	(4)	(151,936)
Cancelled/lapsed*	(1)	(4,356)	–	57,012
Outstanding at 31 December 2008:				
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.

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

### 25. Medium Term Incentive Plans (continued)

For Sonaecom's share plans, the total responsibility, calculated taking in consideration the share price at balance sheet date, is Euro 216,919 and was recorded under the headings of 'Other current liabilities' and 'Other non current liabilities' (Notes 16 and 18). For the Sonaecom 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 338,613.

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 year ended at 31 December 2008, were as follows:

	Value
Costs recognised in previous years	3,179,083
Costs recognised in the year	285,567
Costs of plans vested in previous years	(2,239,310)
Costs of plans vested in the year	(669,808)
	555,532
Recorded in other current liabilities (Note 18)	229,049
Recorded in other non current liabilities (Note 16)	326,483

During the year ended at 31 December 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.

### 26. Remuneration attributed to the key management personnel

The remuneration of directors and other members of key management during the years ended 31 December 2008 and 2007 were as follows:

	2008	2007
Short term employee benefits	2,335,989	2,222,639
Share based payments	357,861	2,255,325
	2,693,850	4,477,964

The values above relate to short term employee benefits and were calculated on an accruals basis and include Fixed Remuneration and Performance Bonus. The share based payments for 2008 and 2007 correspond to the value of the Medium Term Incentive Plan awarded in 2005, in respect to the performance during 2004 (and the Medium Term Incentive Plan awarded in 2004 in respect to the performance during 2003, for the 2007 values), whose shares, or the cash equivalent, were delivered on March 2008 and March 2007, respectively, and valued based on the share price of the delivery date (10 March 2008 and 9 March 2007, respectively). These amounts also include the amount of cash delivered during the exercise of 2007, corresponding to the anticipated settlement of the awarded Plans in 2005, 2006 and 2007, attributed to the Chairman of the Executive Board, following the changes in the composition of the Board of Directors during the year, which are described in the Management Report.

### 27. Average number of employees

During the years ended at 31 December 2008 and 2007 the Company had an average of 41 employees. As of 31 December 2008, the Company had 41 employees.

### 28. 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 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 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 6 March 2009, having the conviction that they will be adopted at the General Meeting of Shareholders without any changes.

## 5.4 Notes to the individual financial statements (continued)

AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euro)

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS/IFRS) and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

## Appendix

At 31 December 2008, the related parties of Sonaecom, S.G.P.S. are as follows:

### Key management personnel

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

### Sonaecom Group Companies

Be Artis-Concepção, Construção e Gestão Redes Comunicações, S.A.	Sonaetelecom BV
Be Towering – Exploração de Torres de Telecomunicações, S.A.	Sonaecom – Serviços de Comunicações, S.A.
Cape Technologies (UK ) Limited	Sonae Telecom, S.G.P.S., S.A.
Cape Technologies Americas, Inc	
Cape Technologies Limited	
Digitmarket – Sistemas de Informação, SA	Tecnológica Telecomunicações LTDA.
M3G – Edições Digitais, S.A.	Telemilénio – Telecomunicações Sociedade
Mainroad – Serviços Tec. Informação, S.A	Unipessoal, Lda
Miauger – Organização e Gestão de Leilões Electrónicos., S.A	Unipress – Centro Gráfico, Lda
Permar – Sociedade de Construções, S.A.	VIPU Ace
Praesidium Services Limited	WeDo Consulting – Sistemas de Informação, S.A.
Praesidium Technologies Limited	WeDo do Brasil – Soluções Informáticas, Ltda
Público – Comunicação Social, S.A.	We Do Poland Sp. Z.o.o.
Saphety Level – Trusted Services, S.A.	Wedo Technologies Australia PTY Limited
Sociedade Independente de Radiodifusão Sonora, S.A.	WeDo Technologies BV
Sonaecom, B.V.	WeDo Technologies BV – Sucursal Malaysia
Sonae.com – Sistemas Informação, S.G.P.S., S.A.	We Do Technologies Egypt a Limited Liability Company
Sonaecom, S.G.P.S., S.A.	We Do Technologies Mexico, s de R.L. de C.V.
	WeDo Technologies (UK) Limited

### Sonae/Efanor Group Companies

3DO Holding GmbH	Arrábidasshopping – Centro Comercial, S.A.
3DO Shopping Centre GmbH	Aserraderos de Cuellar, S.A.
3shoppings – Holding, SGPS, S.A.	Atlantic Ferries – Tráf.Loc,Flu.e Marít, S.A.
Aegean Park, S.A.	Avenida M – 40 B.V.
Agepan Eiweiler Management GmbH	Avenida M – 40, S.A.
Agepan Flooring Products, S.A.RL	Azulino Imobiliária, S.A.
Agepan Tarket Lamineate Park GmbH Co. KG	Bertimóvel – Sociedade Imobiliária, S.A.
Aglom Investimentos, Sgps, S.A.	Best Offer – Prest. Inf. p/Internet, S.A.
Aglom-Soc.Ind.Madeiras e Aglom., S.A.	Bikini, Portal de Mulheres, S.A.
Águas Furtadas – Imobiliária, S.A.	Bloco Q – Sociedade Imobiliária, S.A.
Airone – Shopping Center, Srl	Bloco W – Sociedade Imobiliária, S.A.
ALEXA Administration GmbH	Boavista Shopping Centre BV
ALEXA Holding GmbH	Boulanger España, SL
ALEXA Shopping Centre GmbH	Box Lines Navegação, S.A.
Alexa Site GmbH & Co. KG	Campo Limpo, Lda
Algarveshopping – Centro Comercial, S.A.	Canasta – Empreendimentos Imobiliários, S.A.
Andar – Sociedade Imobiliária, S.A.	Carnes do Continente-Ind.Distr.Carnes, S.A.
Aqualuz – Turismo e Lazer, Lda	CarPlus – Comércio de Automóveis, S.A.
Aquapraia – Investimentos Turísticos, S.A.	Casa Agrícola de Ambrães, S.A.
Arat inmebles, S.A.	Casa Agrícola João e A. Pombo, S.A.
	Casa da Ribeira – Hotelaria e Turismo, S.A.



## Appendix (continued)

Cascaishopping – Centro Comercial, S.A.  
 Cascaishopping Holding I, SGPS, S.A.  
 Centro Colombo – Centro Comercial, S.A.  
 Centro Residencial da Maia, Urban., 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.  
 Clérigoshopping – Gestão do C.Comerc., S.A.  
 Coimbrashopping – Centro Comercial, S.A.  
 Colombo Towers Holding, BV  
 Contacto Concessões, SGPS, S.A.  
 Contibomba – Comérc.Distr.Combustiveis, S.A.  
 Contimobe – Imobil.Castelo Paiva, S.A.  
 Continente Hipermercados, S.A.  
 Contry Club da Maia – Imobiliária, S.A.  
 Craiova Mall BV  
 Cronosaúde – Gestão Hospitalar, S.A.  
 Cumulativa – Sociedade Imobiliária, S.A.  
 Darbo S.A.S  
 Developpement & 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.  
 Edifícios Saudáveis Consultores, 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 & 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.  
 Farmácia Seleção, SA  
 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.  
 Geotur – Viagens e Turismo, S.A.  
 GHP GmbH  
 Gli Orsi – Shopping Centre, Srl  
 Gli Orsi Shopping Centre 1 Srl  
 Global S – Hipermercado,Lda  
 Glunz AG  
 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.  
 Imoareia – 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 & Co. KG  
 Implantação – Imobiliária, S.A.  
 Infofield – Informática, S.A.  
 Inparsa – Gestão Galeria Comercial, S.A.  
 Inparvi SGPS, S.A.  
 Insulatroia – Sociedade Imobiliária, S.A.  
 Integrum – Edifícios Sustentáveis, SA  
 Integrum – Serviços Partilhados, S.A.  
 Interclean, S.A.  
 Interlog – SGPS, S.A.  
 Inventory – Acessórios de Casa, S.A.  
 Investalentejo, SGPS, S.A.  
 Invsauade – Gestão Hospitalar, S.A.  
 Ipaper – Indústria Papeis Impregnados, S.A.  
 ISF – Imobiliário, Serviços e Participaç  
 Isoroy SAS

## Appendix (continued)

KLC Holdings XII SA	Pareuro, BV
La Farga – Shopping Center, SL	Pargeste SGPS, S.A.
Larissa Develop. Of Shopping Centers, S.A.	Park Avenue Develop. of Shop. Centers S.A.
Lazam Corretora, Ltda.	Parque Atlântico Shopping – C.C., S.A.
Le Terrazze – Shopping Centre S.r.l.	Parque D. Pedro 1 B.V.
Lembo Services Ltd (Euro)	Parque D. Pedro 2 B.V.
Libra Serviços, Lda.	Parque de Famalicão – Empr. Imob., S.A.
Lidergraf – Artes Gráficas, Lda.	Parque Principado SL
Lima Retail Park, S.A.	Partnergiro – Empreend. Turísticos, Lda
Loureshopping – Centro Comercial, S.A.	Pátio Boavista Shopping Ltda.
Luso Assistência – Gestão de Acidentes, S.A.	Pátio Campinas Shopping Ltda
Luz del Tajo – Centro Comercial S.A.	Pátio Goiânia Shopping Ltda
Luz del Tajo B.V.	Pátio Londrina Empreend. e Particip. Ltda
Madeirashopping – Centro Comercial, S.A.	Pátio Londrina Empreend.e Particip.Ltda
Maiashopping – Centro Comercial, S.A.	Pátio Penha Shopping Ltda.
Maiequipa-Gestão Florestal, S.A.	Pátio São Bernardo Shopping Ltda
Marcas do Mundo – Viag. e Turismo Unip,Lda	Pátio Sertório Shopping Ltda
Marcas MC, ZRT	Peixes do Continente – Ind.Dist.Peixes, S.A.
Marimo – Exploração Hoteleira Imobiliária	PHARMACONTINENTE – Saúde e Higiene, S.A.
Marina de Tróia S.A.	PJP – Equipamento de Refrigeração, Lda
Marinamagic – Expl.Cent.Lúdicos Marít,Lda	Plaza Eboli B.V.
Marmagno – Expl.Hoteleira Imob., S.A.	Plaza Eboli – Centro Comercial S.A.
Martimope – Sociedade Imobiliária, S.A.	Plaza Mayor Holding, SGPS, S.A.
Marvero – Expl.Hoteleira Imob., S.A.	Plaza Mayor Parque de Ócio B.V.
MC Property Management S.A.	Plaza Mayor Parque de Ocio, S.A.
MDS Corretor de Seguros, S.A.	Plaza Mayor Shopping B.V.
Mediterranean Cosmos Shop. Centre Investments, S.A.	Plaza Mayor Shopping, S.A.
Megantic BV	Ploi Mall BV
MJLF – Empreendimentos Imobiliários, S.A.	Ploiesti Shopping Center (Euro)
Modalfa – Comércio e Serviços, S.A.	Poliface Brasil, Ltda
Modelo – Dist.de Mat. de Construção, S.A.	Poliface North America
Modelo Cont. Seguros – Soc. De Mediação, Lda	Porturbe – Edifícios e Urbanizações, S.A.
Modelo Continente – Oper.Retalho SGPS, S.A.	Praedium II – Imobiliária, S.A.
Modelo Continente Hipermercados, S.A.	Praedium III – Serviços Imobiliários, S.A.
Modelo Continente, SGPS, S.A.	Praedium SGPS, S.A.
Modelo Hiper Imobiliária, S.A.	Predicomercial – Promoção Imobiliária, S.A.
Modelo Hipermercados Trading, S.A.	Prédios Privados Imobiliária, S.A.
Modelo.com – Vendas p / Correspond., S.A.	Predisedas – Predial das Sedas, S.A.
Monselice Centre Srl	Pridelease Investments, Ltd
Movelpartes – Comp.para Ind.Mobiliária, S.A.	Profimetrics – Software Solutions, S.A.
Movimento Viagens – Viag. e Turismo U.Lda	Proj. Sierra Germany 1 – Shop.C. GmbH
Mundo Vip – Operadores Turísticos, S.A.	Proj. Sierra Germany 4 (four) – Sh.C.GmbH
NAB, Sociedade Imobiliária, S.A.	Proj. Sierra Italy 2 – Dev.of Sh.C. Srl
NA – Comércio de Artigos de Desporto, S.A.	Proj.Sierra 1 – Shopping Centre GmbH
NA – Equipamentos para o Lar, S.A.	Proj.Sierra Germany 2 (two) – Sh.C.GmbH
Norscut – Concessionária de Scut Interior Norte, S.A.	Proj.Sierra Germany 3 (three) – Sh.C.GmbH
Norte Shop. Retail and Leisure Centre BV	Proj.Sierra Hold. Portugal V, SGPS, S.A.
Norteshopping – Centro Comercial, S.A.	Proj.Sierra Italy 1 – Shop.Centre Srl
Nova Equador Internacional,Ag.Viag.T,Ld	Proj.Sierra Italy 2 – Dev. Of Sh.C.Srl
Nova Equador P.C.O. e Eventos	Proj.Sierra Italy 3 – Shop. Centre Srl
Novobord (PTY) Ltd.	Proj.Sierra Portugal I – C.Comerc., S.A.
Oeste Retail Park – Gestão G.Comerc., S.A.	Proj.Sierra Portugal II – C.Comerc., S.A.
Operscut – Operação e Manutenção de Auto-estradas, S.A.	Proj.Sierra Portugal III – C.Comerc., S.A.
OSB Deustchland GmbH	Proj.Sierra Portugal IV – C.Comerc., S.A.
Paracentro – Gest.de Galerias Com., S.A.	Proj.Sierra Portugal V – C.Comercial, S.A.

## Appendix (continued)

Proj.Sierra Portugal VI – C.Comercial, S.A.  
 Proj.Sierra Portugal VII – C. Comerc., S.A.  
 Proj.Sierra Portugal VIII – C.Comerc., S.A.  
 Project 4, Srl  
 Project SC 1 BV  
 Project SC 2 BV  
 Project Sierra 1 B.V.  
 Project Sierra 10 BV  
 Project Sierra 2 B.V.  
 Project Sierra 3 BV  
 Project Sierra 4 BV  
 Project Sierra 5 BV  
 Project Sierra 6 BV  
 Project Sierra 7 BV  
 Project Sierra 8 BV  
 Project Sierra 9 BV  
 Project Sierra Brazil 1 B.V.  
 Project Sierra Charagionis 1 S.A.  
 Project Sierra Germany Shop. Center 1 BV  
 Project Sierra Germany Shop. Center 2 BV  
 Project Sierra Italy 5 Srl  
 Project Sierra One Srl  
 Project Sierra Spain 1 B.V.  
 Project Sierra Spain 2 B.V.  
 Project Sierra Spain 2 – Centro Comer. S.A.  
 Project Sierra Spain 3 B.V.  
 Project Sierra Spain 3 – Centro Comer. S.A.  
 Project Sierra Spain 5 BV  
 Project Sierra Spain 6 B.V.  
 Project Sierra Spain 6 – Centro Comer. SA  
 Project Sierra Spain 7 B.V.  
 Project Sierra Spain 7 – Centro Comer. SA  
 Project Sierra Srl  
 Project Sierra Srl  
 Project Sierra Three Srl  
 Project Sierra Two Srl  
 Promessa Sociedade Imobiliária, S.A.  
 Prosa – Produtos e serviços agrícolas, S.A.  
 Publmeios – Soc.Gestora Part. Finan., S.A.  
 Racionaliz. y Manufact.Florestales, S.A.  
 RASO, SGPS, SA  
 Resoflex – Mob.e Equipamentos Gestão, S.A.  
 Resolução, SGPS, S.A.  
 Rio Sul – Centro Comercial, S.A.  
 River Plaza Mall, Srl  
 Rochester Real Estate,Limited  
 S. C. Setler Mina Srl  
 S.C. Microcom Doi Srl  
 Saúde Atlântica – Gestão Hospitalar, S.A.  
 SC Aegean B.V.  
 SC Insurance Risks Services, SGPS, S.A.  
 SC Mediterraneum Cosmos B.V.  
 SC – Consultadoria, S.A.  
 SC – Eng. e promoção imobiliária, SGPS, S.A.  
 SCS Beheer,BV

Selfrio, SGPS, S.A.  
 Selfrio – Engenharia do Frio, S.A.  
 Selifa – Empreendimentos Imobiliários, S.A.  
 Sempre à Mão – Sociedade Imobiliária, S.A.  
 Sempre a Postos – Produtos Alimentares e Utilidades, Lda  
 Serra Shopping – Centro Comercial, S.A.  
 Sesagest – Proj.Gestão Imobiliária, S.A.  
 Sete e Meio – Invest. Consultadoria, S.A.  
 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.  
 SIAL Participações Ltda  
 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.  
 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.

## Appendix (continued)

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.  
 Sonae Capital Brasil, Lda  
 Sonae Capital, SGPS, S.A.  
 Sonae Center Serviçoss, SA  
 Sonae Financial Participations BV  
 Sonae Ind., Prod. e Com.Deriv.Madeira, S.A.  
 Sonae Indústria Brasil, Ltda  
 Sonae Industria de Revestimentos, S.A.  
 Sonae Indústria – SGPS, S.A.  
 Sonae International, Ltd  
 Sonae Investments,BV  
 Sonae Novobord (PTY) Ltd  
 Sonae RE, S.A.  
 Sonae Retalho Espana – Servicios Gen., S.A.  
 Sonae 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.  
 Sonaecenter Serviços, SA  
 Sonaegest – Soc.Gest.Fundos Investimentos  
 Sondas 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  
 Spinarq, 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 Société en Commandite  
 Tafisa France, S.A.  
 Tafisa UK,Ltd  
 Tafisa – Tableros de Fibras, S.A.  
 Taiber,Tableros Aglomerados Ibéricos, SL  
 Tarkett Agepan Laminate Flooring SCS  
 Tavapan, S.A.  
 Tecmasa Reciclados de Andalucia, SL  
 Teconologias del Medio Ambiente, S.A.  
 Textil do Marco, S.A.  
 Tlantic Portugal – Sist. de Informação, SA  
 Tlantic Sistemas de Informação Ltd<sup>a</sup>  
 Todos os Dias – Com.Ret.Expl.C.Comer., S.A.  
 Tool Gmbh  
 Torre Colombo Ocidente – Imobiliária, S.A.  
 Torre Colombo Oriente – Imobiliária, S.A.  
 Torre São Gabriel – Imobiliária, S.A.  
 TP – Sociedade Térmica, S.A.  
 Troia Market, SA  
 Troia Market – Supermercados, S.A.  
 Tróia Natura, S.A.  
 Troiaresort – Investimentos Turísticos, S.A.  
 Troiaverde – Expl.Hoteleira Imob., S.A.  
 Tulipamar – Expl.Hoteleira Imob., S.A.  
 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.  
 Viajens y Turismo de Geotur España, S.L  
 World Trade Center Porto, S.A.  
 Worten España, S.A.  
 Worten – Equipamento para o Lar, S.A.  
 Zubiarte Inversiones Inmob, S.A.

### FT Group Companies

France Telecom, S.A.  
 Atlas Services Belgium, SA.

## 5.5 Statement under the terms of Article 245

The signatories individually declare that, to their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared meeting the standards of the applicable International Financial Reporting Standards, giving a truthful (fairly) and appropriate image, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of the issuer and that the Management Report faithfully describes the business evolution and position of the issuer and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

### The Board of Directors

Duarte Paulo Teixeira de Azevedo  
Ângelo Gabriel Ribeirinho Paupério  
Luís Filipe Campos Dias de Castro Reis  
George Christopher Lawrie  
Miguel Nuno Santos Almeida  
Nuno Miguel Moniz Trigos Santos Jordão

Maria Cláudia Teixeira de Azevedo  
António Sampaio e Mello  
Gervais Gilles Pellissier  
David Charles Denholm Hobley  
Jean-François René Pontal  
Frank Emmanuel Dangeard

Maia, 6 March 2009



## 5.6 Legal certification of accounts and Audit Report



Deloitte & Associados, SROC S  
Inscrição na OROC nº 43  
Registo na CMVM nº 231

Bom Sucesso Trade Center  
Praça do Bom Sucesso, 61 - 13º  
4150-146 Porto  
Portugal

### CERTIFICAÇÃO LEGAL DAS CONTAS

#### E

### RELATÓRIO DE AUDITORIA

#### **Introdução**

1. Nos termos da legislação aplicável, apresentamos a Certificação Legal das Contas e o Relatório de Auditoria sobre a informação financeira consolidada e individual contida no Relatório de Gestão e sobre as demonstrações financeiras consolidadas e individuais anexas do exercício findo em 31 de Dezembro de 2008 da SONAECOM, S.G.P.S., S.A. ("Empresa"), as quais compreendem os Balanços Consolidado e Individual em 31 de Dezembro de 2008 (que evidenciam um total de 1.973.441.436 Euros e 1.563.728.607 Euros, respectivamente e capitais próprios consolidados e individuais de 928.953.992 Euros e 1.148.098.149 Euros, respectivamente, incluindo um resultado líquido consolidado atribuível aos accionistas da Empresa de 4.998.142 Euros e um resultado líquido individual de 19.657.889 Euros), as Demonstrações Consolidadas e Individuais dos resultados por naturezas, dos fluxos de caixa e das alterações no capital próprio do exercício findo naquela data e os correspondentes Anexos.

#### **Responsabilidades**

2. É da responsabilidade do Conselho de Administração da Empresa: (i) a preparação de demonstrações financeiras consolidadas e individuais que apresentem de forma verdadeira e apropriada a posição financeira da Empresa e do conjunto das empresas incluídas na consolidação, o resultado consolidado e individual das suas operações 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 e a manutenção de sistemas de controlo interno apropriados; (iv) a informação de qualquer facto relevante que tenha influenciado a actividade da Empresa e do conjunto das empresas incluídas na consolidação, a sua posição financeira ou os seus resultados.
3. A nossa responsabilidade consiste em examinar a informação financeira consolidada e individual contida nos documentos de prestação de contas acima referidos, incluindo a verificação se, para os aspectos materialmente relevantes, é completa, verdadeira, actual, clara, objectiva e lícita, conforme exigido pelo Código dos Valores Mobiliários, competindo-nos emitir um relatório profissional e independente baseado no nosso exame.

#### **Âmbito**

4. O exame a que procedemos foi efectuado de acordo com as Normas Técnicas e as Directrizes de Revisão/Auditoria da Ordem dos Revisores Oficiais de Contas, as quais exigem que este seja planeado e executado com o objectivo de obter um grau de segurança aceitável sobre se as demonstrações financeiras consolidadas e individuais estão isentas de distorções materialmente relevantes. Este exame incluiu a verificação, numa base de amostragem, do suporte das quantias e informações divulgadas nas demonstrações financeiras consolidadas e individuais e a avaliação das estimativas, baseadas em juízos e critérios definidos pelo Conselho de Administração, utilizadas na sua preparação. Este exame incluiu, igualmente, a verificação das operações de consolidação, a aplicação do método da equivalência patrimonial e de terem sido apropriadamente examinadas as demonstrações financeiras das empresas incluídas na consolidação, a apreciação sobre se são adequadas as políticas contabilísticas adoptadas, a sua aplicação uniforme e a sua divulgação, tendo em conta as circunstâncias, a verificação da aplicabilidade do princípio da continuidade das operações, a apreciação sobre se é adequada, em termos globais, a apresentação das demonstrações financeiras consolidadas e individuais, e a apreciação, para os aspectos materialmente relevantes, se a informação financeira é completa, verdadeira, actual, clara, objectiva e lícita. O nosso exame abrangeu ainda a verificação da concordância da informação financeira constante do Relatório de Gestão com os restantes documentos de prestação de contas consolidadas e individuais. Entendemos que o exame efectuado proporciona uma base aceitável para a expressão da nossa opinião.

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 das 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.

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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

Member of  
Deloitte Touche Tohmatsu

## 5.6 Legal certification of accounts and Audit Report (continued)



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Inscrição na OROC nº 43  
Registo na CMVM nº 231

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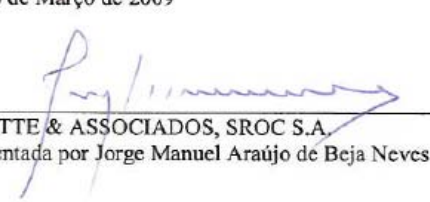
### Opinião

5. Em nossa opinião, as demonstrações financeiras consolidadas e individuais referidas no parágrafo 1 acima, apresentam de forma verdadeira e apropriada, em todos os aspectos materialmente relevantes, a posição financeira consolidada e individual da SONAECOM, S.G.P.S., S.A. em 31 de Dezembro de 2008, o resultado consolidado e individual das suas operações e os seus fluxos de caixa consolidados e individuais no exercício findo naquela data, em conformidade com as Normas Internacionais de Relato Financeiro tal como adoptadas na União Europeia e a informação nelas constante é, nos termos das definições incluídas nas directrizes mencionadas no parágrafo 4 acima, completa, verdadeira, actual, clara, objectiva e lícita.

### Ênfase

6. Conforme mencionado nas Notas 11 e 24 do Anexo às demonstrações financeiras consolidadas, a filial Sonaecom – Serviços de Comunicações, S.A. celebrou no dia 30 de Dezembro de 2008 um contrato de titularização de créditos futuros, pelo valor global de 100.000.000 Euros, mediante o qual recebeu aquele montante e cedeu direitos aos créditos futuros correspondentes a receitas de serviços de telecomunicações a cobrar aos seus clientes do segmento empresarial. Em 31 de Dezembro de 2008, a correspondente responsabilidade encontra-se reconhecida no passivo nas rubricas de “Titularização de créditos” e será liquidada mediante a afectação das receitas futuras de serviços de telecomunicações dos exercícios de 2009 a 2013. Esta cedência de créditos futuros deu origem ao reconhecimento nas demonstrações financeiras consolidadas anexas de um proveito de, aproximadamente, 16.100.000 Euros, correspondente a parte dos activos por impostos diferidos que se estimam resultar das diferenças entre o resultado fiscal e contabilístico dos exercícios a findar entre 31 de Dezembro de 2009 a 2013, e cuja realização pressupõe o cumprimento, pela filial Sonaecom – Serviços de Comunicações, S.A., do seu plano de negócios aprovado pelo respectivo Conselho de Administração.

Porto, 6 de Março de 2009



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



## 5.7 Report and opinion of the statutory audit board (continued)

(Translation of a report originally issued in Portuguese)

### To the Shareholders of Sonaecom, SGPS, S.A.

#### 1 – Report

##### 1.1– Introduction

In compliance with applicable legislation and the mandate given to the Statutory Audit Board we hereby submit our Report and Opinion of the Management Report and other documents for the individual and consolidated accounts of Sonaecom, S.G.P.S., S.A., submitted by the Board of Directors, for the year ended at 31 December 2008.

##### 1.2 – Supervisory activities

The Statutory Audit Board, during the year under review, followed in detail the management of the Company in all matters within its competence, examined to the adequate extension the evolution of the Company and its main affiliates businesses and held meetings, with the frequency considered appropriate, attended by the Chief Financial Officer (CFO), other senior personnel responsible for financial operations, namely in the areas of accounting and internal audit and risk management, and the external auditor, a function performed in combination with the function of Statutory Auditor. These entities have always played a very important role in the execution, by the Statutory Audit Board, of the responsibilities conferred upon it by the Portuguese Company's Code.

In performing its work, the Statutory Audit Board examined the consolidated and individual Balance sheets at 31 December 2008, the consolidated and individual Statements of profit and loss by nature, of changes in equity and of cash flows for the year ended on that date and the related Notes. Additionally, the Statutory Audit Board has examined the Management Report for the year 2008, has supervised the independence and work of the Company's Independent Auditors and Statutory Auditor, and reviewed the Statutory Audit Report and the Auditor's Report issued by the Statutory Auditor, and agreed with its content.

During the year, the Statutory Audit Board has accompanied the statutory audit, the preparation and disclosure procedures of the Financial Statements and gave particular attention to the accounting treatment given to all situations with relevant economic or financial implications in the Company's assets or in the yearly performance shown in the Financial Statements. The Statutory Audit Board would like to emphasize the cooperation given by the CFO, the Company's services and the Statutory and External Auditors in the clarification of the above mentioned issues, namely the ones concerning the consolidated financial statements, having the answers obtained been considered completely satisfactory. The Statutory Audit Board also took part in the meeting of the Board of Directors which approved the Annual Report and the Financial Statements.

The Statutory Audit Board would like to give emphasis to the securitization operation performed by one of the Company's subsidiaries, which, under the decree-law n.º 453 / 99 of the 5th of November, ceded future credits to be generated under a portfolio of existing "Corporate" customer contracts in the amount of Euro 100.000.000. Future receivables shall be allocated, according to the terms of the operation, throughout the calendar years of 2009/2013.

Additionally, the operation generated the recognition of deferred tax assets in the amount of Euro 16.100.000 as mentioned in the Statutory Auditor's Report and in the Auditor's Report.

## 5.7 Report and opinion of the statutory audit board (continued)

(Translation of a report originally issued in Portuguese)

### 2 – Opinion

In consequence of the above, the Statutory Audit Board is of the opinion that the Management Report, the Consolidated and Individual Financial Statements and the application of the results presented by the Board of Directors are in accordance with the applicable accounting, legal and statutory standards, and, therefore, recommends its approval by shareholders.

### 3 – Statement of Responsibility

In accordance with paragraph 1, point a) of article 8 of Regulation nº 5/2008 of CMVM and point c) of paragraph 1 of article 245 of the Portuguese Securities Market Code, the members of the Statutory Audit Board declare that, to their knowledge, the consolidated and individual financial statements were prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of Sonaecom, S.G.P.S., S.A. and the main companies included in consolidation perimeter, and that the Management Report faithfully describes the business performance and position of the issuer and of the companies included in the consolidation perimeter containing a description of the major risks and uncertainties that they face.

Maia, 24 March 2009

The Statutory Audit Board

Arlindo Dias Duarte Silva

Óscar José Alçada da Quinta

Armando Luís Vieira de Magalhães

# 6.0

## **Our shares**

The performance of our shares during 2008 was affected by the instability of the global economy. Among other consequences, the economic downturn triggered the flight of funds from investment vehicles and drove institutional investors to switch towards highly capitalised businesses, more liquid securities and more liquid markets. Regulatory developments and competitive dynamics in the Portuguese telecommunications sector also impacted the value of our shares. Our share price ended 2008 at 1.005 euros per share, 69.5% below the closing price of 3.30 euros per share on 31 December 2007. Our share price reached a maximum of 3.26 euros per share on 2 January 2008 and a minimum of 0.95 euros on 20 November 2008.

## 6.1 Equity capital markets

Sonaecom shares have been listed on the Portuguese Stock Exchange – Euronext Lisbon – since June 2000, with the symbol SNC. The following table provides the main statistics related to Sonaecom's 2008 stock performance.

### Sonaecom shares on the stock market during 2008

Stock market	Euronext Lisbon
Ticker	SNC
ISIN	PTSNCOAE0006
Bloomberg Code	SNC PL Equity
Reuters Code	SNC.LS
Number of shares outstanding	366,246,868
Share Capital	366,246,868
Stock Price as of last day December (euros)	1.005
Stock Price - High (euros)	3.260
Stock Price - Low (euros)	0.955
Average Daily Volume - 2008 (shares)	599,258
Average Daily Volume - 2007 (shares)	1,008,154
Market Capitalisation as of last day December (euros)	368,078,102

## 6.2 Share price evolution during 2008

### Market performance

The European Stock Telecommunications index, DJ Euro Stoxx Telecoms, ended 2008 showing a decrease of circa 28%, within a wider market context where a significant reduction in earnings expectations for companies has highlighted a substantial risk to dividends, concerns over liquidity problems facing the corporate sector and refinancing risk. The telecommunications sector, particularly in the second half of the year, has outperformed the general market, driven mainly by the perception of telecoms as a sector relatively less exposed to the economic and financial crisis and thereby more resilient during market downturns and worsened economic expectations.

As regards the Portuguese market, the main local stock index (PSI20) ended 2008 with a loss of circa 51%, as the combination of deteriorating macro economic conditions in Portugal, the global financial crisis and the relatively small size of the local stock market has led to the reduction of exposure by both local and foreign investors. The market in 2008 was also characterised by significantly increased volatility in relation to the previous year.

The Portuguese stock market's (Euronext Lisbon) turnover decreased significantly during 2008 (a 43% reduction), to approximately 55.7 billion euros, which compares to more than 98 billion euros in 2007. It should nevertheless be noted that 2007 turnover was partly influenced by M&A speculation and the developments around two large tender offers (over PT and BCP).

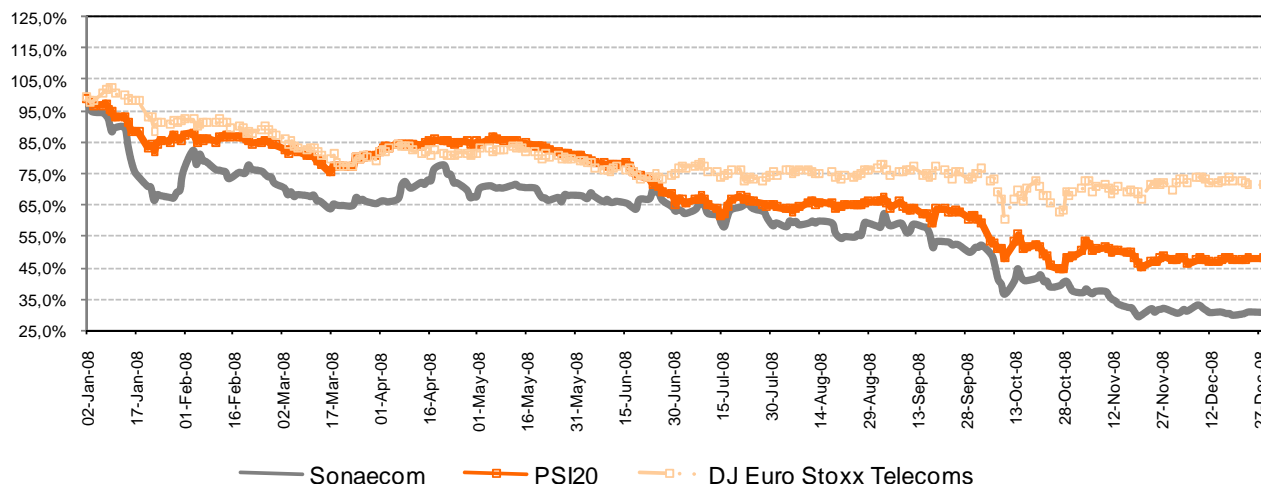
### Sonaecom's share performance

The performance of Sonaecom shares during 2008 was mainly affected by the negative general market sentiment described above, underpinned by the significant volume of withdrawal of funds from investment vehicles, by the increased focus of institutional investors on large capitalisation companies and liquid securities, and by the regulatory and competitive developments in the Portuguese telecoms market. In addition, Sonaecom shares are likely to have been influenced by the following news flow during the year:

- 4 February 2008: clarification on the final acquisition price of the residential and SOHO customer base of ONI and of the total share capital of Telemilénio – Telecomunicações, Lda. (Tele2 Portugal);
- 20 February 2008: announcement of the investment plans for Next Generation Networks, as well as the underlying strategic objectives;
- 2 March 2008: release of the full year 2007 consolidated results;
- 16 April 2008: information on the decisions approved at the Shareholders' Annual General Meeting held on that same day;
- 5 May 2008: release of the first quarter 2008 consolidated results;
- 2 July 2008: information on the decisions approved at the Shareholders' Extraordinary General Meeting held on that same day;
- 28 July 2008: release of the second quarter 2008 consolidated results;
- 24 October 2008: confirmation of the extension, for an additional period of three years, of the Strategic Partnership Agreement with France Télécom, which has been in place since 2005.
- 29 October 2008: release of the third quarter 2008 consolidated results; and
- 30 December 2008: announcement of the closing, by the subsidiary Sonaecom – Serviços de Comunicações, S.A., of a 100 million euros securitisation transaction.

## 6.2 Share price evolution during 2008 (continued)

### Sonaecom relative performance in 2008



Sonaecom's shares ended 2008 with a market price of 1.005 euros per share, 69.5% below the closing price of 3.30 euros per share at 31 December 2007. The share price reached a maximum of 3.26 euros per share on 2 January 2008 and a minimum of 0.95 euros on 20 November 2008.

At the end of 2008, Sonaecom's market capitalisation stood at approximately 368 million euros.

The average daily trading volume reached approximately 599 thousand shares, a decrease of approximately 41% compared to 2007 (1,005 thousand shares). The major reason for this decrease in trading volumes was the result of higher than normal investor interest in Sonaecom shares as a result of our tender offer for PT, which elapsed at the beginning of March 2007, thus still significantly impacting trading volumes in the first half of 2007. In relation to the second half of 2007 (which registered average daily trading of 561 thousand shares), average trading volumes actually rose by approximately 7% in 2008. The total number of Sonaecom shares traded during 2008 exceeded 154 million shares, more than 42% of the total share capital of the Company.

## 6.3 Shareholder structure

In accordance with the Portuguese Securities Code, shareholdings amounting to or exceeding the thresholds of 2%, 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66% and 90% of the total share capital must be reported to the Portuguese Securities Market Commission and disclosed to the capital market. Reporting is also required if the shareholdings fall below the same percentages.

During 2008, the following notifications were made to Sonaecom:

### Sonaecom Qualified Holdings notifications during 2008

Date	Shareholder	Type of announcement	Number shares held	% Shareholding at notification date
30 October 2008	France Télécom, S.A.	Increase of Qualified Participation	73,249,374	20.00%
31 October 2008	Sontel BV	Reduction of Qualified Participation	193,516,345	52.84%
25 November 2008	Sontel BV	Increase of Qualified Participation	193,948,845	52.96%
2 December 2008	Sontel BV	Increase of Qualified Participation	194,014,015	52.97%
9 December 2008	Sontel BV	Increase of Qualified Participation	194,090,015	52.99%
15 December 2008	Sontel BV	Increase of Qualified Participation	194,162,015	53.01%

Sonaecom's largest shareholders continue to be Sonae SGPS, a Portuguese multinational group with interests in retail, shopping centres and insurance, and a shareholding position of circa 53%, and France Telecom, one of the largest telecom operators in the world, with a 20.0% stake in Sonaecom.

The free float as at 31 December 2008 (% of shares not held or controlled by the reference shareholders and EDP and excluding own shares) stood at approximately 17.3%.

During 2008, there were no changes to the number of shares issued by Sonaecom.



## 6.4 Own shares

### 6.4. Own shares

From 23 June to 3 November 2008, Sonaecom purchased, through the Euronext Lisbon Stock Exchange, a total of 4,962,090 own shares representing approximately 1.36% of its share capital. The weighted average price of all the purchases referred to above stood at 1.78 euros per share.

As at the end of 2008, Sonaecom was the holder of 5,930,643 own shares, representing approximately 1.62% of its share capital.

# 7.0

## Glossary

## 7.0 Glossary of terms

3G	Term used to describe a mobile communication system generation coming after the second generation (2G) GSM cellular network. It is an evolution in communications based on circuit switching to high-speed mobile broadband networks, whereby data is transmitted over packages.
ADSL	Asymmetric Digital Subscriber Line – is the asymmetric transmission technology that became widely used within the xDSL family. An ADSL connection provides a high-speed downstream channel (receiving) (more than 1.5 Mbps) and a lower speed upstream channel (sending) (16 to 640 Kbps), apart from the regular telephone service in the low frequency range. It is a modem technology that converts the existing twisted-pair telephone lines into high-speed digital lines for, for instance, a fast internet access.
B2B	Business-to-Business – a way to describe a market (electronic or otherwise) for transactions between two companies.
Backbone	Set of circuits, mostly high-speed circuits, forming the main segments of a communications network to which the secondary segments are connected.
BSC	Base Station Controller – the BSC is responsible for managing the radio resources of one or several BTS's in all its aspects. The BSC is also the connection between the mobile station and the MSC.
Central offices	Local phone exchanges (held in Portugal by PT), used to perform local loop unbundling.
Customer churn	Number of customers who discontinue a service during a specified time period.
DTT	Digital Terrestrial Television.
FWA	Fixed Wireless Access – Radio fixed-access technology allowing operators to supply to their customers direct connection to their telecommunications network through a fixed radio connection from the premises of the latter to the local operator station, instead of a copper wire or optical fibre connection.
Gigabit Ethernet	Data transmission through Ethernet technology with a speed up to 1000 Mbps. Ethernet refers to the type of cable and access mode to a network. It is the most commonly used local network in companies. It supports several communication speeds, according to the used Ethernet standard.
GPRS	General Packet Radio Service – GSM system evolution, based on package switching, allowing for a transmission at a speed up to 115 Kbps.
GPS	Global Positioning System.
GSM	Global Standard for Mobile Communications – standard used in 2G digital mobile communications systems, which specifies how data through the spectrum is codified and transferred.
HSDPA	High-Speed Downlink Packet Access over W-CDMA networks – technology improving UMTS data transfer rate, and therefore also been referred to as the third and a half generation (3.5G).
HSUPA	High-Speed Uplink Packet Access over W-CDMA networks – a technology, similar to HSDPA but relates to the sending of information from the mobile terminal to the network ('upload'), which improves the UMTS data transfer rate. The Uplink transfer rate is expected to be lower than the Downlink one at short medium term.
IMS	IP Multimedia Subsystem – an architectural framework for delivering internet protocol ('IP') multimedia to mobile users. It was originally designed by the wireless standards body 3rd Generation Partnership Project (3GPP), and is part of the vision for evolving mobile networks beyond GSM.
ISP	Internet Service Provider – Internet access supplier.
IVR	Interactive voice response ('IVR') is a technology that allows a computer to detect voice and keypad inputs, allowing for automatic responses with pre-recorded or

## 7.0 Glossary of terms

	dynamically generated audio to further direct users on how to proceed. IVR technology is used extensively in telecommunications, namely in customer support lines.
Kbps	Digital information transmission speed measuring unit which corresponds to 1024 in thousand of bits per second.
Mega/Mbps	Digital information transmission speed measuring unit which corresponds to 1024 kbps.
MMS	Multimedia Messaging Service – multimedia messaging service combining text, image and sound operating in GPRS and 3G networks.
MPEG	Codification and compression systems approved by the moving picture experts group.
MSC	Mobile Switching Centres – control and switching centres, being the key component of a GSM network, acting as a connection/interconnection node between the cellular network and all the other types of network.
MTRs	Mobile Termination Rates – fees mobile phone companies charge other carriers to terminate calls on their networks.
MVNO	Mobile Virtual Network Operator.
Nodes-B	Base transmission element of an UMTS network.
Network capillarity	Network extension and reach to support telecommunication services.
PSTN	Public Switched Telephone Network – a set of telecommunications infrastructures allowing analogical connections between terminal points, to support a wide range of telecommunications services, such as telephone and video conference.
SHDSL	Symmetric High-Bit-Rate Digital Subscriber Line – allows for a bidirectional communication with speeds from 192 kbits to 2.31 megabits using a twisted pair copper wire (in other words, a common telephone cable), even over great distances.
SMS	Short Messaging Service – service to exchange short messages, common in mobile networks.
Triple Play	Integrated voice, internet and television offer.
SOHO	Small Offices, Home Offices, a segment of the corporate market.
ULL	Unbundling of the Local Loop – choice for access network consisting in unbundling the local loop, allowing other licensed operators to use the local loop pertaining to the incumbent operator, for service rendering.
UMTS	Universal Mobile Telecommunications System – one of the third generation mobile communication systems used, namely in Europe, integrating a larger family (IMT-2000).
VoIP	Voice over IP – technology allowing converting analogue audio signals into digital signals, subject of being transmitted through the internet and gain converted into analogue signals. The combination, in just one channel, of voice and data, encourages the creation of communication services with possibilities that go far beyond the so called telephony.
Wi-Fi	A wireless-technology brand owned by the Wi-Fi Alliance, which promotes certain standards with the aim of improving the interoperability of wireless local area network products.

### Safe harbour

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

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

Report available at Sonaecom's institutional website [www.sonae.com](http://www.sonae.com)

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Portugal

Sonaecom SGPS is listed on the Euronext Stock Exchange.

Information may be accessed on Reuters under the symbol 'SNC.LS'

and on Bloomberg under the symbol 'SNC:PL'.