

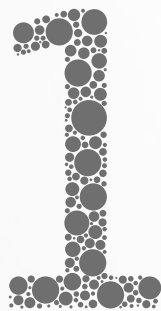


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OUR YEAR



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1 OUR YEAR



1.1. Group at a glance

Sonaecom's portfolio comprises two main business units: Optimus, an integrated telecommunications operator working towards becoming the best communications service provider in Portugal; and Software and Systems Information Services (SSI). The Group's defining strengths lie in its ambition, innovation, marketing skills and execution together with its leading edge telecommunications infrastructure and ability to understand and exceed customers' expectations.

1.1.1 About Sonaecom

Our mission

Sonaecom is an entrepreneurial growth company that chooses 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

Ethics and Trust

Our fundamental commitment is to create economic value founded on the principles of ethical business practice and sustainable development.

We take a long-term strategic view based on stakeholder relationships built around confidence and trust.

People at the centre of our success

We develop the competencies and capabilities of every Sonaecom employee through fresh challenges, an appetite for change and teamwork. Supported by an internal culture that promotes meritocracy, we believe these factors are crucial to attracting, retaining and developing people with outstanding talent and potential.

Ambition

As our guiding force, the strength of our ambition is reflected in the way we continuously challenge ourselves to remain resilient and determined in our efforts to improve our capabilities and add value to our clients.

Innovation

Innovation is the lifeblood of our business.

By continuously challenging conventions, we consistently surprise the market. We believe that failure can also be a source of learning. At the same time, we are aware that it is important to balance mistakes within acceptable risk limits.

Social Responsibility

We have an active sense of social responsibility. With a strong concern for the environment and the development of human knowledge, fulfilling this

responsibility involves helping to improve the lives of the communities around us.

Frugality and efficiency

We value efficiency and healthy competition, and continuously strive to optimise the use of our resources while maximising their returns.

Co-operation and independence

We take a position of independence and autonomy in relation to central and local government. That said, we are always ready to co-operate with the authorities to improve the regulatory, legislative and social environment.

1.1.3 Structure and corporate profile

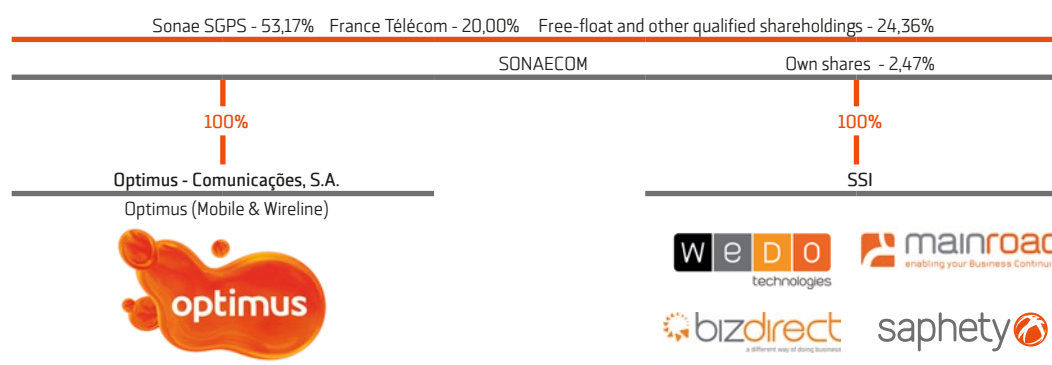
Sonaecom is a holding company that controls a portfolio comprising two principle business units: Optimus, an integrated and convergent telecommunications operator; and SSI. Additionally, Sonaecom comprises Online & Media, a set of additional businesses such as Miao.pt; Público, a reference Portuguese daily newspaper now in circulation for over 20 years; and Público.pt, at the digital forefront of the Portuguese online press.

Sonaecom has two main shareholders, Sonae SGPS and France Télécom, with both providing significant strategic support to the business. Through Optimus, Sonaecom is currently one of the largest telecommunications operators in Portugal, based on a leading edge national telecommunications infrastructure.

Sonaecom has consistently been an active agent of transformation across the Portuguese telecoms sector. Today, Optimus is the integrated player best positioned to offer a true alternative to the incumbent operator, when it comes to telecommunications services.



Sonaecom's simplified structure



Optimus

Optimus was launched in 1998 after the award of the third mobile GSM license 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 Sonaecom – Serviços de Comunicações, S.A., renamed in the beginning of 2010 Optimus – Comunicações, S.A..

Following a long journey towards integrating our telco business, Optimus is the umbrella brand for all our telecommunication activities and commands a significant presence in all market segments. As far back as 2001, we started implementing various

fixed and mobile shared services areas in pursuit of internal cost synergies. Next, we pioneered technological convergence by merging network platforms and teams. As the true alternative to the incumbent at anticipating demand from corporate and small-to-medium-sized enterprises (SMEs), we now have fully integrated sales and marketing teams covering our mobile, fixed and convergent services in these segments. Aligned with this strategy, Optimus – Comunicações, S.A. is presently the company that controls our telco business.

Optimus offers a broad range of mobile communications services to residential SMEs and corporate customers in Portugal. These services include traditional voice, data, mobile TV and 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 popular mobile broadband product, Kanguru, and TAG, its closed-user group product aimed at the youth market, Optimus had 3.64 million subscribers and a market share of 21% at the end of 2011.

In relation to wireline activities, Optimus is active in both the residential and corporate markets, offering voice, data and TV services. Wireline operations were launched after the liberalisation of the Portuguese market in 2000 and Novis Telecom, S.A. was, until 2007, the subsidiary that carried out our activities in this segment. As noted above, during 2007, Novis Telecom, S.A. was merged with Optimus Telecomunicações, S.A. and adopted the name of Sonaecom – Serviços de Comunicações, S.A.. Also in 2007, we further strengthened our wireline services with the acquisitions of Tele2 Portugal and a former competitor's residential and small office-home office (SOHO) customer base.

Over the years, we have strengthened our position as the leading integrated alternative operator in Portugal, providing voice, Internet and television services to residential, SME and corporate customers, as well as providing voice and data capacity and connectivity services to telecommunications operators around the globe.

Software and Information Systems (SSI)

Created at the end of 2002, SSI's portfolio today comprises four main companies: WeDo Technologies, Bizdirect, Mainroad and Saphety.

WeDo Technologies provides business assurance solutions, addressing the optimisation of business performance and risk management systems and processes. Over the past ten years, the company has installed its solutions in more than 150 companies in 80 countries across five continents and delivered consulting services to more than 100 operators worldwide through its successful consulting division Præsidium. WeDo Technologies currently has software houses in Dublin (Ireland), Braga (Portugal) and Poznan (Poland). Following its 2007 acquisition of Ireland-based Cape Technologies Limited, WeDo Technologies became the world leader in the revenue assurance software integration market.

Bizdirect, with BPI and AITEC as minority shareholders, is a major player in the commercialisation of multi-brand IT solutions, supported by partnerships with the market's main manufacturers. It is also a major player in

the management of corporate software licensing contracts, based on innovative business models.

Mainroad is a key player in information technology, providing services and solutions for IT managed services, security, business continuity and ITIL consulting, supported by its data centres.

Saphety, carved out from our wireline operations in 2006, provides trusted services such as electronic invoice and secure messaging on B2B transactions and is a recognised player in business process automation.

At the end of 2008, a decision was taken to integrate Bizdirect's former B2B unit into Saphety. This restructuring was designed to capitalise on the synergies between the two businesses. With its newly enlarged scale and capabilities, the integrated business has grown in several B2B areas with solutions that cover electronic invoicing, electronic transactions security, paperless offices and fully integrated invoicing solutions. In July 2010, Saphety Level – Trusted Services, S.A. reached an agreement with Softlimits regarding the acquisition of its B2B business unit, "Mercados Electrónicos". This agreement was designed to reinforce Saphety's position in the electronic invoicing market, one of its key strategic areas.

1.1.4 Competitive strengths

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

Taking into account the characteristics of the market and our competitors, it would not be possible to base our success factors on scale, market power or relative size. Instead, we believe that the competitive advantages and distinctive qualities we have developed over the years are based on the following key elements:

- Knowledge and understanding of our markets and customer's needs;
- Superior marketing and distribution capabilities combined with our integrated approach to the market;
- Full ownership of a state-of-the-art telecommunications infrastructure, with national coverage, continuously reducing our dependency on the incumbent;
- Lean, resilient and agile structures, capable of pre-empting and adapting to market dynamics quickly;
- Young and motivated team members, with a proven track-record for innovation and dynamism, working together in pursuit of common objectives;
- Built-in capacity to analyse problems in different ways, constantly innovating, differentiating and surprising our customers;
- Clear, stable shareholder base, constantly challenging our business to achieve superior value.

Our positioning as an integrated telecommunications provider (mobile, wireline, voice, broadband and TV services) covering all market segments (residential, business and wholesale) has allowed us to capture significant commercial synergies between our various Group businesses, resulting in cross-selling opportunities and generating added value for our customers.

The search for operational efficiency, process improvement, and cost-effective synergies has 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) teams. We have implemented this structure with three objectives in mind: to maximise our ability to develop new business opportunities; to encourage product development; and to promote cross-marketing opportunities between our mobile and fixed businesses.

Sonaecom's organisational structure and headcount⁽¹⁾

Corporate centre 21		
Senior Management, Planning and Control, Internal Audit, Corporate Finance and Investor Relations		
Shared Services 119		
Financial and Accounting, Human Resources, Corporate Communication, Legal, Regulation, Environment and Facilities		
Optimus 1,074	Online & Media 252	SSI 550

⁽¹⁾ Data as at 31 December 2011. The headcount figures do not include trainees.

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.

Million euros	2011	2010	Year-on-year
Consolidated income statement			
Turnover	863.6	920.7	(6.2%)
Mobile	570.7	592.8	(3.7%)
Wireline	220.4	237.6	(7.3%)
SSI	108.5	142.5	(23.9%)
Other & Eliminations	(36.0)	(52.2)	(31.1%)
EBITDA	213.0	194.0	9.8%
Mobile	199.6	185.5	7.6%
Wireline	9.6	3.5	175.5%
SSI	8.7	8.5	2.5%
Other & Eliminations	(4.8)	(3.4)	(40.8%)
EBITDA margin (%)	24.7%	21.1%	3.6pp
EBIT	82.5	64.5	28.0%
Net financial results	(8.9)	(6.4)	39.6%
EBT	73.6	58.1	26.7%
Net results group share ⁽¹⁾	62.5	41.2	51.8%
CAPEX and levered free cash flow			
Operating CAPEX ⁽²⁾ (excl spectrum investment)	105.4	130.5	(19.2%)
Operating CAPEX as % of turnover (excl spectrum investment)	12.2%	14.2%	2.0pp
EBITDA – operating CAPEX (excl spectrum investment)	107.6	63.5	69.3%
Total CAPEX (excl spectrum investment)	105.6	139.8	(24.5%)
Operating CAPEX ⁽²⁾	215.8	130.5	65.4%
Total CAPEX	216.0	139.8	54.5%
Operating cash flow ⁽³⁾	70.6	44.8	57.7%
Levered FCF ⁽⁴⁾	38.8	10.6	-
Consolidated balance sheet			
Total net assets	2,019.8	1,861.9	8.5%
Tangible and intangible assets	954.8	865.3	10.4%
Liquidity	189.4	68.6	176.1%
Shareholders' funds	1,021.4	975.3	4.7%
Minority interests	0.5	0.6	(13.2%)
Gross debt	459.2	357.4	28.5%
Net debt	269.9	288.8	(6.6%)
Net debt / EBITDA last 12 months	1.3x	1.5x	(0.2x)
Debt / (debt + shareholders' funds)	31.0%	26.8%	4.2pp

Million euros	2011	2010	Year-on-year
Key operating data – mobile			
Customers (EOP) ('000)	3,639.4	3,604.1	1.0%
Net additions ('000)	35.3	171.5	(79.4%)
Data as % service revenues	32.5%	30.6%	1.8pp
MOU ⁽⁵⁾ (min.)	126.1	133.9	(5.8%)
ARPU (euros)	12.9	13.7	(5.6%)
Key operating data – wireline			
Total accesses (EOP)	375,826	417,066	(9.9%)
Direct accesses	307,638	344,631	(10.7%)
Direct access as % customer revenues	79.0%	78.8%	0.1pp
Average revenue per access (retail)	23.3	23.7	(1.7%)
Unbundled central offices with ADSL2+	206	206	0.0%
Sonaecom operating data			
Employees	2,016	2,057	(2.0%)
Turnover / employee ('000 euros)	428.4	447.6	(4.3%)
EBITDA / employee ('000 euros)	105.6	94.3	12.0%

⁽¹⁾ Net results after minority interests;

⁽²⁾ Operating Capex excludes financial investments and provisions for site dismantling and other non-operational investments;

⁽³⁾ Operating cash flow = EBITDA – operating Capex – change in working capital – non-cash items and other;

⁽⁴⁾ FCF levered after financial expenses but before capital flows and raising finance related to up-front costs;

⁽⁵⁾ Minutes of use per customer.

1.3. CEO's message

2011 was one of the best years of our history, after achieving a set of excellent results that makes us very proud. Besides an unprecedented operating profitability, we have also achieved the highest net results ever.

This performance assumes even more importance since it is distinguished from the market's negative behaviour in a particularly difficult context.

I cannot overstate the importance of our team's execution capability, which was guided by a rigorous discipline as it carried out our clearly and consistently outlined strategy, anticipating the challenges we have been facing.

At Optimus, the performance of the mobile business, achieved one of the best margins in the universe of third operators in the sector. Supported by market share growth in the mobile and convergent segments, our mobile business has grown in customer revenues, in a market that is clearly contracting.

Factors supporting this growth include the launch of innovative offers under a strong, dynamic brand combined with the rise in customer satisfaction levels. At the same time, under the ongoing operating efficiency plan that spans the entire company, Optimus has been carefully managing its costs and investments.

With the radio spectrum auction, Optimus guaranteed the ideal combination of available spectrum bands, ensuring maximum efficiency and flexibility in terms of network coverage and capacity in the network evolution to 4G, with optimised costs and investments. With this technology, Optimus will be able to consolidate its strong position on mobile data segment.

Our SSI division grew its service revenues by expanding its international footprint in a context of containment across the national markets where it operates. WeDo Technologies also continues to strengthen its global leadership in the revenue assurance telecoms market, complementing its portfolio with fraud management solutions and business assurance in telecoms and other sectors.

During 2011, Sonaecom strengthened its capital structure amid the sovereign debt crisis. After closing a bond issue in the international market, during the 3Q11, Sonaecom is now in a comfortable position to meet future challenges.

As a result of the performance we achieved, and despite our one-off investment in the spectrum acquisition, we intend to continue the practice of shareholder remuneration we implemented in 2010. As such, the Board of Directors will propose at the next annual general meeting to distribute a gross dividend of 7 cents per share. The amount proposed to be distributed corresponds to a dividend yield of 5.8% over 2011 closing price and represents 41% of 2011 consolidated net results.

This year will be marked by tough austerity measures and an aggravating consumer contention, putting additional pressure on revenues. However, both through Optimus exploring the escalating value that individuals and businesses attach to the need of communication and by SSI's international growth, we reiterate our confidence in continuing to present results that reinforce our competitive position.



Ângelo Paupério, CEO of Sonaecom

1.4. Corporate developments in 2011

These were the main corporate developments during 2011:

Reduction of "Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A." stake in Sonaecom

18 February 2011

Sonaecom received a communication from "Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.", stating that funds managed by this institution held, since 16 February 2011, 3,732,774 shares, corresponding to 1.019% of the share capital and voting rights of Sonaecom; thereby losing its qualified participation above 2%.

2011 Shareholders' Annual General Meeting

26 April 2011

At the company's Annual General Meeting, shareholders approved the following proposals:

1. To approve the Annual Report and Individual and Consolidated Accounts of Sonaecom, SGPS, S.A., for the year ended 31 December 2010.
2. To approve the proposed application of the 2010 net profit in the individual accounts of 135,403,787.41 euros, as follows:
 - i) 6,770,189.37 euros to legal reserves;
 - ii) A dividend of 18,312,343 euros, corresponding to a gross value of 0.05 euros per share in respect of the total number of shares issued, but excluding own shares held by the Company at the date of the payment;
 - iii) The remaining value to be added to accumulated distributable reserves.

Additionally it was approved that, as it is not possible to determine the exact number of own shares that will be held by the Company on the above payment date, without limiting the Company's capacity to transact shares in the meantime, for clarification purposes:

- i) For each share issued, payment of a gross amount of 0.05 euros;
- ii) No payment shall be made in respect of own shares held by the Company on the above payment date and the equivalent gross amount of 0.05 euros will be added to accumulated distributable reserves.

3. To approve a vote to express appreciation for and confidence in the work performed by the Board of Directors, Statutory Audit Board and Statutory External Auditor of Sonaecom, SGPS, S.A., during the year ended 31 December 2010.

4. To approve the proposed Remuneration Policy to be adopted for the Management, Auditing Bodies and for Persons discharging managerial responsibilities ("Dirigentes").

5. To approve the proposal to amend the company's articles of association.

6. To authorize the Board of Directors to, over the following 18 months and subject to the limits established by law, purchase and sell own shares, under the terms of the proposal that was presented by the Board and previously disclosed.

7. To authorize the purchase and holding of shares of the Company, over the following 18 months, by companies directly or indirectly controlled by the Company, under the terms of the proposal that was presented by the Board and previously disclosed.

Sonaecom dividend payment

25 May 2011

In accordance with legal requirements and pursuant to the decision taken at the Annual Shareholders' General Meeting held on 26 April 2011, dividends relating to the year ending 31 December 2010 were made available to shareholders on 25 May 2011, corresponded to a gross dividend per share of 0.05 euros.

Bond issue completion

23 September 2011

On 23 September 2011, Sonaecom announced the completion of a 3.5 year unsecured bond issue, by private placement, in the total amount of 100 million euros, an operation that assured a higher diversification of Sonaecom financing sources, increased the average maturity of the debt and anticipated funds to face its refinancing needs scheduled for 2012.

1.5. Proposal for the application of results

The Board of Directors proposes that the negative net income in Sonaecom Individual accounts, in the amount of 7,960,681.56 euros be transferred to free reserves.

Furthermore, the Board of Directors proposes that a total of 25,637,280.76 euros of reserves is paid to shareholders, corresponding to a gross dividend of 0.07 euros per share with respect to the total number of issued shares, excluded by the number of own shares held by the company as at the date of the payment.

Considering that it will not be possible to determine precisely the number of own shares that will be held by the company on the date of the abovementioned payment without limiting the company's capacity for intervention, we highlight the following:

- i) Each share issued will be paid the gross amount of 0.07 euros;
- ii) The amount corresponding to the shares that belong to the Company itself on the day of the payment of the abovementioned amount (calculated on said unit amount of 0.07 euros per issued share) will not be paid to shareholders, but will instead be maintained in free reserves.

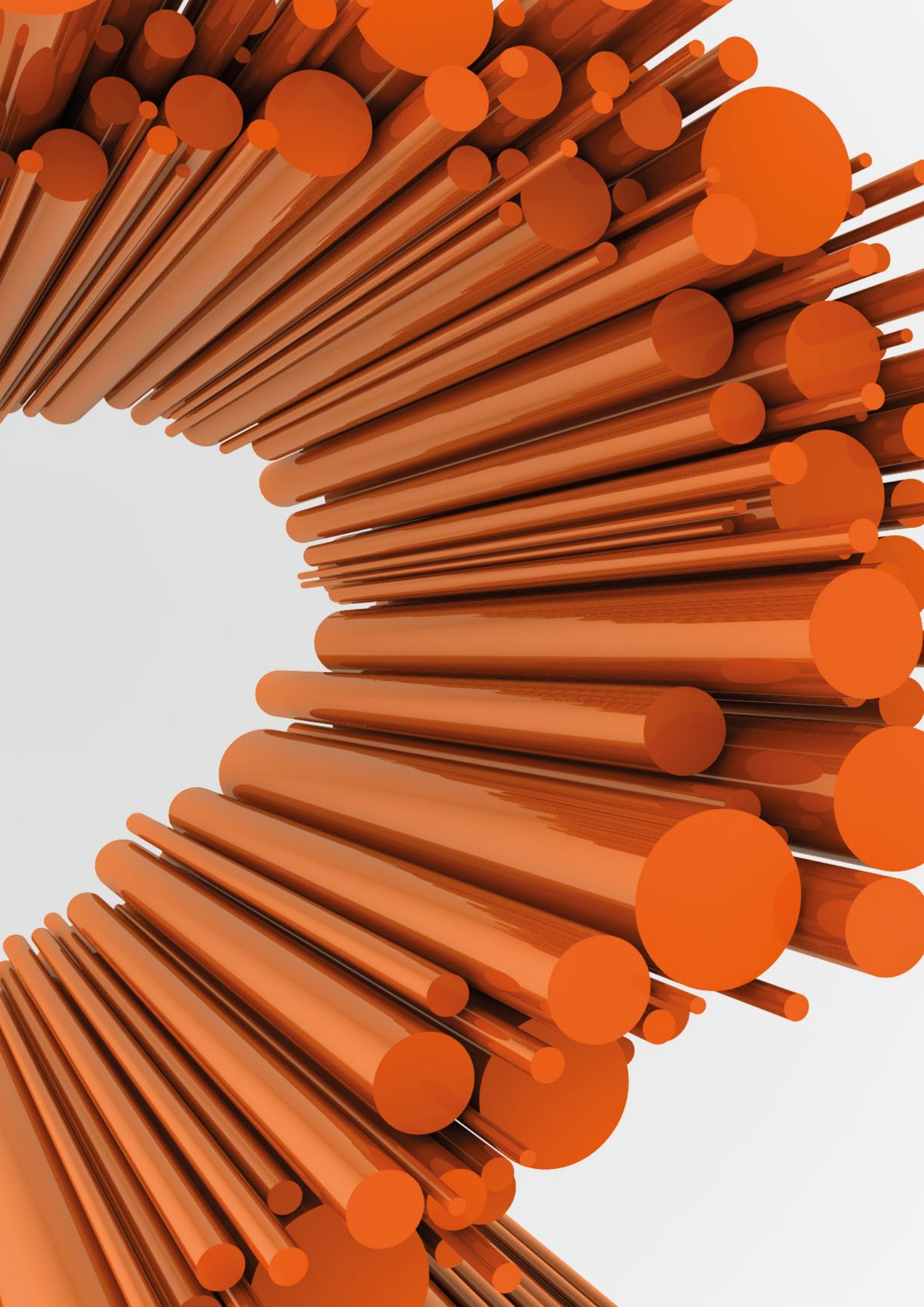
1.6. Acknowledgements

Sonaecom would like to thank its Statutory External Auditor for the valuable advice and help it has given us during 2011 and its Statutory Audit Board for the close monitoring of our business.

We would also like to express our gratitude to our suppliers, commercial partners, financial institutions and the Group's other associates for their continuing involvement with our businesses and the confidence they again demonstrated in our organisation during 2011.

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

Finally, we would like to express our gratitude to all employees, who constitute the company's most valuable resource and that, once again, have demonstrated remarkable resilience, flexibility and innovative spirit, and whose efforts are clearly the base of Sonaecom continuous success.





OUR BUSINESS

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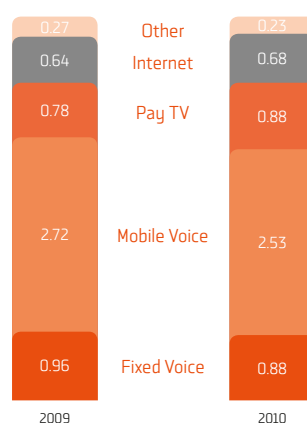
2 THE PORTUGUESE TELECOMS MARKET

2.1. The Portuguese telecoms market

The last years were marked by severe macro-economic conditions and, in particular, by the European sovereign debt crisis, which affected all sectors of the economy. Nevertheless, the Portuguese telecommunications market has shown its resilience, as the growth in the number of subscribers and services penetration demonstrates.

In the Portuguese telecoms market, fixed and mobile indicators are already reflecting that mobile is becoming the dominant channel for communication, information and entertainment. This is the result of increased mobile broadband usage, driven by the spread of devices such as smartphones and tablets, in line with the growing demand for Internet access anywhere, anytime.

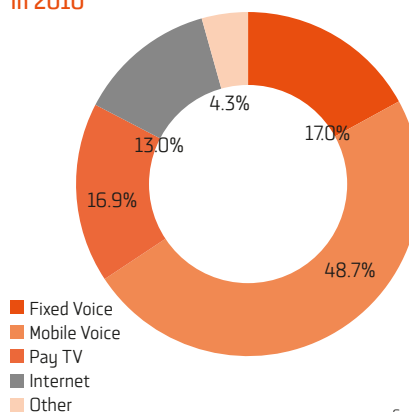
Portuguese telecommunications market (revenue split)



Source: ICP-Anacom

This chart illustrates the mix of revenues across the various telco businesses (in billion euros). It should be noted that between 2009 and 2010 (last available data) the market as a whole decreased from 5.37 to 5.20 billion euros (excluding interconnection revenues).

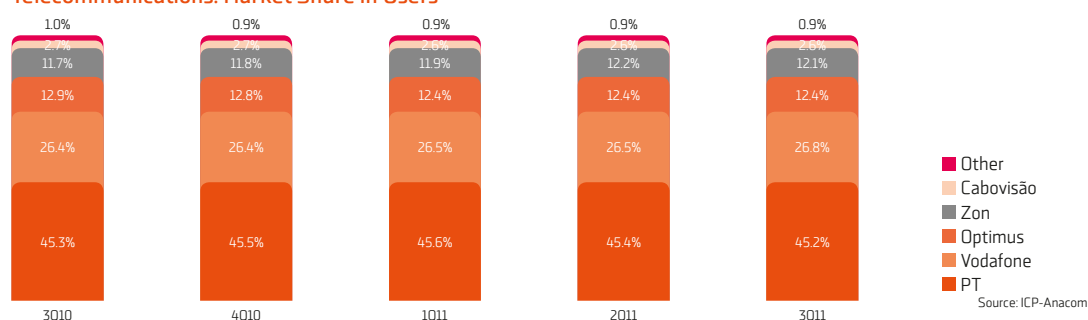
Portuguese telecommunications market in 2010



Source: ICP-Anacom

Revenue breakdown by service

Telecommunications: Market Share in Users



Source: ICP-Anacom

Market share evolution of Portuguese operators, showing total mobile voice, fixed voice, Internet mobile and fixed and Pay-TV customers.

In 2010 (last available data), the sector's direct contribution to national employment remained stable at 0.26%, corresponding to 12,650 workers (source: ICP-Anacom). Total sector revenues as a percentage of GDP decreased 0.09pp from 4.49% in 2009 to 4.40% in 2010. In fact, the consolidated market of telecommunications was worth 5.2 billion euros in revenues in 2010, excluding interconnection revenues between operators, decreasing 3.2% compared to 2009.

In 2010, the market experienced two main trends:

- Decrease in voice market revenues;
- Increase in Pay-TV and Internet markets.

In 2010, in terms of relative weight, mobile voice revenues continued to lead the market, amounting to 48.7% of the total revenues, despite the 2.0pp market share decrease between 2009 and 2010. Fixed voice held the second best position, with a percentage of 17.0%, decreasing 0.9pp y.o.y in terms of market share. Pay-TV increased its market share, which rose from 14.5% to 16.9%, an upward trend that follows the intensive investment made by operators, especially through FTTH deployment and additional contents. Broadband market share increased from 11.9% to 13.0%.

Regarding subscribers' market shares, adding up all the lines of business, the relevant players in the market broadly maintained their relative positions. PT maintains the market lead, while Optimus sustains a market share of around 12.5%, ranking third place, after Vodafone.

Mobile voice market

By 3Q11, mobile voice penetration rate stood at 145.6%, an increase of 6.0 pp in annual terms. Mobile voice subscribers surpassed 15.4 million, a 4.3% growth driven by an increase in post-paid and pre-paid customers (+3.9% and +2.7%, respectively). It is important to note that post-paid customers represented 28.3% of the mobile market by the 3Q11 compared to 28.1% in 3Q10, an increase of 0.2pp.

The number of originated calls decreased slightly from 3Q10 to 3Q11 by 1.32%. However, the total volume of mobile traffic showed a positive trend during the same period, rising from 5.3 billion minutes to 5.4 billion minutes. It is important to note that on-net traffic is driving this trend, accounting for 78.5% of total outgoing traffic, a

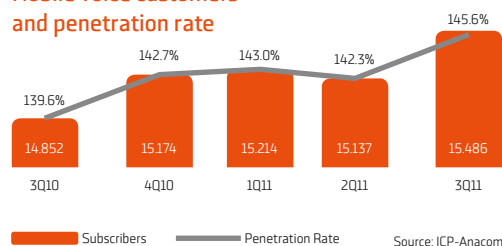
rise of 3.0% versus off-net mobile traffic, which decreased 4.3%. This growth was primarily driven by operator strategies involving offers targeted at the youth sector, such as TAG (Optimus), Moche (TMN) and Yorn/Extravaganza (Vodafone).

SMS and MMS use followed this positive trend with an increase of 1.4% and 8.4% respectively, although the volume of MMS traffic remains relatively low.

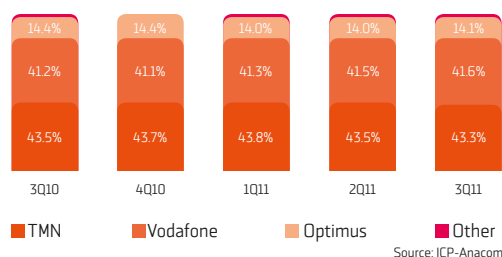
As for roaming-out traffic, voice increased 5.7% in 3Q11 versus the previous year, while SMS volumes rose 8.3%. Roaming-in voice traffic increased slightly, 0.7%, while SMS and data roaming-in volumes increased sharply: +15.4% in 3Q11 versus 3Q10 respectively. This reflects the operators' efforts to adjust their offers according to customers' needs.

Regarding market shares, no relevant changes took place in 2011 according to ICP-Anacom. Optimus increased its subscribers' market share to 14.1%, while TMN and Vodafone subscribers' market share remained stable at around 43.3% and 41.6% respectively.

Mobile voice customers and penetration rate



Mobile Voice Market: Market Share



Mobile broadband market

According to ICP-Anacom, Optimus has consistently increased its mobile broadband dongle market share, up to 30.7% in 3Q11 versus 27.5% in 3Q10. In 3Q11, TMN's market share totalled 40.9%, decreasing 5.8pp compared to 3Q10, while Vodafone achieved 24.4%, increasing 2.5pp in the same period.

The number of mobile broadband dongle users decreased by 11.0% in 3Q11 compared to 3Q10, reaching 1.1 million active users. As a result, the penetration rate across the number of households decreased from 12.1% in 3Q10 to 10.8% in 3Q11, mainly due to the end of government programmes for the growth of the information society.

However, it should be emphasised that the total number of mobile broadband users, either through dongles or smartphones, increased 9.5%, totalling 2.7 million users by the end of 3Q11, mainly due to growth in smartphones penetration.

As for individualised revenues, according to ICP-Anacom, between 3Q10 and 3Q11, total mobile broadband revenues decreased by 7.2%, a pattern that reflects the end of the e-initiatives programme.

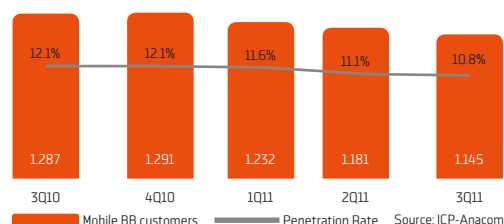
Fixed broadband market

During 2011, the number of fixed Internet customers reached 2.2 million users, as a result of various factors: (i) despite representing around 50% of total fixed Internet customers, ADSL customers stabilised at the 1 million level; (ii) cable modem subscribers increased 70%, to 890 thousand users in 3Q11 compared to the same period the previous year; and (iii) other access technologies, such as optical fibre (mainly in the residential segment), continue to increase their weight, reaching 201 thousand customers by the end of 3Q11 against 103 thousand on 3Q10. As a consequence, the fixed broadband penetration rate in terms of population has increased to 20.7%.

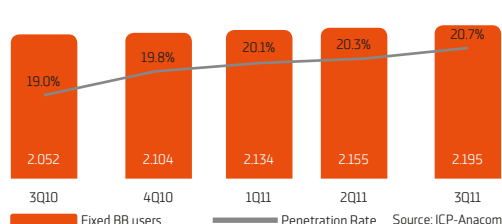
PT (48.5%, +2.0pp) and Zon (32.6%, +0.6pp) have gained market share while Vodafone (4.1%, -0.2pp) managed to maintain its position. Optimus and Cabovisão declined to 5.6% and 7.3% respectively.

As for individualised revenues, according to ICP-Anacom, between 3Q10 and 3Q11, total fixed broadband revenues fell by 11.3%, reflecting the level of competition in the market.

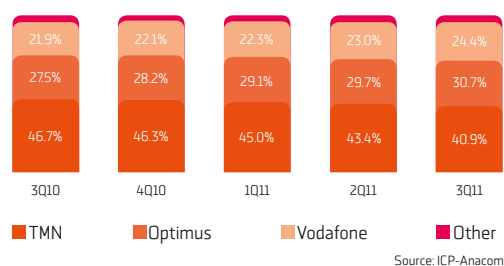
Mobile BB dongle customers and penetration rate



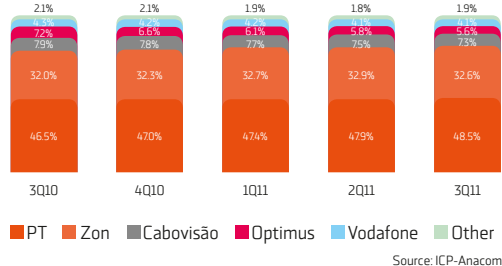
Fixed BB customers and penetration rate



Mobile Broadband Market: Market Share



Fixed Internet: Market Share



Fixed voice market

In 3Q11, accesses installed at the customer's request reached 4.5 million from 4.4 million accesses in 3Q10, an increase of 1.6%. This growth was mainly driven by the increase of VoIP and cable accesses, +29% in 3Q11 compared to the same period last year. As a result, the wireline penetration rate reached 42.5% during this period.

Meanwhile, the number of customers grew 0.8% from 3Q10 to 3Q11, reaching 3.8 million. The number of direct access customers continued to grow, reaching 3.6 million in 3Q11, while the number of indirect access customers decreased gradually to 97 thousand, a fall of 22.8% versus 3Q10.

Despite an increase in the number of accesses installed at the customer's request, originated traffic on fixed networks remained fairly stable over the 3Q11, decreasing only by 1.0% compared to 3Q10.

During 2011, according to ICP-Anacom figures, the relative positions of the main players remained stable. The incumbent, PT, lost 1.6 pp of market share, while ZON increased its market share to 16.5%. Optimus lost 1.1pp of market share in 3Q11 versus 3Q10, while Vodafone's and Cabovisão's market shares stabilised.

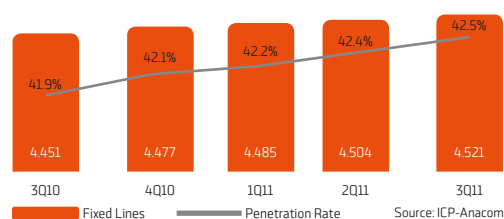
Pay-TV market

The Pay-TV market grew for 12 months up to September 2011 with the number of Pay-TV users reaching 2.9 million, an increase of 6.4%, giving a penetration rate across the population of 27.2% in 3Q11.

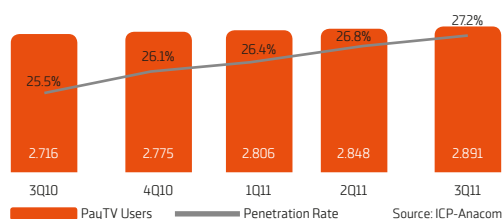
This growth was mainly driven by: (i) a 94.5% increase in fibre customers, reaching 220 thousand compared to 113 thousand customers in 2010; and (ii) an increase of 63 thousand customers among IPTV subscribers.

As for market shares, following an aggressive investment by PT, ZON's market share continued to decrease, reaching 54.9% in 3Q11 against 59.2% in 3Q10. In the same period, Cabovisão saw its market share decline to 8.8%, 0.8pp less than the previous year. Optimus maintained its position in this market, representing 1.2% of the total Pay-TV market.

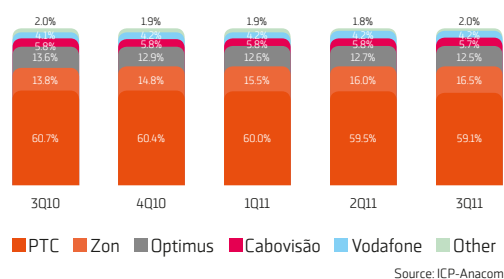
Fixed lines and penetration rate



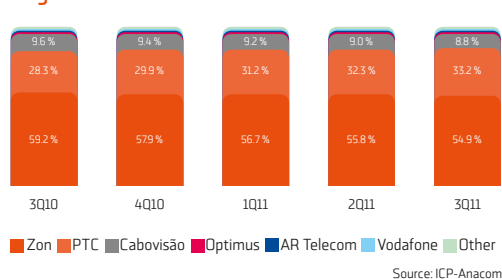
Pay TV users and penetration rate



Fixed Voice: Market Share



Pay TV: Market Share



Regulatory environment

Here is a summary of the key regulatory developments during 2011:

First Quarter 2011

Auction for the 450, 800, 900, 1800 MHz e 2.1 e 2.6 GHz bands

ICP-ANACOM launched two public consultations on the future allocation of frequencies for the 450, 800, 900, 1800 MHz e 2.1 e 2.6 GHz bands.

The first consultation defined the blocks to be assigned for each band and the choice of an allocation procedure through auction. The second consultation addressed the auction rules and conditions.

Second Quarter 2011

Universal service (US): methodology to assess the net costs of the service provision and definition of unfair burden

ICP-ANACOM approved the final decisions on the methodology to calculate the US net costs and the definition of excessive burden.

On the definition of excessive burden, ICP-ANACOM maintained the principle according to which an excessive burden cannot occur if the market share of the US provider is above 80% (in terms of retail fixed service revenue). Furthermore, the minimum US net cost that justifies the use of a compensation mechanism to the US provider was reduced to 2 million euros from 4 million euros initially proposed.

According to these criteria, ICP-ANACOM considers that US provision was not an unfair burden for PTC between 2001 and 2006. Beyond this, the US provider may present, according to the defined methodology, the net cost for the provision of US in order to define whether a compensation scheme should be set up.

Roaming regulation: European Commission proposal

The European Commission released its proposal for the regulation of roaming services after June 30, 2012.

The proposals include additional price caps for voice, SMS and data (including retail prices, which are currently unregulated). Also, the retail caps should expire in 30 June 2016, while wholesale caps should apply until 30 June 2022.

Third Quarter 2011

New communications Act

On 13 September 2011, ICP-Anacom published law No. 51/2011, which amends the legal regime applicable to networks and electronic communications services, transposing the EU Directives adopted in late 2009.

Fourth Quarter 2011

Mobile termination rates glide path

ICP-ANACOM released a public consultation with a new glide path proposal for mobile termination rates, which was in consultation until 8 November 2011. This proposal considered quarterly declines, as follows:

	MTRs/€
1 Feb. 2012	0.0275
1 May 2012	0.0225
1 Aug. 2012	0.0175
1 Nov. 2012	0.0125

The new prices are based on a cost model defined for the purpose, simultaneously released with the price proposal. This cost model is based on the long-run incremental cost (LRIC) pure approach, in accordance with the European Commission's recommendation for termination rates. However, as at March 2012, the regulator did not yet announced its final decision.

LTE spectrum auction

On 30 November 2011, in the spectrum auction held under the control of the national communications regulator ICP-ANACOM, Optimus acquired nine blocks in three frequency bands:

- two blocks of 2x5MHz in the 800MHz band;
- two blocks of 2x5MHz and 1 block of 2x4MHz in the 1800MHz band;
- four blocks of 2x5MHz in the 2.6GHz band.

All the blocks were acquired at the reserve price for a total amount of 113 million euros.

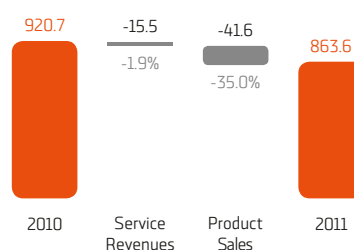
With this acquisition, Optimus secured the entire spectrum it needs to ensure an efficient high-capacity network, reinforcing its position in the market for fourth generation mobile services.

2.2. Business overview

2.2.1. Consolidated perspective

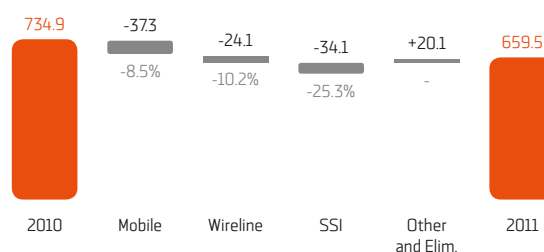
Turnover

Consolidated turnover in 2011 benefited from a 0.8% increase in mobile customer revenues and a 4.7% increase in SSI service revenues, the core areas of Sonaecom. This line reached 863.6 million euros, 6.2% below 2010, impacted by: wireline revenues, consequence of our strategic option in the residential segment; by Optimus operator revenues, as a result of regulated tariffs, (MTRs and Roaming in) and product sales. The latter was driven, mainly by a decline at Bizdirect sales, impacted by the end of Portuguese Government e-initiatives programme, and also by a reduction at Optimus equipment sale.



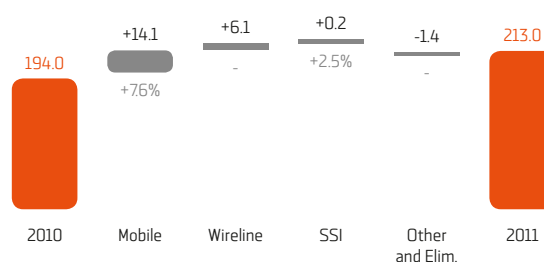
Operating costs

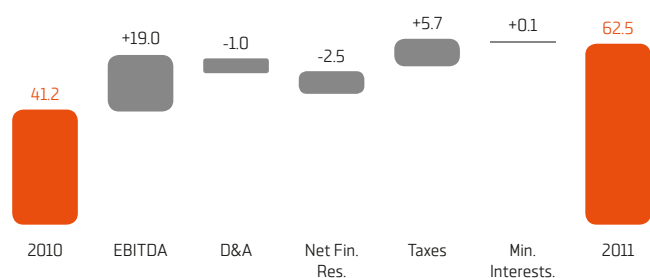
Operating costs decreased 10.3% between 2010 and 2011 to 659.5 million euros. The optimisation plan carried out over the past few years is helping to create a leaner organisation with Optimus's ongoing efficiency measures delivering positive results across the various business areas. Also, it should be noted that between 2010 and 2011, operating costs as a percentage of turnover, excluding provisions, decreased 4.5pp.



EBITDA

The consolidated EBITDA increased 9.8% to 213.0 million euros, more than offsetting the consolidated top line trend, with all business divisions evolving positively. The consolidated EBITDA margin increased from 21.1% to 24.7%. This improvement was due to the positive outcomes of the Optimus efficiency plan plus the positive performance of mobile customer revenues and SSI service revenues. It should be emphasised that the 2011 mobile EBITDA margin stood at 35%, bucking the overall market trend, despite the general environment of austerity.

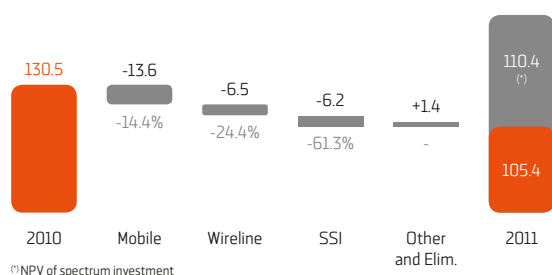




Net profit

Net results group share reached 62.5 million euros. The two drivers underlying this positive trend were mainly the improved EBITDA performance, but also the recognition of additional deferred tax assets. Net financial results decreased 39.6% to a negative 8.9 million euros, due to a higher average cost of debt in 2011, but mainly driven by 2010 capital gain generated with the sale of SSI's participation at Altitude Software.

The tax line in 2011 showed a cost of 11.0 million euros, against a cost of 16.7 million euros in 2010. As already mentioned, this is due to the recognition of additional deferred tax assets, benefiting from an improving performance, notwithstanding the higher EBT level.



(*) NPV of spectrum investment

Operating Capex

Operating Capex, excluding the spectrum one-off effect, reached 105.4 million euros in 2011, 19.2% below 2010. This is the result of an increased focus on capacity given that Optimus already has wide network coverage.

During 2011, Optimus continued to develop projects and solutions enabling it to reduce mobile backhaul costs while decreasing dependency on third parties infrastructure.

In November 2011, following the spectrum auction in Portugal, Sonaecom acquired spectrum for 113 million euros (corresponding to a net present value of 110.4 million euros).

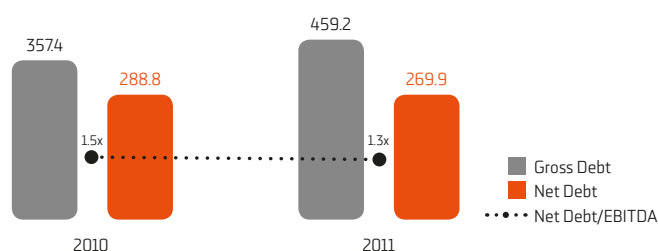
As a result of our revenues and Capex performance, operating Capex as a percentage of turnover decreased from 14.2% to 12.2%, excluding the spectrum acquisition, while EBITDA-operating Capex grew to 1076 million euros, increasing almost 70% compared to 2010.

Capital structure

Consolidated net debt reached 269.9 million euros, decreasing 6.6% against 2010. Driven by an improved EBITDA performance and a lower net debt level, the net debt to EBITDA ratio improved to 1.3x in 2011 from 1.5x in 2010.

Total credit facilities now amount to 544 million euros, including the additional 100 million euros bonds issue. Closed during 3Q11 with three international banks, this issue ensured a higher diversification of financing sources and an increase in the average debt maturity.

During 2011, the all-in average cost of debt reached 3.0%.



Free cash flow (FCF)

FCF stood at 58.8 million euros in 2011, excluding the 20 million euros securitisation cash outflow fuelled by an increasingly strong EBITDA-operating Capex performance. Including the securitisation operation, consolidated FCF reached 38.8 million euros, almost four times the 10.6 million euros generated in 2010.

Following the spectrum auction, Sonaecom had payment obligations amounting to 113 million euros: 83 million euros plus 6 million euros per year over a period of five years. It should be noted that the first 83 million euros were already paid during January 2012, and therefore did not impact on the 2011 FCF.

2.2.2. Consolidated income statement

Million euros	2011	2010	Year on year
Turnover	863.6	920.7	(6.2)%
Mobile	570.7	592.8	(3.7)%
Wireline	220.4	237.6	(7.3)%
SSI	108.5	142.5	(23.9)%
Other and eliminations	(36.0)	(52.2)	(31.1)%
Other revenues	8.8	8.2	7.1%
Operating costs	659.5	734.9	(10.3)%
Personnel Costs	92.4	96.6	(4.3)%
Direct Servicing Costs ⁽¹⁾	247.2	275.0	(10.1)%
Commercial Costs ⁽²⁾	160.9	205.7	(21.8)%
Other operating Costs ⁽³⁾	158.9	157.7	0.7%
EBITDA	213.0	194.0	9.8%
EBITDA margin (%)	24.7%	21.1%	3.6pp
Mobile	199.6	185.5	7.6%
Wireline	9.6	3.5	175.5%
SSI	8.7	8.5	2.5%
Other and eliminations	(4.8)	(3.4)	(40.8)%
Depreciation and amortisation	130.5	129.5	0.7%
EBIT	82.5	64.5	28.0%
Net financial results	(8.9)	(6.4)	(39.6)%
Financial income	8.6	8.2	5.1%
Financial expenses	17.5	14.5	20.2%
EBT	73.6	58.1	26.7%
Taxes	(11.0)	(16.7)	34.1%
Net results	62.6	41.3	51.3%
Group Share	62.5	41.2	51.8%
Attributable to non-controlling interests	0.0	0.2	(77.2)%

⁽¹⁾ Direct servicing costs = interconnection and content + leased lines + other network operating costs;

⁽²⁾ Commercial costs = COGS + Marketing & Sales costs;

⁽³⁾ Other operating costs = outsourcing services + General & Administrative costs + provisions + others.

2.2.3. Consolidated balance sheet

Million euros	2011	2010	Year on year
Total net assets	2,019.8	1,861.9	8.7%
Non-current assets	1,580.3	1,501.4	5.3%
Tangible and intangible assets	954.8	865.3	10.4%
Goodwill	521.1	526.1	(1.0)%
Investments	0.2	0.2	1.7%
Deferred tax assets	103.9	109.6	(5.2)%
Others	0.3	0.2	49.9%
Current assets	439.5	360.5	22.9%
Trade debtors	146.1	143.3	2.0%
Liquidity	189.4	68.6	176.1%
Others	104.0	148.6	(27.6)%
Shareholders' funds	1,021.4	975.3	4.7%
Group share	1,020.9	974.7	4.7%
Non-controlling interests	0.5	0.6	(13.2)%
Total liabilities	998.4	886.6	13.0%
Non-current liabilities	437.2	400.7	9.1%
Bank loans	320.2	305.0	5.0%
Provisions for other liabilities and charges	48.5	33.2	46.5%
Others	68.5	62.5	9.5%
Current liabilities	561.2	485.9	16.2%
Bank loans	118.4	30.9	-
Trade creditors	172.6	178.7	(3.4)%
Others	270.2	276.2	(0.9)%
Operating CAPEX ⁽¹⁾ (excl spectrum investment)	105.4	130.5	(19.2)%
Operating CAPEX as % of turnover (excl spectrum investment)	12.2%	14.2%	(2.0)pp
Total CAPEX (excl spectrum investment)	105.6	139.8	(24.5)%
EBITDA - Operating CAPEX (excl spectrum investment)	107.6	63.5	69.3%
Operating CAPEX ⁽¹⁾	215.8	130.5	65.4%
Total CAPEX	216.0	139.8	54.5%
Operating cash flow ⁽²⁾	70.6	44.8	57.7%
FCF ⁽³⁾	38.8	10.6	-
Gross debt	459.2	357.4	28.5%
Net debt	269.9	288.8	(6.6)%
Net debt/EBITDA last 12 months	1.3x	1.5x	(0.2)x
EBITDA/interest expenses ⁽⁴⁾ (last 12 months)	13.9x	14.4x	(0.6)x
Debt/(debt + shareholders' funds)	31.0%	26.8%	4.2pp
Excluding the securitisation transaction:			
Net debt	309.5	348.1	(11.1)%
Net debt/EBITDA last 12 months	1.5x	1.8x	(0.3)x
EBITDA/interest expenses (last 12 months)	13.9x	14.4x	(0.6)x

⁽¹⁾ Operating Capex excludes financial investments, provisions for site dismantling and other non-operational investments;

⁽²⁾ Operating cash flow = EBITDA - operating Capex - change in working capital (WC) - non-cash item and other;

⁽³⁾ Free cash flow (FCF) levered after financial expenses but before capital flows and financing related up-front costs;

⁽⁴⁾ Interest cover.

2.2.4. Consolidated free cash flow (FCF)

Million euros	2011	2010	Year on year
EBITDA – operating CAPEX	(2.8)	63.5	-
Change in Working Capital	51.7	(22.0)	-
Non-cash items and other	21.8	3.3	-
Operating cash flow	70.6	44.8	57.7%
Securitisation transaction	(20.0)	(20.0)	0.0%
Own shares	(2.2)	(4.9)	55.0%
Financial results	(6.6)	(8.1)	17.7%
Income taxes	(3.0)	(4.6)	35.3%
Free Cash Flow	38.8	10.6	-

2.3. Telco business

2.3.1. Key market developments

Residential mobile segment

Offer and marketing initiatives

TAG: strengthening a new product category

TAG, a concept for the youth segment launched in 2008, represented a game-changing innovation with clearly perceived benefits for the potential users. TAG includes free voice and free text communications between members, a multi-platform service available via mobile phones and PCs, and a web-based social community.

TAG's strategy is currently focused on three main objectives: acquiring new customers, leveraging on the appeal of the products, not only to the youth segment, but also to all mass market segments; retaining its current customers; and extracting increasing value from the customer base. Within its category, TAG continues to be the best-value proposition.

Last year saw the launch of numerous commercial initiatives designed to underline TAG's best-value proposition compared with competitors and to offer customers several promotional benefits. Given their impact on the Portuguese telecommunication market, it is worth highlighting some of these initiatives.

- **Optimus Pequim**, the first TAG-related phone, was launched as the first smartphone for youngsters. The launch was followed by several high-impact promotional drives. The success of this campaign was recognised when Optimus Pequim was ranked among the best gadgets of the year by i-tech.com, a highly reputed tech site.
- With its **TAG Boat**, Boat campaign, TAG challenged the market status quo once again, offering free off-net communication for one year, 200 SMSs per month.
- Launched at the beginning of 2011, **Leilões TAG** was another innovative and dynamic campaign, which allowed customers to buy mobile phones and tablets at a very low price. Not only did Leilões TAG have a positive impact on strengthening customer relationships, but it also became a significant source of revenues.



To further address the youth segment, TAG launched very aggressive price proposals restricted to this sector, some of them in partnership with Santander Totta and Universia.

In 2011, as in 2010, TAG continued to set the market pace in this category.

Discount offer: rebranding and retargeting

In recent years, Optimus addressed the discount segment with the autonomous brand Rede4, which had no connection to the Optimus brand. In 2011, taking into account the benefits of launching a discount offer strategy closer to the Optimus brand, Rede4 was abandoned after five years and replaced by Optimus POP, the new Optimus offer targeting the discount segment. This new offer kept the low-cost positioning and the main features of the value proposition that allowed Rede4 to succeed: low tariffs and simplicity. Optimus POP also maintained the autonomous website as an important sales channel; as a platform for web-based selfcare; and as a vital promotional channel for the product. To reinforce its low-cost positioning, its tariff was reduced to a new flagship flat price of 8 cents/min. The rebranding was accompanied by a promotional multi-media campaign and by promotional events across the main retail channels.

Continente Mobile, also a significant part of Optimus's approach to the discount segment, was introduced in 2009 as the leading retailer Continente's telecommunications solution. In 2011, with the aim of achieving competitiveness and efficiency, Continente Mobile redefined its customer proposals, targeting families as a main priority and also redefining its business model. Simultaneously, Continente Mobile, launched a new approach to its customer base with promotional activities that not only involved the previous discounts on its retailer loyalty card but also included the first campaign offering recharging bonuses linked to retail purchases.

Mundo: New top-up vouchers for foreign communities

Portugal has a growing foreign population which represents almost 5% of the total current population. The largest foreign communities living in the country are Brazilians, Ukrainians and Cape Verdeans. These communities represent a relevant revenue generating segment with very specific needs addressed by the specifically targeted tariff plan, Mundo.

Mundo focuses on international calls complemented by free and unlimited on-product communications. This makes Mundo a valuable offer for both national and international communications. Given that the foreign communities segment has such specific needs related to international calls, Optimus launched Minutos Mundo, a new type of top-up in a five euros voucher format. Minutos Mundo is a completely new and innovative way to top-up in the Portuguese market and gives Mundo clients an alternative to ATM or in-store top-ups.

Innovative tariff plans: addressing market needs

During 2011, Optimus continued its strategy of matching its products' features with market needs. Optimus Livre was launched in January 2011 as a revamped version of its successful Livre pre-paid offer. Maintaining its core benefit, no top-up obligation, Optimus Livre allows the customer to benefit from a very low tariff 9 cents per minute for all-net calls after each top-up. Optimus Livre is the first tariff plan from any mobile network operator to combine these two key benefits, and has had a very good reception from customers.

In February, Optimus launched the Optimus Zero pre-paid offer that allows unlimited calls for all Optimus and fixed numbers. Optimus Zero is the most comprehensive unlimited offer in the market.

In April, Optimus launched a game-changing offer for the high-value segment, the SMART iPhone Edition, which comprises a specific SMART post-paid contract that combines attractive tariff plans with a 2GB data allowance, and a very competitive price for the iPhone 4. For the first time, customers could buy iPhones from 99 euros and, therefore, SMART iPhone Edition was a big hit in this business-critical, high-value segment. In November, Optimus extended its successful integrated SMART offer to the pre-paid segment. The new SMART Pré is now the most accessible integrated voice-plus-data offer in the market with an appealing 12.5 euros monthly fee, and remains a key element in our smartphone growth strategy.

MÓVEL

optimus

MUNDO
Cartão para Chamadas Internacionais
International Phone Card

País	Tarifa
Brasil	desde €0.06/min
China	desde €0.04/min
Angola	desde €0.11/min
Ucrânia	desde €0.11/min

GRÁTIS
CHAMADAS ENTRE CLIENTES
COM TARIFÁRIO MUNDO MÓVEL
FREE CALLS BETWEEN CUSTOMERS WITH PHONE MUNDO

Carregamento instantâneo
€8
convertido em saldo disponível para usar

LIGUE-SE AO MUNDO A PREÇOS REDUZIDOS.
THE WORLD AT MINIMUM RATES.



Handsets initiatives

Smartphone market: leading the way

During 2011, Optimus maintained its drive towards raising the smartphone adoption rate by developing several marketing campaigns to promote its best mobile handsets. This effort ultimately led to a consistent customer base growth. Along with the launch of leading manufacturers' equipment, Optimus has implemented a strong promotion plan around Optimus branded smartphones, leveraging its competitive advantage in the market. Among several equipment releases, it is worth highlighting Optimus Pequim, the first smartphone targeting the youth segment; Optimus Stockholm, the first smartphone under 100 euros; and Optimus Monte Carlo, a high-end handset at an affordable price below 200 euros. These three smartphones are Android-based and address different and specific consumer needs.

All these releases were supported by a strong and innovative promotion plan and represented important milestones in the Portuguese market.

Game-changing Unlock Your Mobile Phone for Free campaign

Building on successes achieved in 2010, Optimus reissued its pioneering promotional campaign, Unlock Your Mobile Phone for Free at two key points in the calendar: Summer and Christmas. By introducing a disruption factor and delivering a strong value proposition with a simple processes (customers just had to ask for the unlock code in an Optimus brand store), this campaign has produced great results and reinforced Optimus as the most innovative player in the market. In the summer campaign, and in order to accelerate the smartphone adoption rate, Optimus offered a cumulative 50 euros retail price discount in addition to the unlock code offer. The Christmas campaign once again proved the relevance of this disruptive promotion concept by achieving the best results ever, measured by unlock codes requests.

Addressing new consumer needs

To offer a wide range of mobile solutions that address new consumer needs and emerging trends, Optimus has expanded its mobile handset portfolio by introducing dual SIM and social network-oriented handsets. The dual SIM category has been continuously updated with new handsets and today it offers a broad spectrum of mobile phones, operating systems (from feature phone to Android smartphone) and manufacturers. These releases were supported by holistic promotion and communication programmes that covered TV ads, point-of-sale-material, press, outdoor, PR and web.

Optimus also addressed people's growing mobile social networking needs by introducing three new mobile handsets with one important and distinctive characteristic: a Facebook-dedicated key. HTC ChaChaCha was the first device to introduce this key, which allows quick and simple access to Facebook. Later, as part of its Christmas campaign, Optimus released two new handsets with a Facebook dedicated key: One Touch 813 and One Touch Android 908 c. This double launch aligned directly with Optimus's commitment to anticipating and meeting customer demands.



Value creation, loyalty and customer care initiatives

Maximising value creation and new opportunities

In line with Optimus's past commitments, 2011 was another year in which Optimus customers were given the chance to win fantastic prizes through messaging services. In May, Optimus launched the QuizMania campaign, in which the operator offered 5 euros per day and 15 euros as a final prize. In August, Optimus launched the Verao Milionário campaign, which offered 1,000 euros per day, 2,000 euros on weekends and a Mini Countryman as the final prize.

During Christmas, Optimus launched Carregadinhas de Natal, a specific top-up voucher campaign offering prizes. With Carregadinhas de Natal, customers could recharge their phones with low-value top-ups and access guaranteed bonuses up to 1,000 euros.

Roaming was not forgotten and in March the Promoção de Roaming da Páscoa campaign was launched. For 99 cents per day, customers were able to talk at half the price charged elsewhere in the European Union.

With the strategic aim of meeting the customers' needs, Optimus launched continuous campaigns tailored to each customer profile aiming to stimulate voice usage and top-ups.

Enhancing our loyalty programme

Having re-defined the eligibility conditions and made our loyalty programme more accessible at the end of 2010, the focus in 2011 was on making the programme more attractive to our customers, while helping to grow our data revenues by encouraging them to upgrade their handsets to more sophisticated phones. This was achieved through a continuous promotional programme highlighting smartphones, based on better discounts compared to other handset offers with more targeted and consistent communication. Compared to 2010, the loyalty programme redeeming rate increased 33% with smartphones representing 50% of the redemptions (26% in 2010). Market research also reveals an increase in satisfaction with the loyalty programme.

Improving customer experience

The increasing penetration of smartphones and growing relevance of data services presents new challenges when it comes to serving our customers. In response, Optimus launched an integrated initiative involving its stores and contact centre, focusing on smartphone servicing. The aim was to improve the service offered to smartphone customers through the main Optimus touch-points, by redesigning processes and tools and training staff. Sales and contact centre employees are now more knowledgeable about equipment and about the main data services and applications. They are also more capable of promoting while advising the customer on these matters. In the contact centre, segmentation of the incoming calls is currently made based on the type of handset, with smartphone customers being answered by a specialised team.

Additionally, the Optimus ATM menu underwent structural changes to offer a significantly better customer experience. Using an ATM, customers now have a product customised menu where they can purchase new services like Internet packages, calling rings and mobile content feeds, and where they can find information about the latest promotions.

Optimus Kanguru - Wireless broadband

2011 was a year of significant growth in the retail segment of our mobile broadband business. This mitigated the impact of the termination of the e-initiatives programme, which in previous years had accounted for a sizeable number of new customer acquisitions. The shift in the acquisition mix in the mobile broadband market benefited our overall market share, which rose significantly, driven by continuous product improvement, strong promotions and commercial activity, and a consistent focus on the customer experience, management and retention.

The year started with a complete overhaul of the Optimus Kanguru post-paid product range, resulting in a simplified value proposition with an improved acquisition mix. In the first quarter, Optimus re-launched Optimus Kanguru Inside, a SIM-based product specifically tailored for devices with embedded modules, in order to provide the best activation and usage experience. This launch was backed by a strong promotional campaign, which created the necessary association between our well-known mobile broadband brand and the emerging category of tablets, thereby positioning Optimus as a leader in this new growth area.

In the second quarter, Optimus launched the new online post-paid contract for Kanguru products, enabling a 100% web-based experience for mobile broadband contracts, with fully automatic service activation across all relevant service platforms. This unique innovation further empowered consumers to enjoy our ready-to-use wireless Internet access and demonstrated our commitment to excellence in both customer experience and operational efficiency. This step was followed by a complete overhaul of our roaming experience and the launch of new roaming price plans. Together, these drove adoption of mobile broadband roaming during the summer.

Also in this period, Optimus launched an optimised pre-paid Kanguru product backed by a strong promotional campaign aimed at more occasional users, who have a mobile broadband product as a complement to fixed access. Together, these drove a significant increase in the acquisition of this type of customers, increasing Optimus's share of a growth segment in the overall mobile broadband market.

The commercial activity was strengthened with a large number of activities across all Optimus distribution channels, resulting in a strong acquisition performance as well as an optimised acquisition mix.

Following the decision by the Portuguese government to terminate the e-initiatives programme, Optimus focused on customer retention and value management. These factors were improved through the implementation of a wide range of activities structured under relationship marketing and proactive retention programmes, as well as wide-scale upgrades of tariff features across the customer base enabled by service platform innovations. Together with continuous improvements in the user experience, these efforts have enabled us to sustain a strong performance in the overall customer satisfaction index.

In summary, 2011 was a strong year for the mobile broadband category, with a renewed emphasis on the key retail segment and consistent market share growth for Optimus. Together with a large number of efficiency improvements, these factors sustained consistent results in the segment.



Optimus Home - Fixed-mobile convergent product

Optimus Home is a single-play product with a market potential following the same declining trend of the previous years. This has been caused mainly by the increasing penetration of bundled offers. As a positive side-effect, the penetration of fixed voice solutions not only reversed a declining trend, but also created the potential to become more relevant to customers.

The macroeconomic climate supported strong product performance when it came to gross additions. Taking into account the nature of the Optimus Home value proposition, which allows Portuguese families to make an effective saving on their fixed communication bills, the performance of the sales channels was above expectations.

The same macroeconomic context affected revenues, mainly off-bundle components, as consumers became less willing to spend. The stability of a monthly fee smooths the impact on monthly budgets, allowing a reasonable performance on revenues.

In this context, Optimus Home carried out a clear strategy to maximise profitability. The strategy's pillars are: i) keeping both a simple and competitive value proposition; ii) developing strong partnerships with distribution channels; iii) focusing on churn and related variables; iv) ensuring a tight control of all cost drivers, with particular emphasis on acquisition and customer base management.

A strong pipeline of promotional activity along with a continuous motivational programme for sales teams contributed to a positive year for acquisitions. Several cross-selling initiatives supported these results and created a success formula to support continuous efforts in this area. An innovative model that focused on a TV campaign integrated with a top TV entertainment show also brought a new dynamic to sales activity.

A new product line, including data services, was launched in 1Q11. Respecting the principle of simplicity, it builds on the product's distinctive ready-to-use features. Results were above expectations, creating a positive outlook for this complementary revenue stream while expanding the product target.

All cost areas came under rigorous control. Not only did this have an impact on the cost of serving the customer base, but it also added important efficiency to handset costs through the renegotiation of the supply terms with existing partners and by adding new suppliers to the handset portfolio.

When it came to customer retention, the focus was on eliminating the key causes of dissatisfaction, mainly through a targeted campaign designed to upgrade some equipment.

As a consequence of the successful adopted strategy, Optimus Home reinforced its position as the sole challenger of the incumbent operator in the fixed voice market, apart from bundled products. Also from a financial perspective, Optimus Home was able to maintain the service margin, despite the adverse economic environment.

optimus home
Telefone sem assinatura.

TELEFONE PELA METADE POUPANÇA POR INTEIRO
CHAMADAS ILIMITADAS PARA A REDE FIXA POR APENAS €9,99 / MÊS.*

CHAMADAS ILIMITADAS

TELEFONE FIXO W7 SELECT €19,90 €9,90

TELEFONE SEM FIO Z6 €19,90 €9,90

* Mediante seleção no Optimus Home na modalidade de pagamento por fatura. Durante 24 meses.

Optimus Clix - Residential wireline segment

In 2011, all relevant operators strategically employed a fibre approach to position and communicate bundled triple-play TV offers and reinforce their competitive position. TV channels, video on demand (VoD) and new functionalities were key product features, clearly used for both product and brand differentiation. Likewise, aggressive promotional activity was used by players to either acquire and win back customers, or retain and prevent churn.

The main drivers in 2011 for Optimus Clix included: i) the reach and expansion of our eligible fibre territory through a strategic partnership with Vodafone; ii) pursuing a smart innovation strategy; iii) challenging our operational model to improve efficiency; iv) reducing churn and, finally, v) intelligent management of our ULL customer base, to improve the customer experience and so impact positively on overall satisfaction levels.

Additionally, continuing promotional activity throughout the year was key to withstanding competitive pressure. From a commercial perspective, this drive was led by an expanding and dynamic door-to-door sales distribution team because push strategies rather than pull strategies still prove effective.

Fibre-to-the-home (FTTH)

Taking advantage of its growth plan for fibre in 2011, and through its key partnership with Vodafone, Optimus doubled its potential market to more than 400 thousand households. Likewise, the acquisitions showed positive results, due to competitive low-end offers along with dynamic promotional activity, which was adapted and personalised to each distribution channel.

Accordingly, dynamic commercial activity increased gross additions by more than 40% y.o y.. This growth was achieved primarily through a strong commitment to strengthening and technically improving direct sales channels. Additionally, all fibre bundles were enhanced to increase competitiveness: entry packs were strengthened via TV channels and robust voice bundles. Likewise, a fresh new 360Mbps Internet option was made available, allowing Optimus to maintain its leading-edge Internet speeds in the Portuguese and global markets.

What's more, value per client achieved a positive increase due to the rise of bundled offers per gross add. More than 80% of all GAs subscribed to a triple-play plan, while more than 90% of GAs subscribed to a TV service.

Customer value

Despite the decision to stop acquiring ADSL subscribers under the unbundling model of the local loop (ULL), the main activity centered on implementing sharp profiling and segmentation tools. These have helped to decrease churn and also protect risk revenues.

Furthermore, the implementation of tailored retention tools has helped to activate loyalty campaigns and act just in time with customer segments, potentially at risk. Overall, these factors have led to an increase in all retention ratios.

Likewise, to improve customer loyalty, reduce churn and increase overall customer satisfaction and subsequent value, Optimus pushed its innovation strategy during 2011 with new product features and monthly up-sell campaigns across its ULL customer base.

Customer experience and engagement

Our main aim in 2011 was to improve the customer experience at critical touch points and deliver an experience that bridged the gap between real customer experience, customers' perceptions and quality satisfaction demands.

This was achieved by simplifying processes, making them leaner, therefore contributing towards a more solid and sustainable operation without sacrificing customer satisfaction.

An important part of our customer experience is the installation phase. This is when the service actually becomes more tangible, is installed on the customer's premises, and makes up a big part of our customer's perception of service quality. Consequently, in 2011, a great deal of emphasis was placed on transforming the installation phase into a service that generates higher satisfaction levels and quality perceptions. The results reflect an overall average decrease in installation times of around 20%.

Innovative TV services

Clearly, TV is the king in any triple-play bundle. As a result, Optimus has been decisive about improving the content and interactive services that come with its TV offer. A total of 12 new channels were launched during 2011, nine in high definition (HD), making Optimus's TV service one of the most competitive and diversified in the market.

The VoD library content was also expanded with more than 1,200 new titles, 300 in HD. Penetration rates and buy rates showed a keen upward trend despite the adverse economic environment.

Working towards a multi-device strategy, Optimus Clix launched its online video service. This service allows anyone with a simple web connection to access a wide-range of box-office movies.

During 2011, we introduced innovative customer tools to the service, taking advantage of our fibre network's full potential. The Picasa application was launched to reinforce our TV offer of available over the top apps. Along with our Clix Wikipedia application, the well-known Picasa digital photo application is now also available to our customers directly from their TV screen.

Likewise, the top customer-rated restart functionality was also extended to additional channels. A new remote recording application was launched for smartphones and tablets, not only improving interaction with the TV service, but also giving customers more control over their programme viewing. To facilitate customer management of premium TV channels, improvements were made to our TV interface, allowing customers direct subscription from their TV portal. Customers can now select channels directly from their remote and get immediate access to the content, without having to call our customer service.

Optimus Negócios - SMEs & SOHOs segment

Optimus Negócios' mission is to improve the effectiveness and competitiveness of its customers, enabling them to use new and stimulating ways of communicating – anytime, anywhere. Our commitment revolves around providing companies and professionals with the best possible communication tools: fixed or mobile, voice, data or Internet access.

Our key focus is the convergence and integration of all the services and solutions we provide to the customers. During 2011, we continued to strongly encourage our customers and partners to implement integrated communication solutions, having already proved that our integrated offering is capable of adding real value to their businesses.

We introduced several significant changes to the product portfolio, reinforcing the three main pillars that clearly differentiate Optimus in the business market. The following initiatives are worth highlighting:

Integration/convergence, with:

- Convergent rate plans that deliver benefits both on fixed and mobile, either on single equipment or fixed and mobile equipment;
- Technology-agnostic services, enabling us to provide fixed services transparently through our mobile network.

Mobile data, by introducing:

- Several initiatives to expand mobile data consumption across our customer base;
- New mechanisms for managing data roaming.

Virtualisation/cloud services, adding:

- Innovative new services based on Microsoft technology in a cloud computing model;
- Solutions based on new equipments, such as tablet PCs, where we deliver a bundle incorporating shared traffic between PCs and tablets.

Achieving customer service excellence and improving customer satisfaction remained an important priority during 2011. We believe that it is crucial to develop a comprehensive understanding of our customers' evolving needs to ensure we continue to deliver the services they are looking for. With the emphasis on achieving higher customer satisfaction ratings, we focused on giving them better answers within a shorter time, preferably during their first contact.

Along with other initiatives, our investment in the quality and responsiveness of our contact line paid off once again and was recognised internationally. Optimus was awarded the Best Customer Service (In-House Contact Center) of Europe, Middle East and Africa by Contact Center World, the global association for contact centre best practices and networking. This prestigious international award is of vital importance to our business, vindicating our efforts to improve our customer satisfaction ratings and motivating us to improve them even further.

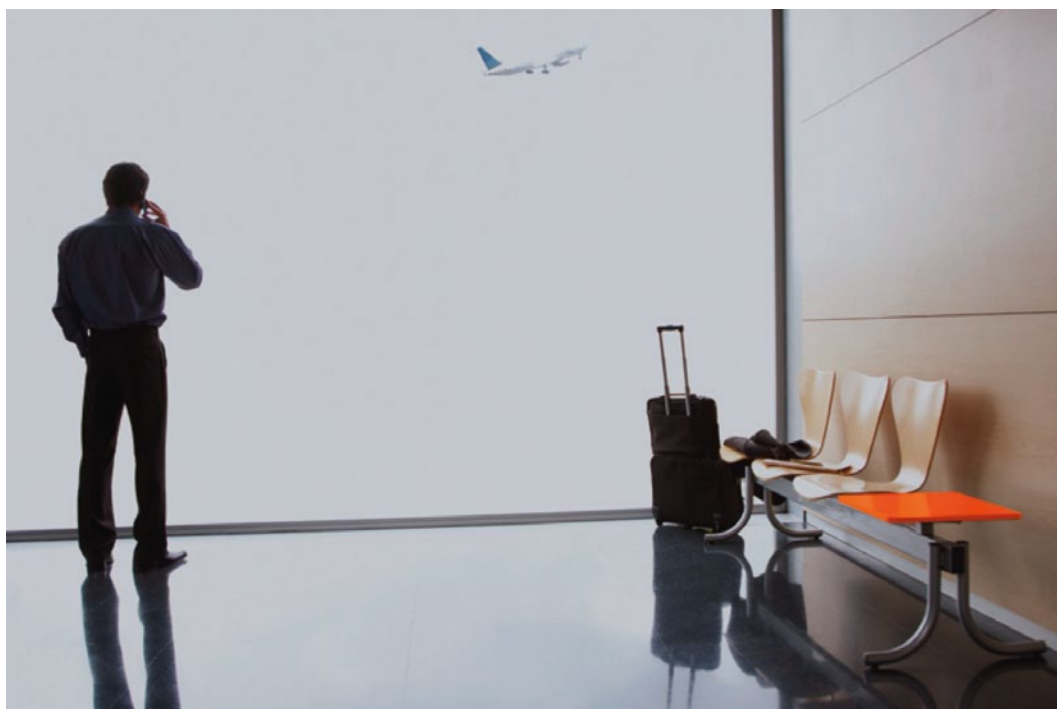
Our customers' lifetime value also remains one of our key drivers. Under the Clube Negócios brand, we improved our loyalty plans, strengthening our offers and models to better serve our customers' needs and objectives. To this end, we undertook several cross-selling campaigns, promoting bundle sales to Optimus Negócios customers, encouraging people to buy additional services from us.

Regarding sales channels, we took a decisive step towards reinforcing our retail selling capabilities. We allocated business experts to our own main stores, with responsibility for specifically addressing the business market, building relationships and raising cross-selling and loyalty levels across our customer base.

Early results show significant growth, both in acquisition and retention.

Last year, we achieved particularly positive results as far as our growth is concerned. Once again, we set a strong commercial pace and outperformed our competitors in all product categories – voice and Internet, mobile and fixed. We were able to grow our market share by approximately four share points between 3Q10 and 3Q11 (Source: Telecommunications Survey, 3Q11).

We will continue following our proven strategy as the first choice in the business market, maintaining a strong strategic focus on convergence and integration, sharing value with our customers and staying close to our market.



Optimus Corporate - Corporate segment

Optimus Corporate is an integrated solutions provider with a range of integrated, convergent, innovative and technologically advanced products and services capable of delivering maximum value of the customers. Our objective is to be the best corporate telecommunications operator in Portugal, leading corporate market convergence with a global offer.

During 2011, we took our strategy a step further by strongly enriching our offer portfolio.

For Internet and data offerings, targeted at the enterprise market, we launched new connectivity solutions that ensure higher performance, quality and coverage in the provision of Ethernet and IP-based services. The following initiatives are worth highlighting:

- Introduction of GB Passive Optical Network (GPON) access technology in carrier Ethernet services based on the Optimus optical fibre network;
- Availability of high-speed Ethernet connections based on copper circuits with speeds up to 20Mbps;
- New IP-based offering supported in Very Small Aperture Terminal (VSAT) and satellite data communications;

- Integration of the regulated Ethernet circuits offer, allowing Optimus to implement fully redundant access solutions and also enabling Optimus to serve customers from anywhere in the national territory.

In the mobile voice and data offer, Optimus changed its tariff plan architecture into a more flexible and structured building blocks architecture, in order to cover the different usage profiles of company employees and their families. At the same time, we introduced a specific solution for this target market, providing a consumption control mechanism suited to the current economic environment. With this, we achieved significant growth in the gross adds among our target sector: corporate employees and their family members. Pursuing the convergence objective, we added several more options into our fixed voice offer, with new fixed-mobile usage packs, further deepening our fixed-mobile convergence offer.

In mobile broadband, Optimus has improved its corporate Kanguru offer with new tariff plans covering the different usage profiles of companies and their employees:

- Kanguru Twin Tablet, a unique solution for mobile Internet use from either PC tablets or notebooks, with a single tariff plan;
- Kanguru Individual without consumption control, a new option that allows customers to freely moderate their mobile Internet usage without constraints of any kind;

- Kanguru Splitter, a solution that provides unlimited traffic and value sharing between the companies and their employees.

During 2011, we also launched a new Femtocell service, enabling us to strengthen 3G coverage inside buildings more simply and more efficiently.

Our approach to the information and communications technology (ICT) market was another key milestone in 2011. The new Optimus Housing Premium services are an effective way for companies to reduce their ICT spending, allowing them to maintain their existing servers in modern and fully equipped data centers or even migrate them to a centralised virtual server.

Regarding customer focus and customer satisfaction: we maintained our clear strategy to raise customer satisfaction levels by consistently providing the highest standards of professional service from the first point of contact. We identified and developed opportunities for enhancing our frontline customer service delivery; and we introduced additional self-service options, allowing customers to complete routine tasks without interacting with our customer account team. This has enabled us to improve efficiency while reinvesting time and energy into maximising customer value.

All this has enabled us to continue improving our business value and strengthen our market position. Companies are facing new and intensifying challenges. To succeed, greater focus on core business activities is crucial and our telco solutions are key for the whole corporate market.

Optimus Wholesale

Optimus Wholesale aims to maximise the value of one of the brand's most important assets: the Optimus network. We provide a broad range of voice, broadband and data communications services to fixed and mobile network operators. In addition, we support the needs of communication providers worldwide.

To pursue this, we have consistently engaged with several commercial partners, mainly international, and we have developed several initiatives to provide our customers with different and innovative solutions for their specific needs.

Despite the economic situation, Optimus Wholesale was able to achieve a strong increase in its operational figures, exceeding its objectives for 2011 and proving the soundness of our strategy. Although the strong increase in operational figures did not fully off-set the decrease of regulated rates and market pressure on pricing, Optimus Wholesale was able to reinforce its position as the alternative wholesale operator in Portugal.

Optimus Connect and the Internet of Things

Optimus Connect was created as a brand and business unit in early 2011, with the main purpose of successfully addressing the machine-to-machine (M2M) market. By introducing a set of new offers and products for the business-to-business (B2B) segments, it has developed new sales opportunities over an expanded portfolio. In addition, by setting up a partnership programme in line with its strategic vision, it has already created new business models and was able to enter into several different vertical markets.

Optimus Connect now aims to be the most recognised brand for the M2M communication solutions, leading the Portuguese market.

Its capacity to perform and create additional value in this market has been confirmed through greater penetration of the major verticals, namely the Logistics (transportation), the Financial (payments), Security (surveillance) and the Utilities (energy and water) sectors. This increased penetration was achieved by simultaneously increasing its contribution margin.

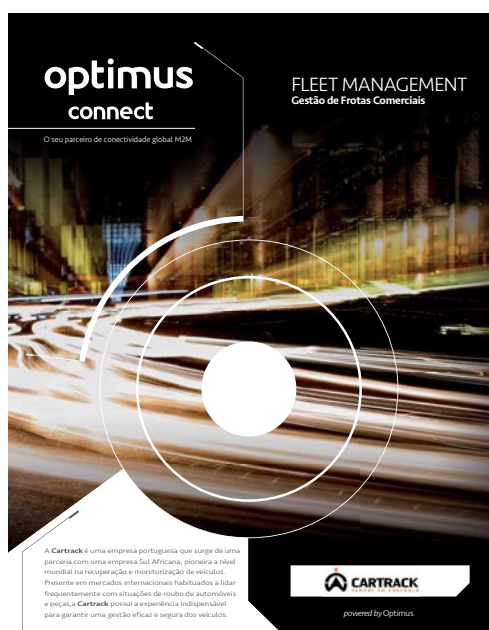
Additionally, Optimus Connect succeeded by providing its services to customers with pan-European operations.

Optimus Connect also developed several initiatives in uprisng verticals, for example, in the health and wellness segments. It seeded the high potential of these segments, establishing proper consortiums for leveraging the brand and increasing the take-up rate of new propositions.

As a result of all these initiatives, Optimus Connect achieved a high gross adds rate during 2011, demonstrating the validity of pursuing a specific strategy to address the M2M market.

The other main priority for 2011 was to set up the basic building blocks for the future, which will allow us to assume a leading role on this segment.

As a result, our focus was simultaneously on processes and platforms. Highly efficient processes were specified and the business conducted a tender process to select an operating platform. This will allow Optimus Connect to provide new solutions and deliver superior service levels to its customers in the M2M market, automating lifecycle processes and taking advantage of web technologies to provide efficiency, quality and simplicity.



2.3.2. Mobile business

During 2011, amid a financial crises marked by the government's austerity measures, Optimus was able to reinforce its customer base, which grew 1.0% against 2010. One of the main pillars of this performance is Optimus' innovative position when it comes to exploring emerging opportunities, especially in the mobile broadband space, through its advanced infrastructure and its rich portfolio of mobile broadband and smartphones.

The business's top line growth (excluding regulatory impact), along with its ongoing optimisation plan, was the driver of an EBITDA margin of around 35%, a European benchmark in terms of profitability.

2.3.2.1. Operational data

	2011	2010	Year on year
Customers (EOP) ('000)	3,639.37	3,604.10	1.0%
Net additions ('000)	35.3	171.5	(79.4)%
Data as % service revenues	32.5%	30.6%	1.8pp
Total #SMS/month/user	42.8	47.7	(10.2)%
MOU ⁽¹⁾ (min.)	126.1	133.9	(5.8)%
ARPU ⁽²⁾ (euros)	12.9	13.7	(5.6)%
Customer Monthly Bill	11.2	11.4	(2.1)%
Interconnection	1.7	2.2	(23.4)%
ARPM ⁽³⁾ (euros)	0.10	0.10	0.2%

⁽¹⁾ Minutes of use per customer per month;

⁽²⁾ Average monthly revenue per user;

⁽³⁾ Average revenue per minute.

Customer base

Optimus's mobile customer base grew from 3.60 million to 3.64 million customers. The impact of the Portuguese austerity measures, coupled with the end of the government's e-initiatives programme, impacted across mobile operating KPIs such as churn and minutes of usage (MOU).

However, Optimus was able to achieve a positive level of net adds in the quarter, ending the year with an increase of 1% in the customer base. Our contract customer numbers continued to rise, reaching 33.1% of the total mobile base against 32.9% in 2010.

Mobile customers' ARPU stood at 12.9 euros, decreasing 0.8 euros compared to 2010 on the back of lower interconnection revenues, which decreased from 2.2 euros to 1.7 euros, and lower customer monthly bills, which decreased from 11.4 euros to 11.2 euros. MOUs decreased 5.8% y.o.y. to 126 minutes per month. Nevertheless, it should be noted that this effect has no direct impact on mobile customer revenues, given the importance of packs of minutes and SMSs on Optimus's pre-paid and post-paid offer.

Data services and mobile broadband

Data revenues represented 32.5% of service revenues in 2011, improving 1.8pp compared to 2010, an achievement fuelled by the increased usage of mobile devices, especially dongles. Meanwhile, smartphone penetration still represents an important growth opportunity. Despite the negative impact that the end of e-initiatives has had on our mobile broadband segment, the weight of non-SMS related data services continued to increase, accounting for approximately 76.0% of total data revenues in 2011 versus 75.1% in 2010.

2.3.2.2. Financial data

Million euros	2011	2010	Year on year
Turnover	570.7	592.8	(3.7)%
Service Revenues	542.4	557.8	(2.7)%
Customer Revenues	470.4	466.5	0.8%
Operator Revenues	72.0	91.2	(21.1)%
Equipment Sales	28.3	35.0	(19.2)%
Other Revenues	32.2	33.4	(3.6)%
Operating Costs	403.4	440.7	(8.5)%
Personnel Costs	51.0	51.7	(1.2)%
Direct Servicing Costs ⁽¹⁾	130.9	170.4	(23.2)%
Commercial Costs ⁽²⁾	106.4	109.7	(3.1)%
Other Operating Costs ⁽³⁾	115.1	108.9	5.7%
EBITDA	199.6	185.5	7.6%
EBITDA margin (%)	35.0%	31.3%	3.7pp
Operating CAPEX ⁽⁴⁾ (excl LTE spectrum investment)	81.1	94.7	(14.4)%
Operating CAPEX as % of turnover (excl LTE spectrum investment)	14.2%	16.0%	1.8pp
EBITDA - operating CAPEX (excl LTE spectrum investment)	118.5	90.9	30.4%
Total CAPEX (excl LTE spectrum investment)	81.2	104.0	(21.9)%
 Operating CAPEX ⁽⁴⁾	 191.5	 94.7	 102.3%
Total CAPEX	191.6	104.0	84.3%

⁽¹⁾ Direct servicing costs = interconnection and content + leased lines + other network operating costs;

⁽²⁾ Commercial costs = COGS + Marketing & Sales costs;

⁽³⁾ Other operating costs = outsourcing services + General & Administrative + provisions + others;

⁽⁴⁾ Operating Capex excludes financial investments, provisions for sites dismantling and other non-operational investments.

Turnover

Mobile customer revenues increased 0.8% between 2010 and 2011 to 470.4 million euros. Nevertheless, when analysed on a quarterly basis, this indicator showed, as anticipated, a negative evolution. It should be noted that the austerity measures recently implemented in Portugal negatively impacted consumers' Christmas bonuses. As a result, consumption levels suffered a slowdown.

Mobile turnover decreased 3.7% in 2011 to 570.7 million euros due to a combination of lower operator revenues fully driven by regulated tariffs, MTRs and roaming in as well as lower equipment sales.

Operating costs

As a result of Optimus' operational efficiency plan to create a leaner organisation, mobile operating costs decreased 8.5% y.o.y. to 403.4 million euros, benefiting from a 23.2% decrease in the level of direct servicing costs. This decrease, in turn, was due to a lower level of leased lines and network-related costs as Optimus continues to reduce its dependency on third parties' infrastructure. It was also due to lower level of interconnection costs driven by smaller mobile termination rates.

The level of commercial costs decreased 3.1% in 2011, due to a lower level of cost of goods sold, as the level of equipment sales has also dropped by 19.2%. Other operating costs increased 5.7% y.o.y. driven by a higher level of provisions. This offset the reductions achieved by our operational efficiency plan in outsourcing costs across all major areas: customer service, network and IT/IS; and also a lower level of general and administrative expenses. Between 2010 and 2011, mobile provisions increased from a low level of 4.8 million euros, already explained in previous reports, to 19.5 million euros.

EBITDA

Mobile EBITDA increased 76% y.o.y. to 199.6 million euros driven by a 0.8% increase in mobile customer revenues and, mostly, by an 8.5% decrease in the level of operating costs.

The EBITDA margin reached 35.0% in 2011 against 31.3% in 2010, an increase of 3.7pp.

Mobile EBITDA-operating Capex continued its very positive trend. Excluding the effect of the LTE spectrum acquisition, EBITDA-operating Capex grew from 90.9 million euros in 2010 to 118.5 million euros in 2011, up by 30.4% y.o.y..

2.3.3. Wireline business

In the corporate and SMEs segment, an important strategic part of the wireline business, we continue to achieve growth by capitalising on demand for integrated and convergent solutions. This is Optimus's key focus for delivering maximum value to its customers.

During 2011, several significant changes were introduced to the product portfolio, differentiating Optimus's offer and strengthening its position in the business segment.

2.3.3.1. Operational data

	2011	2010	Year on year
Total accesses (EOP)	375,826	417,066	(9.9)%
Direct Accesses	307,638	344,631	(10.7)%
Direct Voice	162,407	185,294	(12.4)%
Direct Broadband	74,666	104,819	(28.8)%
Other direct Services	70,565	54,518	29.4%
Indirect Accesses	68,188	72,435	(5.9)%
Unbundled central offices with transmission	206	206	0.0%
Unbundled central offices with ADSL2+	182	182	0.0%
Direct access as % customer revenues ⁽¹⁾	79.0%	78.8%	0.1pp
Average revenue per access – retail	23.3	23.7	(1.7)%

⁽¹⁾ Due to a change in the classification criteria of other customer revenues, the level of direct access revenues was restated between 4Q09 and 3Q10.

Customer base

The Corporate and SMEs segment continued to increase its presence in the market, with the number of accesses increasing from 151 thousand to 158 thousand, growing 4.7% between 2010 and 2011.

However, the number of total accesses decreased 9.9% y.o.y. to 376 thousand accesses, driven entirely by the residential segment. This fall was due to a 10.7% decrease in direct accesses, impacted by the decision to abandon residential customer acquisition through the incumbent's infrastructure, namely through ULL, and a 5.9% reduction in indirect accesses. Nonetheless, it should be emphasised that the downward trend in the total number of accesses has been slowing q.o.q. since early 2009, driven by both the direct and indirect evolution of accesses.

2.3.3.2. Financial data

Million euros	2011	2010	Varição
Turnover	220.4	2376	(7.3)%
Service Revenues	216.9	236.8	(8.4)%
Customer Revenues	103.6	122.7	(15.5)%
Direct Access Revenues ⁽¹⁾	81.8	96.7	(15.4)%
Indirect Access Revenues	21.2	25.5	(16.8)%
Other ⁽¹⁾	0.6	0.5	19.6%
Operator Revenues	113.3	114.1	(0.7)%
Equipment Sales	3.5	0.8	-
Other Revenues	1.0	1.8	(44.1)%
Operating Costs	211.8	236.0	(10.2)%
Personnel Costs	2.8	3.9	(27.0)%
Direct Servicing Costs ⁽²⁾	152.8	154.9	(1.3)%
Commercial Costs ⁽³⁾	15.6	21.2	(26.7)%
Other operating Costs ⁽⁴⁾	40.6	56.0	(27.5)%
EBITDA	9.6	3.5	175.5%
EBITDA margin (%)	4.4%	1.5%	2.9pp
Operating CAPEX ⁽⁵⁾	20.0	26.5	(24.4)%
Operating CAPEX as % of turnover	9.1%	11.1%	(2.1)pp
EBITDA – operating CAPEX	(10.4)	(23.0)	(54.7)%
Total CAPEX	20.0	26.5	(24.4)%

⁽¹⁾ Due to a change in the classification criteria of other customer revenues, the level of other customer revenues and direct access revenues were restated between 4Q09 and 3Q10;

⁽²⁾ Direct servicing costs = interconnection and content + leased lines + other network operating costs;

⁽³⁾ Commercial Costs = COGS + Marketing & Sales costs;

⁽⁴⁾ Other operating costs = outsourcing services + General & Administrative + provisions + others;

⁽⁵⁾ Operating Capex excludes financial investments, provisions for sites dismantling and other non-operational investments.

Turnover

Wireline turnover decreased 7.3% y.o.y. to 220.4 million euros driven by a reduction of 15.5% in the level of customer revenues to 103.6 million euros; and a reduction of 0.7% in the level of operator revenues to 113.3 million euros. The second trend was primarily driven by a decrease in wholesale traffic prices, almost totally offset by the increased traffic level.

Operating costs

Wireline operating costs decreased 10.2% y.o.y. to 211.8 million euros. Direct servicing costs decreased 1.3% y.o.y., mostly as a result of the reduction in the number of ULL accesses. The increase in direct servicing costs between 4Q10 and 4Q11 is due to the significant 11.0% increase in operator revenues, driven by the wholesale division, which had an effect in higher interconnection costs.

Commercial costs decreased 26.7% due to lower marketing and sales costs following our decision to abandon residential customer acquisition through the incumbent's infrastructure. Personnel costs declined 27.0% y.o.y. as a result of the optimisation of our wireline residential business unit.

The level of other operating costs decreased 27.5%, benefiting from a lower level of provisions, which decreased to 3.6 million euros in 2011 from 10.7 million euros in 2010.

EBITDA

As a result of our revenue and cost performance, the 2011 wireline EBITDA more than doubled, reaching 9.6 million euros. The EBITDA margin increased from 1.5% to 4.4%, growing 2.9pp y.o.y..

During 3Q11, we were able to achieve EBITDA-operating Capex break-even. Although still negative in 4Q11 and 2011, we will continue optimising the profitability of the wireline business. Accordingly, between 2010 and 2011 EBITDA-Capex grew more than 12 million euros.

2.4. SSI business

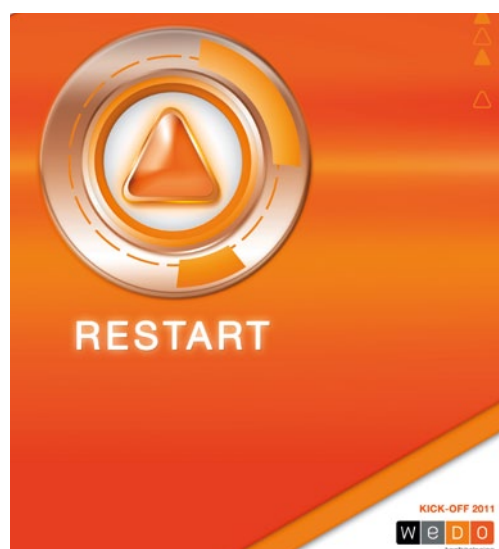


2.4.1. Key market developments

WeDo Technologies

In 2011, WeDo Technologies faced and overcame several simultaneous key challenges. The Portuguese and European economic context was one of them. A major shareholder re-structure at one of WeDo Technologies' key customers in Latin America was another. The strong increase in ageing accounts receivable was a third challenge. Finally, WeDo Technologies faced very strong competition on pricing.

Despite all this, WeDo Technologies continued to deliver positive and above 12% EBITDA levels in 2011, and has a backlog of orders above 33 million euros. This was only possible due to very tight management and control across the different areas of the company combined with a very strong focus among the sales and marketing teams on obtaining win-win projects with our customers and prospects.



Leading the revenue and business assurance space

At its sixth annual worldwide user group meeting in May 2011, WeDo celebrated its tenth anniversary with more than 130 guests representing over 42 telecom operators. The event recalled that in 2010, Stratcast Frost & Sullivan estimated a 25% market share for WeDo Technologies in the revenue assurance software space, making it the global leader in this market. In addition, Gartner estimated a 7.8% market share for WeDo Technologies in the revenue assurance and fraud management software and services space, placing it joint second in the rankings, just 0.3 pp below the leading player.

WeDo Technologies was the first company to invest in a product covering both revenue assurance and fraud management requirements and to share its business assurance concept vision with the market. Its concept brings together revenue assurance and fraud management alongside the other control functions within a business, including: internal auditing, risk management, collections, incentives etc. WeDo vision also includes taking the revenue and business assurance approach to three other key target sectors: Retail, Energy and Finance.

2011 key achievements

During 2011, WeDo won six new telecom key accounts in Central Africa, Middle East, Asia Pacific, USA, Eastern Europe; five new fraud references; one retail Customer in Brazil (Dufry); and one bank customer in Portugal.

At the beginning of the year, WeDo launched BASE, a low total cost of ownership (TCO) and fast deployment tool for small operators seeking to protect their revenues. It also launched the RAID Mobile Dashboard for iPhone, becoming the first company in the revenue and business assurance space to offer this feature.

In July, WeDo acquired a small Portuguese software company specialising in the mediation and complex events processing areas.

Moving forward: reinforcing the leadership

Over the last decade, WeDo Technologies has installed its solutions in more than 150 companies in over 80 countries across five continents, delivering consulting services to more than 100 operators worldwide through its successful consulting division, Præsidium. WeDo Technologies' software houses are currently located in Dublin (Ireland), Braga (Portugal) and Poznan (Poland).

Already in 2012, WeDo Technologies will actively support the telecom market to meet current and future challenges facing the different areas covered by its software and services. On the other side of the coin, WeDo Technologies will continue to challenge the 50% of the market that Gartner estimates still uses revenue assurance and fraud management tools developed in-house.

Regarding the retail industry, 2012 will be an important year, leveraging three highly relevant customers that clearly demonstrate the business case that WeDo has been selling over the past three years.

With the focus on sharing its knowledge and innovations, WeDo Technologies will continue to produce thought-leading and thought-provoking white papers during 2012. It will also continue to invest in the TMForum, contributing to industry developments with the medium-term aim of delivering value to its shareholder, its customers and its team.

Mainroad

During 2011, Mainroad's focus was on delivering better and more efficient services to its customers and prospects. With this in mind, the company reorganised its internal business unit structure so that, besides its delivery, one unit was created specially to serve Mainroad's top customers.

During 2011, Mainroad was recognised in the European Data Center Awards as the Best European Managed Services Provider for Data Centers. This award recognises the continued investment made by Mainroad in the improvement of its data centre infrastructure.

Among others significant deals, Mainroad signed new contracts with companies and institutions such as Sonae Capital, AHRESP, EuroRSCG, CLOVER, UTIS, FUJITSU, eChiron, Mapfre, CANON (Spain), RedSys (Spain), Finstar (Angola), Unitel (Angola) and BNI Europa.

A new partnership agreement was established with Fujitsu to offer cloud services based on Mainroad infrastructures and Fujitsu equipment to address the Portuguese market. Mainroad is also the first company in Portugal and the second in Iberia to achieve SAP Hosting Partner status. It is also one of the few companies to be recognised as a Microsoft Silver Hosting Partner.

More than 100 customers and prospects attended Mainroad's annual event. This gathering focused on the theme: The cost reduction roadmap for IT - case studies of Mainroad customers. Its objective was also to launch a series of debates around the latest outlook and trends in the management and outsourcing of services, infrastructure and business processes. Mainroad clients Sonae Sierra, AHRESP and IPQ were invited to address the audience on the solutions Mainroad has implemented on their behalf.

Mainroad will continue to focus on tracking the latest trends and innovations to support its customers with the best service and know-how available.



Bizdirect

Last year saw a significant fall in the IT market of more than 40%. Inevitably, this impacted on Bizdirect's turnover. This trend reflected Portugal's current crisis and it was aggravated by the unexpected end of the e-initiatives programme, launched by the Portuguese government in 2007. Due to the adverse macroeconomic conditions, Bizdirect had to reinforce its reputation among its clients and across the market. In line with the strategy outlined for 2011, Bizdirect strengthened its position as a leading player in multi-brand IT solutions, supported by partnerships with the market's main manufacturers, and by the management of corporate software licensing contracts.

In 2011, some specialised areas maintained their growth levels. These include software licensing, which remains an area of continuing growth. Here, customer numbers rose and Bizdirect expanded its market targets. In the Education sector, for example, the business now manages over 120 software licensing agreements. In addition, Bizdirect continues to expand its range of distinctive solutions, developing a value products portfolio geared towards niche solutions. The performance of these business areas was also impressive, especially in the current macroeconomic context.

Bizdirect continues to reinforce its skills in the highly competitive Corporate market. During 2011, we won very significant IT projects with a number of Portugal's benchmark corporations. The most notable are: Impresa Group, Visabeira Group, Fertagus, Lisbon University, Lusitânia Insurance, Unitel, Petrobras, Randstad and Grupo Hospitalar da Trofa.

It is also important to highlight Bizdirect's partnership with the national procurement agency, ANCP (Agência Nacional de Compras Públicas). This partnership has continued to strengthen since 2008 and in 2011 we signed a new and improved contract. During the year, Bizdirect also strengthened its partnerships with leading manufacturers. This involved consolidating its status as one of Microsoft's gold certified partners and as one of VMware's enterprise solutions providers, while upgrading to the EMC Premier partner programme and reinforcing its links with Riverbed. TIBCO, which offers a comprehensive suite of products designed to support a range of service oriented projects, named Bizdirect as partner distributor for the Portugal and Angola markets.

For 2011, Bizdirect set and achieved the following key objectives to continue as a differentiated player and make a positive impact by consolidating its skills and using them to stand out in the market; to capture new opportunities and products in the solutions and licensing areas. In parallel, globalisation is another growth area and Bizdirect is currently assessing its presence in certain countries, most notably Angola and Spain.

In 2011, Bizdirect launched the BizPortal project, opening up a new channel for interacting with its clients. This tool aims to improve quality and information. Above all, it is an exclusive and differentiated solution that provides access to services and features that will help to accelerate the relationship building processes between Bizdirect and the market.



Saphety

Following its strategy for 2011, Saphety not only strengthened its position as a leading player in solutions for simplifying and automating processes in the domestic market, but it also expanded its customer base internationally.

In Portugal, Saphety won the confidence of the largest operators in retail (Modelo Continente, Jerónimo Martins and Auchan) to operate their repositories of electronic invoices issued by suppliers. This achievement not only guaranteed Saphety a privileged position in the market created by this broad network of suppliers, but also gave the brand an important competitive advantage in the globalisation process.

It was in this area that Saphety achieved one of its most notable successes last year. Despite the adverse macroeconomic environment, the company managed to enter several different markets, some of them quite competitive. Currently, Saphety does business in 17 different countries, most notably Germany, France, UK, Sweden, Spain and Mozambique.

Saphety acquired important new clients such as Grupo Salvador Caetano, Rádio Popular, SEUR, Udifar, Perfumaria Douglas, GS1 Iceland, CS Hotels, Resorts & Golf.

Concerning the strategic partnerships established, we highlight Lokemark, MIIT, PHC, Sage, DigitalSign and Xerox.

To win recognition as an international player in its market sector, Saphety embarked on a renewal of its corporate brand and communication image. Among other highlights, this renewal resulted in the presentation of a new integrated offer suite. Here, all Saphety's products are condensed into three larger solutions that in future will summarise the business's integrated purchase-to-pay offer, as follows: (i) **SaphetyGov** public electronic contracting; (ii) **SaphetyBuy** electronic procurement; and (iii) **SaphetyDoc** (electronic invoicing). All the offers in Saphety's purchase-to-pay suite are now integrated into a single-entry website that is more intuitive and supports an improved user experience.

Alongside its renewed image and market positioning, Saphety also promoted, organised and supported a series of events designed to promote and provide information, local and national, on its business area. Here, it is important to highlight the first Saphety User Group, involving more than 150 customers from a range of business sectors.

Meanwhile, Saphety also expanded its team, growing its HR structure by 23% compared to 2010; and invested in several innovation and R&D projects. It is worth highlighting two initiatives in this area: (i) the Value4Coupons project together with the Wedo, Cardmobili and the University of Aveiro; and (ii) Drive3.

At the end of the year, Saphety started a new project – Green Saphety – that will allow its clients to see how much they have saved by using less paper. Each company can save wood, water and energy while cutting pollution and solid waste, and Saphety can show these savings using this tool.

Saphety's main objective for 2012 is to consolidate its international status and become a benchmark in terms of solutions designed to simplify and automate processes.



2.4.2. Operational data

	2011	2010	Year on year
IT services revenues/employee ⁽¹⁾	135.3	133.8	1.1%
Equipment sales as % of turnover (%)	32.4%	50.9%	(18.4)pp
Equipment sales/employee ⁽²⁾	1,466.3	2,959.5	(50.5)%
EBITDA/Employee	15.3	15.4	(0.7)%
Employees	550	565	(2.7)%

⁽¹⁾ Excluding employees dedicated to equipment sales;

⁽²⁾ Bizdirect.

IT service revenues per employee reached 135.3 thousand euros in 2011, 1.1% above 2010, benefiting from an increase in service revenues and a decrease of 2.7% in SSI's total headcount to 550 employees, mostly at WeDo Technologies.

Equipment sales as percentage of turnover decreased y.o.y. from 50.9% to 32.4%, driven mainly by the end of the e-initiatives programme, which dragged down the level of Bizdirect laptop sales.

2.4.3. Financial data

Million euros	2011	2010	Year on year
Turnover	108.5	142.5	(23.9)%
Service revenues	73.3	70.0	4.7%
Equipment sales	35.2	72.5	(51.5)%
Other Revenues	0.7	0.5	41.5%
Operating costs	100.5	134.6	(25.3)%
Personnel Costs	28.6	30.1	(5.0)%
Commercial Costs ⁽¹⁾	35.5	71.7	(50.5)%
Other Operating Costs ⁽²⁾	36.4	32.8	11.2%
EBITDA	8.7	8.5	2.5%
EBITDA margin (%)	8.0%	5.9%	2.1pp
Operating CAPEX ⁽³⁾	3.9	10.1	(61.3)%
Operating CAPEX as % of turnover	3.6%	7.1%	3.5pp
EBITDA – operating CAPEX	4.8	(1.6)	-
Total CAPEX	3.9	10.1	(61.3)%

⁽¹⁾ Commercial costs = COGS + Marketing & Sales;

⁽²⁾ Other operating costs = outsourcing services + General & Administrative + provisions + others;

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

Turnover

SSI turnover decreased y.o.y. by 23.9% to 108.5 million euros. The 4.7% y.o.y. increase in the level of service revenues was not enough to offset the 51.5% drop in equipment sales, impacted by the end of e-initiatives programme.

Operating costs

SSI operating costs decreased y.o.y. by 25.3% to 100.5 million euros. The 50.5% decrease in the level of commercial costs is mostly a direct result of the lower cost of goods sold level at Bizdirect. Personnel costs decreased 5.0% between 2010 and 2011 due to the lower level of employees. The increase in the other operating costs line relates mainly to higher operational costs, reflecting the additional maintenance and rental contracts associated with the full outsourcing contracts won by WeDo Technologies and Mainroad.

EBITDA

During 2011, SSI EBITDA reached 8.7 million euros, increasing 2.5% compared to 2010. The increase in service revenues, coupled with a lower operating costs base, was enough to offset the decrease in equipment sales.

As a result of (i) the combination of higher service revenues and lower equipment sales and (ii) the significant decrease in operating costs at SSI, the EBITDA margin increased y.o.y. from 5.9% to 8.0%, up 2.1pp.

2.5. Online & Media

Sonaecom's Online & Media business comprises a set of additional businesses such as *Miau.pt* and *Público*. *Público* is a leading Portuguese daily newspaper with a history dating back 22 years; while *Público.pt* is a leading player in the Portuguese online press sector.

During 2011, *Público* won several awards recognising the excellence and quality of its online and offline content and design.

As one of the pioneers of digital information in Portugal, *Público.pt* has been online since 1995. During 2011, the site strengthened its leadership position against its direct competitors in the general online information segment, registering significant improvements in the ratings. Between 2010 and 2011, according to Netscope, the number of average page views had grown 29.3% y.o.y. at December 2011. Importantly, at December 2011 *Público.pt* had 8.5 million unique visitors per month, placing it top of Portugal's online newspaper rankings.

Consistently, *Público* is also a clear leader on the social networks, exceeding 222 thousand followers on Facebook.

Overall, the newspaper continues to increase its readership, online and offline. The challenge of monetising an unprecedented growth in the number of readers is being addressed by the gradual launch of paid content, available not only through the computer but also through dedicated applications designed for smartphones and tablets.

However, the market dynamic in the daily generalist printed press sector is going through very challenging times both in terms of circulation and advertising figures. Nevertheless, *Público* was able to improve its audience percentage from 4.4% to 5.4% between 2010 and 2011.

As for financial performance, the considerably lower level of advertising sales against the negative macroeconomic backdrop has inevitably impacted the Online & Media EBITDA. In 2011, this particular line reached a negative level of 3.1 million euros, decreasing compared to 2010's negative 1.3 million euros.



2.6. Sonaecom SGPS individual results

2.6.1. Operational data

Sonaecom SGPS individual results for the years ended 31 December 2011 and 2010 can be summarised as follows:

Million euros	2010	2011	Difference	%
Service Revenues	6.3	3.9	(2.4)	(38.8)%
Other Operating Revenues	0.0	0.0	(0.0)	(100.0)%
Operating Costs ⁽¹⁾	(7.3)	(4.7)	2.6	(35.4)%
EBITDA	(1.0)	(0.9)	0.1	(13.7)%
EBIT	(1.1)	(0.9)	0.2	(14.8)%
Dividend Received	1370	0.0	(1370)	(100.0)%
Net Financial Activity	8.9	3.5	(5.4)	(60.6)%
Other Financial Results	(8.1)	(10.1)	(2.0)	25%
EBT	136.7	(7.5)	(144.2)	(105.5)%
Net Income	135.4	(8.0)	(143.4)	(105.9)%

⁽¹⁾ Excludes amortization, depreciation and provisions.

At 31 December 2010, in an internal restructuring, and in order to maximise the efficient use of our resources, all Sonaecom's shared services areas were concentrated in its subsidiary Optimus – Comunicações, S.A.. As part of this process, all the employees of Sonaecom SGPS shared services, excluding Board members, were transferred to Optimus – Comunicações, S.A. As a result, Sonaecom SGPS 2011 accounts are significantly different from last year.

Service revenues totalled 3.9 million euros, essentially comprising management services provided to its subsidiaries. Last year, service revenues of 6.3 million euros included: (i) Managing the regulatory environment; (ii) Support in seeking new financing; (iii) Internal audit and risk management; (iv) Fiscal and legal support; and (v) Temporary assignment of employees to subsidiaries.

At 31 December 2011, Sonaecom SGPS had 4 Board members, against 38 employees at December 2010. The amount of operational costs (excluding depreciation, amortisation charges and provisions) stood at 4.7million euros, which compares with 7.3 million euros in 2010, significantly caused by the decrease of personnel costs.

EBITDA was a negative 0.9 million euros compared to a negative 1.0 million euros in 2010. The decrease in service revenues was compensated by opex decreases.

Sonaecom's SGPS's principal source of financial income in 2010 was the 1370 million euros dividends received from Sonae Telecom SGPS (84.4 million euros) and from Optimus – Comunicações, S.A. (52.6 million euros). In 2011, Sonaecom did not receive dividends from its subsidiaries.

Net financial activity (interest income less interest expenses) was a positive 3.5 million euros, significantly below 2010 (8.9 million euros) due to a higher level of external debt.

Other financial results were a negative 10.1 million euros, almost totally driven by impairment recognition on Público (7.7 million euros), Sonaetelecom BV (0.9 million euros; 5.6 million euros in 2010), on Miauger (2.5 million euros; 0.8 million euros in 2010) and partially compensated by the reversion recorded on Lugares Virtuais (-1.2 million euros; +1.5 million euros in 2010).

Net results for the year were negative by 8.0 million euros, significantly lower than 2010 due to the higher level of dividends and a strong performance in net financial activity occurred in 2010.

2.6.2. Financial data

The following table summarises the major cash movements that occurred during 2011:

Changes in Sonaecom SGPS Liquidity	Million euros
Sonaecom SGPS stand-alone liquidity as at 31 December 2010	75.6
Cash and Bank	0.2
Treasury Applications	75.4
Bank	4.8
Subsidiaries	70.6
Changes in Nominal Gross Debt	97.3
External Debt	103.1
Treasury applications from subsidiaries	(5.7)
Changes in Shareholder Loans granted*	58.3
Dividend paid	(179)
Free Cash Flow	(152.1)
Interest paid	(11.5)
Interest received	21.1
Own shares acquisition	(2.2)
Acquisition of share capital	(159.9)
Operational Free Cash Flow and others	0.3
Sonaecom SGPS stand-alone liquidity as at 31 December 2011	61.3
Cash and Bank	0.1
Treasury Applications	61.2
Bank	60.0
Subsidiaries	1.2

* Net of transfers to supplementary capital.

During 2011, Sonaecom's standalone liquidity decreased 14.3 million euros to 61.3 million euros due to the following movements:

- (i) External debt increased 103.1 million euros;
- (ii) Treasury applications from subsidiaries in Sonaecom SGPS decreased 5.7 million euros (mostly justified by Be Towering: -12.7 million euros);
- (iii) The net reimbursement of loans granted to subsidiaries was 58.3 million euros (net of conversions to supplementary capital);

But,

- (iv) Dividends of 179 million euros were paid; and
- (v) FCF was a negative 152.1 million euros.

At the end of December, net debt of Sonaecom SGPS was 395.3 million euros, comprising: (i) liquidity of 61.3 million euros; (ii) Treasury applications by the subsidiaries of 18.9 million euros; and (iii) external debt of 4376 million euros.

2.7. Our responsibility

Our commitment to sustainable development is directly linked to our ambition to be the best communications services provider in Portugal. We believe that this industry offers countless opportunities to create a better society, and we are strongly committed to constantly and consistently developing innovative products, services and solutions that not only satisfy the needs of the markets in which we operate, but also create added value for our clients, partners, shareholders and the community.

In 2010, our first strategic sustainability cycle came to an end. It involved a thorough assessment of our risks and business opportunities through the lens of sustainability and strategy development. The projects to emerge from this exercise continue to transform strategy into results, and throughout 2011 the wider community recognised Sonaecom's focus on the sustainable development of its businesses. Last year, our business was distinguished with several awards that commended our sustainability approach.

According to the Engagement Rating Portugal 2011 survey, Sonaecom was considered the most transparent company in Iberia when it comes to involving its stakeholders in sustainability issues. The survey ranked Sonaecom overall leader in Iberia's telecommunications sector; sixth across Iberia; and fifth in Portugal.

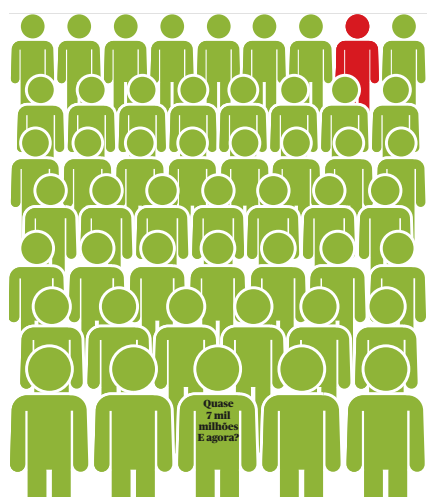
Sonaecom posted the best environmental performance of all the major Portuguese companies taking part in the CDP Iberia 125 Report 2011 survey. Our business made the most progress among the companies analysed in this survey, managing to reduce CO2 emissions by 27%. These results were primarily achieved by implementing measures to improve energy efficiency by reducing consumption; increasing in-house production of energy from renewable sources; and purchasing energy from suppliers with lower emission levels.

Sonaecom was the best positioned company in climate responsibility according to the ACGE 2011 Global Ranking. This index, promoted by Euronatura, placed Sonaecom first in the ICT (Information and Communication Technologies) industry and sixth in the global rankings.

We also won recognition for our sound energy practices as the Most Efficient Company from the Energetic Efficiency Barometer Portugal 2010, promoted by PremiValor Consulting in association with the Directorate-General of Energy and Geology, the Agency for Energy and BCSD Portugal.

In 2011, Sonaecom focused on our second strategic sustainability cycle, which we began by surveying our stakeholders. Our starting point was the stakeholders we have already defined: employees, suppliers; partners; industry; clients; community; financial institutions; government and regulatory authorities. Bearing in mind each stakeholder's relationship with Sonaecom and its influence on our objectives and sustainability performance, we developed a survey designed to capture the inputs we need to define our sustainability strategy. During 2012, we will set out our sustainability strategy for the next three years. We would like to ensure that we maintain a responsible stance when it comes to our stakeholders, acting transparently and respecting ethical market principles.

Further information on our environmental, economic and social performance can be found in our sustainability report, available from May 2012 on the Sonaecom web site.



Dia da Terra

2.8. Our customer service

Our goal is to be a leader in customer satisfaction, attracting recognition from our customers and partners for delivering best-in-class customer service in Portugal. During 2011, we took decisive steps, and our key indicators demonstrate continuous and steady improvements year on year. We have also won international awards for the excellence of our customer service and contact centres. These awards include Best Customer Service EMEA and third Best Customer Service in the World, awarded by Contact Center World.

Committing and energising everyone in our business to provide the highest possible levels of customer service remains fundamental to meeting and exceeding our customers' expectations. In line with our vision, we developed our customer service strategy around a single defining principle during 2011: **Make it easier**. We have established four pillars to support our Make it easier strategy: Know Me, Listen to Me, Help Me and Service culture.



Know me

Our main priority in 2011 was to handle all customer interactions on a single CRM platform. This allows us to manage the tasks assigned to each customer service representative (CSR) more efficiently and flexibly. Consulting and managing all contacts simultaneously while delivering differentiated SLAs is now possible.

Since 2009, we have been developing a business intelligence (BI) platform based on a data model that collects information about the different phases of a customer's lifecycle. The aim is to improve operations, speed up decision-making processes and so enhance customer satisfaction. Real-time information is now available for some relevant indicators, specifically the remaining data updated on a daily basis and easily accessed.

Listen to me

Listening to the customer is crucial to implementing an 'outside in approach'. We launched a Voice of Customer programme in which we guarantee a closed loop. Capturing feedback on the processes that have a negative impact on customer satisfaction and incorporating all relevant information into a continuous improvement cycle translates into customer-driven improvements to all relevant operations.

Help me

We gave priority to a Once and Done strategy designed to achieve first-time resolution and reduce repeated calls. In addition to revising the complexity of the processes, we implemented a second line team comprising employees from different areas of the company with the skills needed to solve 99% of technical issues that are not sorted out during contact with the first line team.

We empowered our front office with a troubleshooting application for out-of-service incidents that has increased first-time resolutions. When issues are not resolved immediately, the application identifies the probable cause. This tool made an important contribution to improving resolution rates and also helped to reduce costs and improve internal productivity.

We believe that customer satisfaction is primarily driven by reducing customer effort. With this in mind, we have introduced a customer effort score as an additional indicator. After an interaction, an interactive voice response (IVR) survey asks how much effort the customer put into handling their request. This indicator helps us determine where we should focus our efforts.

Service culture

Engaging employees at all levels, particularly front office staff who handle our customers on a daily basis, lies at the heart of a true service culture.

We launched our Customer Service Training Academy to develop new skills among our CSRs. Skills like positive language, empowerment and customer issue resolution are key to achieving our strategy and rank high on the academy's priority list.

Since 2010, we have been bringing employees closer to our daily customer operations. It is critical that employees are engaged with this crucial area of our business. To support this objective, we launched the Take-Off programme, which invites participants from diverse functional areas of the company to spend a day in Customer Service. During 2011, we held 18 Take-Off sessions involving 385 participants.



2.9. Our telecoms network

2011 was the year in which Optimus acquired spectrum, notably in the 800 MHz, 1800 MHz and 2600 MHz bands. We believe that this will assure the long-term future and sustainability of our business, allowing us to provide the most innovative and cutting-edge services to our customers, with Long-Term Evolution (LTE) technology leading this journey.

We continued to prepare our network for the impending rise in demand for more data capacity, carrying out fundamental investments and developments to meet our increasingly stringent customer needs. In addition, Optimus further improved and reinforced its leading-edge integrated telecommunications network, which supports our comprehensive and diversified range of offers.



2.9.1. LTE: road to the future

For the past few years, Optimus has been preparing to launch a technologically advanced LTE operation in 2012. Following the tests that took place during December 2010, Optimus set up a demonstration of LTE's technological capabilities in Oporto. This involved demonstrating several services and applications highlighting LTE's capabilities. Examples included high-definition video being uploaded directly from HDTV cameras; high-speed Internet browsing; and a significantly improved online gaming experience. Demonstrations were performed using realistic scenarios in which high-definition video was transmitted from a moving vehicle to a fixed spot; and downloads with up to 150Mbps downstream were accomplished. With performance of this calibre, LTE not only opens a new technological cycle, but also allows for an innovative experience when accessing the Internet, online gaming or using video, among other examples, establishing an advanced technological platform that will foster the supply and demand of mobile usage.

The spectrum attributed to Optimus in the 2011 auction will allow us to deploy a full-scale LTE network with synergies based on the current infrastructure assets in high-density and medium density areas, whilst cost-effectively covering more remote areas of the country by using lower frequencies that reduce the need to build new sites.

As we prepare for the future with LTE deployment in mind, we continue to implement upgrades across our entire network. Transmission capacity has been increased, network and services platforms have evolved, and a new convergent core packet is being introduced to support the novel network architecture functionalities we need, ensuring we have everything in place to deliver the next generation of innovative services.

2.9.2. Innovation and quality of service improvement

Continuous development and improvements to our network enabled Optimus to further improve the user experience while introducing new services to our customers and supporting the development of new integrated offers.

In 2009, Optimus started the process of completely swapping its former 2G legacy network. To conclude this process by 2012, Optimus started last year to modernise the southern part of its 2G radio access network. Once complete, Optimus will have a state-of-the-art wireless network that allows the smooth introduction of LTE, whilst enhancing the customer experience by improving network availability. It is relevant to note that IP was enabled across all access nodes, a pre-requisite for LTE development over existing 2G and 3G networks, allowing for significant synergies.

The growth of smartphone penetration presents a number of challenges. To deal with these challenges, Optimus revised its network configurations to optimise resource allocation and introduce specific functionalities for smartphones. This resulted in an improved customer experience, especially in data and voice use.

Our efforts to continuously improving the quality delivered by our wireless network have won recognition from all our external stakeholders. For example, Optimus' excellence in network performance was highlighted by the national regulator, ICP - Anacom, in its 2011 annual benchmarking report. This report recognises Optimus as globally offering the best performance in 3G accessibility, retainability and voice quality (video calls), particularly in urban areas. What's more, Optimus shows excellent performance in voice services, and is the best operator in the Lisbon area. These results were the outcome of successful network optimisation processes implemented throughout the year that lead to a reduction in dropped calls, better voice indicators and improved performance on the Lisbon-Porto ALFA Pendular railway.

Following our partnership agreement with Vodafone, in 2011 Optimus and Vodafone successfully shared their Fibre-to-the-Home (FTTH) networks in the metropolitan areas of Lisbon and Oporto, connecting customers of both operators through each others' access networks. The platform, comprising network configuration and systems integration, was finished at the beginning of 2011, with the first customers activated in February. This approach has proved to be highly robust from an operational point of view, while giving both partners the freedom to evolve and differentiate their offers. This shows how the 'open networks' model is a sustainable and efficient route for FTTH deployments across Portugal, fostering competition while maintaining each company's core commercial and competitive independence.

Throughout 2011, Optimus continued to further improve its integrated multi-service IP network, which now supports all our fixed and mobile access networks, ensuring a future-proof architecture to support our business needs while accelerating our time to market. Several services platforms were modernised and upgraded to meet our customers' expectations and equip us to launch innovative services. Optimus continued to significantly expand its integrated IP network footprint nationally and internationally, putting a global peering infrastructure in place and further evolving it to support IPv6 with international operators.



The enterprise segment is strategically very important to Optimus. Already for some time we have adopted an integrated product strategy that positions ourselves with an effective fixed-mobile convergence portfolio for this segment. In the present economic context, customers seek simplification and cost structure optimisation. Supported by our IP convergent network, Optimus has developed new solutions for the enterprise market, such as our SIP Trunking and IP Centrex products. We believe that increasing our product portfolio in this area will pave the way for increasing penetration of fixed-mobile customers, not only creating more value per customer but also more value for the customer.

Optimus has also increased the footprint of its carrier Ethernet services network, and can now deliver these services to any of its customers or network sites. Different carrier Ethernet network access solutions based on owned (fibre or microwaves) or rented infrastructure have been consolidated, which now allows Optimus to select the most efficient and cost-effective solutions available. This is particularly important given the intensifying challenges of bandwidth growth arising from continuously increasing data usage.

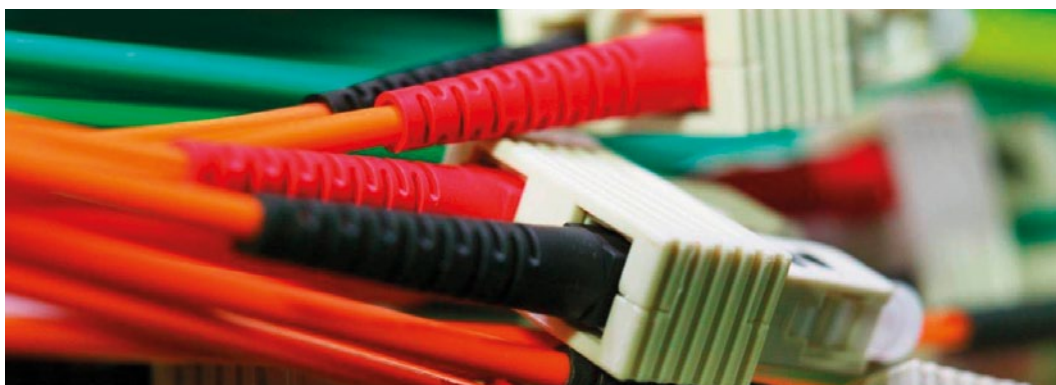
As part of our drive to innovate our customer relationships, we migrated our previous call centre, which was primarily phone-based, to a modern multiple-channel contact centre that offers a better user experience, giving customers a wider choice of more efficient communication channels according to their personal needs and preferences.

2.9.3 Optimising network architecture and cost structure

As mentioned, Optimus started modernising the remaining southern-half of its 2G access network to allow a significant decrease in the cost of ownership while substantially lowering energy consumption levels and delivering considerable improvements in radio performance and capacity. In fact, this newly installed equipment will increase our 2G traffic capacity significantly, enabling lower power consumption, new radio functionalities and better quality that will ultimately benefit our customers and impact positively on the network's carbon footprint.

On the efficiency side, we have started migrating away from obsolete technologies like Fixed Wireless Access (FWA) to state-of-the-art networks, directly impacting operational costs and reducing complexity. We continuously scrutinise our network to detect idle capacity and in 2011 several repeaters that were no longer needed were dismantled. Together with other energy consumption initiatives at radio equipment level, Optimus started to test power saving functionalities and we expect that it will be possible to pass on the results through the entire network.

During 2011, Optimus continued the rollout of its fibre and microwaves network, replacing leased connections and further betting on our own network expansion. At the end of 2011, our mobile backhaul network, based on our own network solutions, covered more than half our mobile sites. We have also modernised the microwave network to fully support Ethernet technology, expanded the microwave network, and further implemented a packet backhaul network based on optical fibre infrastructure at our mobile sites. To support the fibre connection of sites, we also expanded our metro network. In line with the strategy we defined in 2009, this means that our transport network is increasingly prepared for the rising mobile broadband bandwidth requirements of new technologies like LTE.



2.10. Our information systems

Our Information Systems department focused its 2011 actions on continuing its efforts to improve efficiency and productivity while also focusing on providing better tools for all our business units. We implemented initiatives to provide our company with the tools that allow sustainable gains in terms of individual productivity as well as enhanced business process control and management, while continuing to provide the necessary application development for business growth. We started a new way of working in 2011 with new processes, new tools and a new spirit of co-operation with competitors. The environment and Green IT are among our daily concerns, leading us to think about ways of reducing electricity spending and paper consumption and contributing to CO₂ reduction.

2.10.1 Operational improvements in efficiency and productivity

Here are the key operational improvements Sonaecom implemented during 2011 to enhance efficiency and productivity:

- We reorganized the information systems team interface for managing customer complaints that require IT intervention, creating the SWAT Team. The IS team and Customer Service team are working side-by-side, leading to lower resolution times and a more efficient interaction. Winning the Best European Call Centre and Third Best Call Center in the world awards demonstrates that Optimus is successfully improving response times and customer satisfaction levels.
- We continued to review ease of use among key applications involving user interfaces, with the primary objective of ensuring productivity gains for the users, particularly for call centre operations. In this process, we started the implementation of the new Portal do Cliente Interface for customer management, as well as a new tool version of our billing interface incorporating several usability and functional improvements for customer service.
- We have made efforts to automate our database management processes, reducing times and resource use and exceeding performance levels. We also moved critical database environments to several Oracle RAC clusters, giving us high-availability, scalability and a more cost-effective database farm solution.
- We renewed our call centre external solution infrastructure, providing more power, more energy efficiency and better management, allowing an enhanced user experience.
- We upgraded server operating systems and database versions to a support level above 90%, benefiting from all the latest features and higher performance.

- We implemented an energy-efficient desktop and laptop solution at every Optimus site, reducing the overall power consumption by 40% and CO₂ emissions by 350.000kg.
- We refreshed the infrastructure of our Optimus stores, renewing desktops and printers and upgrading the operating system to Windows 7, among other improvements.
- Our SAP application servers were migrated to Linux following our drive to achieve better total cost of ownership (TCO) in application support.
- SAP AG certified our SAP support team as a SAP Customer Centre of Expertise, recognising our know-how and alignment with best practices when it comes to maintaining and exploring such a complex environment.

2.10.2 Operational improvements in risk control

During 2011, we implemented several key operational improvements to enhance risk control.

- We deployed an Identity and Access Management platform, integrating the most critical applications to guarantee, while providing appropriate access to enterprise resources, still meeting our security and compliance requirements.
- We approved new documents in our Information Security Policy covering social media and the acceptable use of devices. These documents establish clear guidelines that allow users to avoid security risks, so improving network security.
- We performed a technical upgrade on our datacentre LAN/WAN core systems, enabling a far more efficient and flexible disaster recovery strategy.

2.10.3. Development of business solutions

Among the many business solution initiatives we implemented during the year, here are selected highlights:

- 2011 was a starting point for exploring synergies and new ways of doing business, supported by our technology and know-how. We successfully adapted our systems to work in co-operation with Vodafone's systems to explore a joint fibre network.
- We implemented a new version of the Roambroker product from WeDo Technologies, allowing us to better serve our customers who benefit from roaming services.

- We deployed a new traffic management tool, allowing us to manage our wholesale and interconnection traffic almost in real-time, giving accurate status updates on link occupancy, traffic flow and SLAs. We also finalised the consolidation of our interconnect and wholesale billing into a single platform.
- We introduced a completely new core to the Extracto Digital tool for corporate customers, enabling us to deliver invoice information with the same accuracy and better features more quickly, helping to reduce paper consumption as a positive side-effect.
- We introduced new features in the loyalty management platform that handles Optimus's SME customers, specifically new bonus point schemes and dynamic campaigns.
- We reconfigured the interface with SIBS, 'Sociedade Interbancária de Serviços' ATMs to support new features and campaigns that will enable Optimus customers to enjoy a more intuitive interaction with the Optimus Multibanco menu.
- An old order entry system used on some fixed line business offers was replaced by a WeDo Technologies product, Activis. This is already in use for the rest of Optimus's offers and integrates fully with our billing, network inventory, ticketing and workforce management systems.
- We started a structural project with the acquisition of a new sales force automation tool from Salesforce.com to guarantee we provide best-of-breed processes and interfaces to Optimus sales teams.
- A new tool to manage product and project development was put in place, giving us a centralised overview of development activities across all our business units.
- We bought and implemented a new online training solution from Cornerstone in an SaaS model that will enable us to deliver faster, more effective training to Optimus staff across all areas, especially those related to customer management.
- We started adapting our network interface systems to the introduction of 4G/LTE in our network, allowing better and faster services.

2.11. Our people

Sonaecom strongly believes that supporting and executing a people-oriented strategy is the best way to promote the development and sustainability of our businesses.

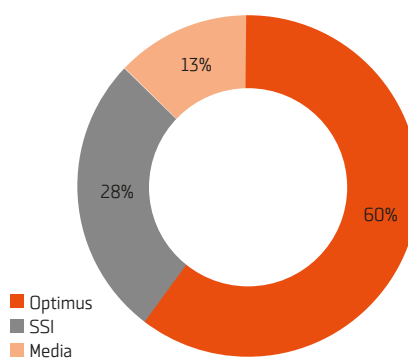
2.11.1 Who we are

At 31 December 2011, Sonaecom employed 2,016 people, 779 women and 1,237 men, across our Corporate Centre and Shared Services divisions and our three business areas: Telecommunications, SSI and Media.

When it comes to contract types, 96% of Sonaecom contracts are permanent, with only 4% of our employees having fixed-term contracts. At 31 December 2011, the average age of our employees was 37 years.

Sonaecom's employees are committed, customer-oriented and focused on our business goals. Their dynamism and resilience go hand in-hand with a sense of mission, an ability to learn, a willingness to innovate and a fearless attitude, seeking new business in different countries. In total, we are present in 13 different countries across five continents.

Distribution of Sonaecom' employees by business area



2.11.2 Talent and diversity

The fact that Sonaecom operates in 13 countries around the globe combined with our business structure gives us a vibrant business and cultural diversity that allows us to reach and attract different types of talent with various profiles and a broad range of skills.

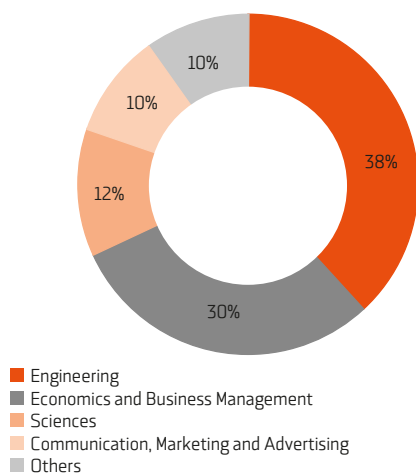
Sonaecom's diversity is expressed through a rich mix of employee nationalities that includes Argentinian, Belgian, Swedish, Irish and Nigerian. Our diversity is also expressed through the broad range of graduation areas. 84% of our people hold graduate degrees and the most common areas include engineering, economics and business management. That said, we also employ people with degrees in architecture, biology and anthropology – among other disciplines.

E-recruitment is the principal tool we use to attract the different talent, profiles and skills we need wherever we operate. We manage all applications online using our recruitment and selection platform and in 2011 we registered 8.555 applications from people wanting to work for us.

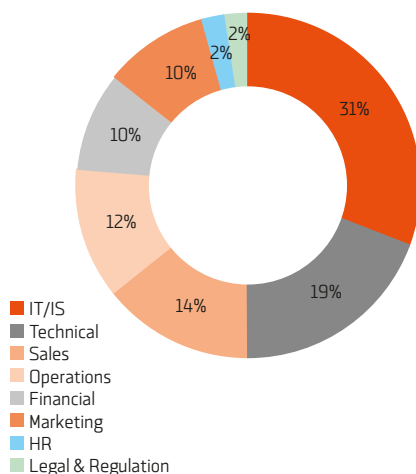
Attracting and developing talent remains one of our top priorities. As usual, we took part in job shops at Portugal's leading universities during 2011, with the focus on attracting the smartest talent. We also launched the first edition of the Optimus trainee programme, start@optimus.

In addition, we have a diversity of career paths in various business areas and countries, from Sales, Marketing, Financial, HR, Legal & Regulation to Information Systems and Technologies. We believe that recruiting different people from various backgrounds enriches our diverse culture.

Sonaecom' employees graduation area



Distribution of Sonaecom' employees by career



Start@Optimus



36 high-potential graduates were chosen to participate in partnership with leading universities. Participants are continuously followed and evaluated through the programme as they are exposed to various professional experiences. At the end of the programme, the best of them are invited to join the company.

2.11.3 Focus on developing our people

Performance management

The performance appraisal and career development of Sonaecom employees is one of the most important processes in our organisation. The process is managed through HR Online, our employees' access point to all HR processes and tools.

With the focus on improving its efficiency and adapting it to all business needs, we reviewed our Performance Appraisal and Career Development (ADDC) model. During 2011, our performance appraisal model evolved into Improving Our People (IOP), which applies across all Sonaecom's employees, businesses and countries.

To support our employees' career planning, we have a web-based tool, careers@sonaecom, which provides information about the most valued competencies and the appropriate training programmes for each career area and career stage.

This tool also provides an internal recruitment newsletter that aims to increase internal mobility.

Training

Sonaecom is positively committed to fully supporting its employees' professional and personal development.

The Sonaecom Learning Centre (SCLC), inspired by the corporate university concept, is a centralised educational resource that delivers all training to employees in all our business areas.

To promote our training programs, Sonaecom also provides a web-based tool with detailed information about the key courses on offer; their objectives, content and schedules; and learners' feedback and testimonials on different courses.

In 2011, we reinforced our onboarding programmes. At Optimus, we redefined the current structure of the Ser Optimus programme, which now includes a presentation on Optimus' main areas and the business's key experiences. At WeDo Technologies, we upgraded the How do We Do content. In total, 83 internal trainers spent 3.036 training hours on our onboarding initiatives during 2011.

Another area of training investment during the year was leadership development, which involved adding new leadership programmes to our training catalogue. These programmes are aligned with different team management stages and aim to equip managers with the tools to support the continuous development of their teams. Additionally, we also held e-learning and classroom training on the IOP model. These sessions involved 395 managers delivering more than 2.700 hours of training.



- 1,333 employees
- 370 training actions
- 55,943 hours of training

Employee survey: Social Climate

Our employee survey, covering the Sonaecom Social Climate, allows us to understand the collective experience of working at Sonaecom's companies.

In 2011, we conducted the employee survey across all Sonaecom's companies, except in the media business area. 1,398 employees in Portugal and abroad participated in this study.

It showed that the perception of our working environment is generally very positive and aligns with the results of the 2010 employee survey. Our people identified innovation as Sonaecom's main strength, and cited growing and increasing market share as the Group's major challenges for 2012. These perceptions of the challenges ahead align with Sonaecom's overall strategy.

2.12. Appendix

2.12.1 Online & Media

2.12.1.1 Operational data

	2011	2010	Year on year
Average paid circulation ⁽¹⁾	32,973	34,043	(3.1)%
Market share of advertising (%)	9.3%	10.7%	(1.5)pp
Audience ⁽²⁾ (%)	5.4	4.4	1.0pp

⁽¹⁾ Estimated value updated in the following quarter;

⁽²⁾ As % of addressable population; Source: Bareme Imprensa

2.12.1.2 Financial data

Million euros	2011	2010	Year on year
Turnover	25.91	29.74	(12.9)%
Advertising sales ⁽¹⁾	10.48	12.16	(13.8)%
Newspaper sales	10.43	10.82	(3.6)%
Paper sales	1.25	1.97	(36.6)%
Associated Product Sales	3.76	4.79	(21.4)%
Other Revenues	0.64	0.58	9.9%
Operating Costs	29.64	31.59	(6.2)%
Personnel Costs	10.60	10.75	(1.4)%
Commercial Costs ⁽²⁾	9.19	10.52	(12.7)%
Other Operating Costs ⁽³⁾	9.86	10.32	(4.5)%
EBITDA	(3.09)	(1.27)	-
EBITDA margin (%)	(11.9)%	(4.3)%	7.7pp
Operating CAPEX ⁽⁴⁾	0.74	0.58	27.2%
Operating CAPEX as % of turnover	2.8%	1.9%	0.9pp
EBITDA – operating CAPEX	(3.82)	(1.85)	(107.1)%
Total CAPEX	0.74	0.58	26.1%

⁽¹⁾ Includes content;

⁽²⁾ Commercial costs = COGS + Marketing & Sales;

⁽³⁾ Other operating costs = outsourcing services + General & Administrative + provisions + others;

⁽⁴⁾ Operating Capex excludes financial investments, provisions for sites dismantling and other non-operational investments.



3

OUR SHARES



- 3.1 EQUITY CAPITAL MARKETS
- 3.2 SHARE PRICE EVOLUTION DURING 2011
- 3.3 SHAREHOLDER STRUCTURE
- 3.4 OWN SHARES



3 OUR SHARES



3.1. Equity Capital Markets

Sonaecom shares have been listed on the Portuguese Stock Exchange – Euronext Lisbon – since June 2000, with the symbol SNC. The table below lists the main statistics related to Sonaecom's 2011 stock performance.

Sonaecom shares on the stock market during 2011

Stock market	Euronext Lisbon
Ticker	SNC
ISIN	PTSNCOAM0006
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)	1.215
Stock Price – High (euros)	1.644
Stock Price – Low (euros)	1.096
Average Daily Volume – 2011 (shares)	352,919
Average Daily Volume – 2010 (shares)	465,842
Market Capitalisation as of last day December (euros)	444,989,945

Market performance

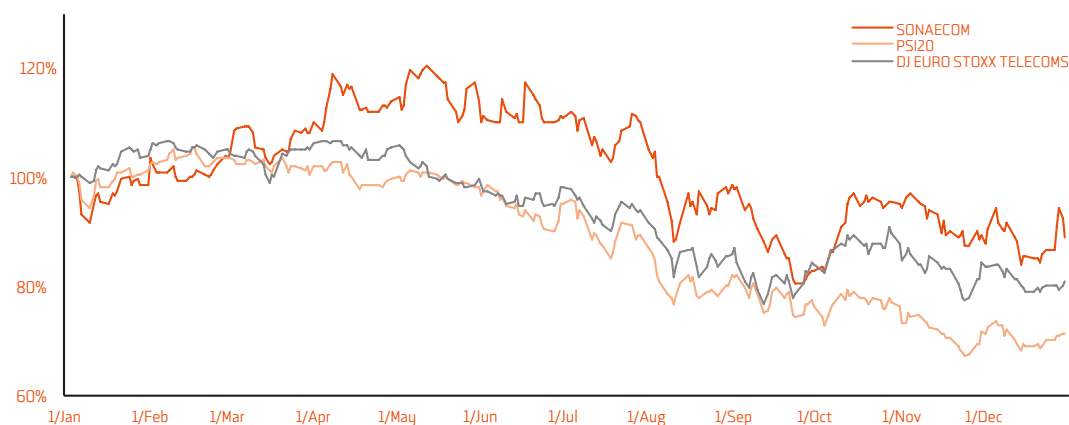


Chart 1 – Sonaecom performance vs PSI20 and DJ Euro Stoxx Telecoms in 2011.

2011 was a year marked by the sovereign risk crisis in the Eurozone, and by the need for external financial support in countries such as Greece, Ireland and Portugal. This crisis had a profoundly negative impact across all fundamental sectors of the economy – and the telecoms sector, despite its resilience, was no exception. DJ Euro Stoxx Telecoms, the European Stock Telecommunications index, ended the year with an annual decrease of approximately 18.8%.

As far as the Portuguese market is concerned, PSI 20, the main local stock index, ended 2011 at 5,494.27 points, a fall of approximately 28.7% versus year-end 2010. The last financial year was troubling for the Portuguese market. Continuing the trend that started in 2010, the country's sovereign risk soared to historic highs while the stock market slipped. Due to a greater risk aversion and also the relatively small size of Portuguese stock market, since the beginning of the crisis, there has been a steady decline mostly in the number of foreign institutional investors in the local market, as they sought to reduce their relative exposure to the equity capital markets.

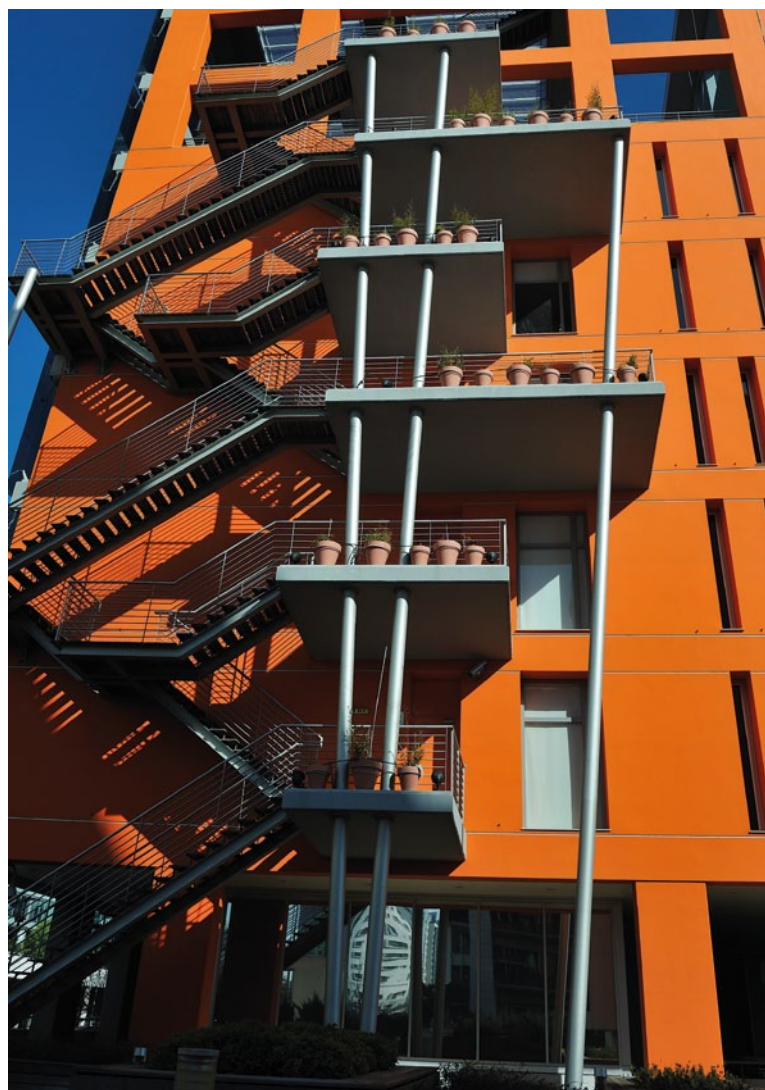
During 2011, the PSI20 index equity turnover stood at approximately 27.2 billion euros, decreasing 31.1% compared to 39.5 billion euros in 2010. This fall reflects the devaluation of most companies that constitute the PSI20. To be more precise, 17 out of the index's 20 companies have recorded a decrease in value since the end of 2010, with the banking sector suffering the most severe falls. Sonaecom equity turnover decreased 28.1% in the same period.

3.2. Share price evolution during 2011

Sonaecom's share performance

In 2011, Sonaecom's market share price decreased by 10.0%. The main reason for this decline appears to be the risk of Portugal's sovereign debt, which impacted negatively on the Portuguese stock market's performance during the year. It should be noted that this share performance does not correlate with the consistently positive results that Sonaecom delivered quarter after quarter throughout 2011. During the year, the business reported record margins in the mobile business, presented consistent cash flow generation, along with a much stronger balance sheet. In addition, Sonaecom shares would have been influenced by various milestones during the year, as follows:

- 2 March 2011: full-year 2010 consolidated results released;
- 26 April 2011: Shareholders' Annual General Meeting held with release of information about approved decisions;
- 5 May 2011: first quarter 2011 consolidated results released;
- 9 May 2011: announcement on dividend payment for the year 2010;
- 28 July 2011: first-half 2011 consolidated results released;
- 23 September 2011: completion of an 100 million euros bond issue;
- 3 November 2011: first nine months 2011 consolidated results released;
- 1 December 2011: announcement on closing of LTE spectrum auction.



Sonaecom relative share price performance in 2011

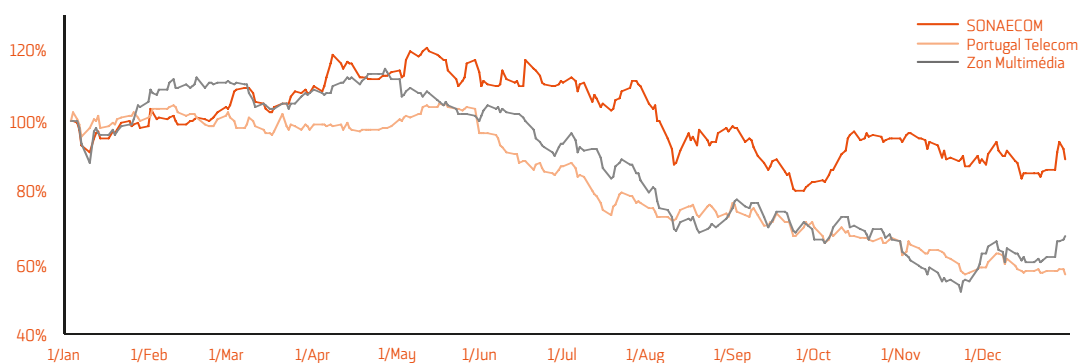


Chart 2 – Portuguese Telecoms market performance in 2011



At the end of 2011, Sonaecom's shares showed a market price of 1.215 euros per share, 10.0% below the closing price of 1.350 euros per share at 31 December 2010.

The share price reached a maximum of 1.644 euros per share on 12 May 2011 and a minimum of 1.096 euros on 23 and 26 September 2011.

As regards the sector, Portugal Telecom and Zon Multimédia shares registered poorer performances compared to Sonaecom.

Portugal Telecom ended 2011 with a 46.9% decline and Zon Multimédia declined 31.5%.

Sonaecom's market capitalisation stood at approximately 445 million euros at the end of 2011. The average daily trading volume reached approximately 353 thousand shares, a decrease of 24.2% compared to 2010 (466 thousand shares). This decrease is the result of a lower liquidity level.

3.3. 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 2011, the only change in Sonaecom shareholding structure was announced by Santander Asset Management - Sociedade Gestora de Fundos de Investimento Mobiliários, S.A., stating that funds managed by the institution held, since 16 February 2011, 3,732,774 shares, corresponding to 1.019% of the share capital and voting rights of Sonaecom; thereby decreasing its qualified participation above 2%.

Simplified Sonaecom shareholding structure

Shareholder	Number of shares held	% Shareholding as at 31 Dec. 2011
Sonae SGPS S.A.	194,714,119	53.17%
France Télécom	73,249,374	20.00%
BCP S.A.	12,500,998	3.41%
Own shares	9,045,200	2.47%
Free Float	76,737,177	20.95%

Sonae SGPS remains Sonaecom's largest shareholder. This Portuguese multinational group, with interests in retail, shopping centres and insurance, holds a total shareholding position of approximately 53.17%. France Télécom, one of the largest telecom operators in the world, holds a 20.00% stake in Sonaecom.

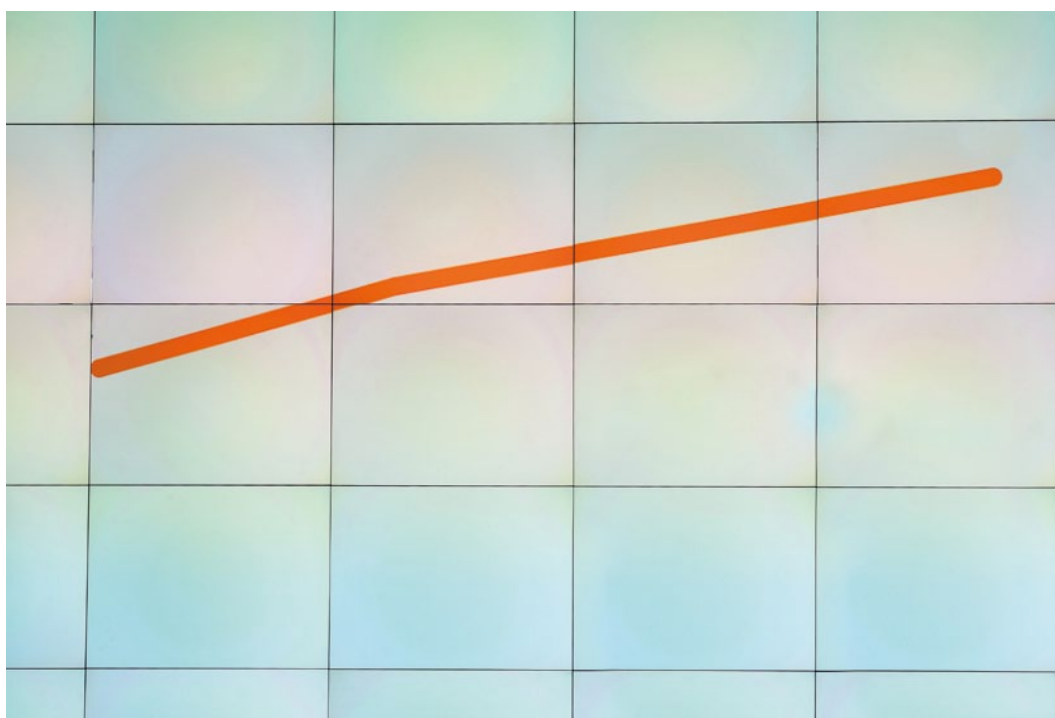
At 31 December 2011, the free float stood at approximately 20.95%, compared to 18.87% at the end of 2010. The free float is the percentage of shares not held or controlled by shareholders with qualified holdings and excluding own shares.

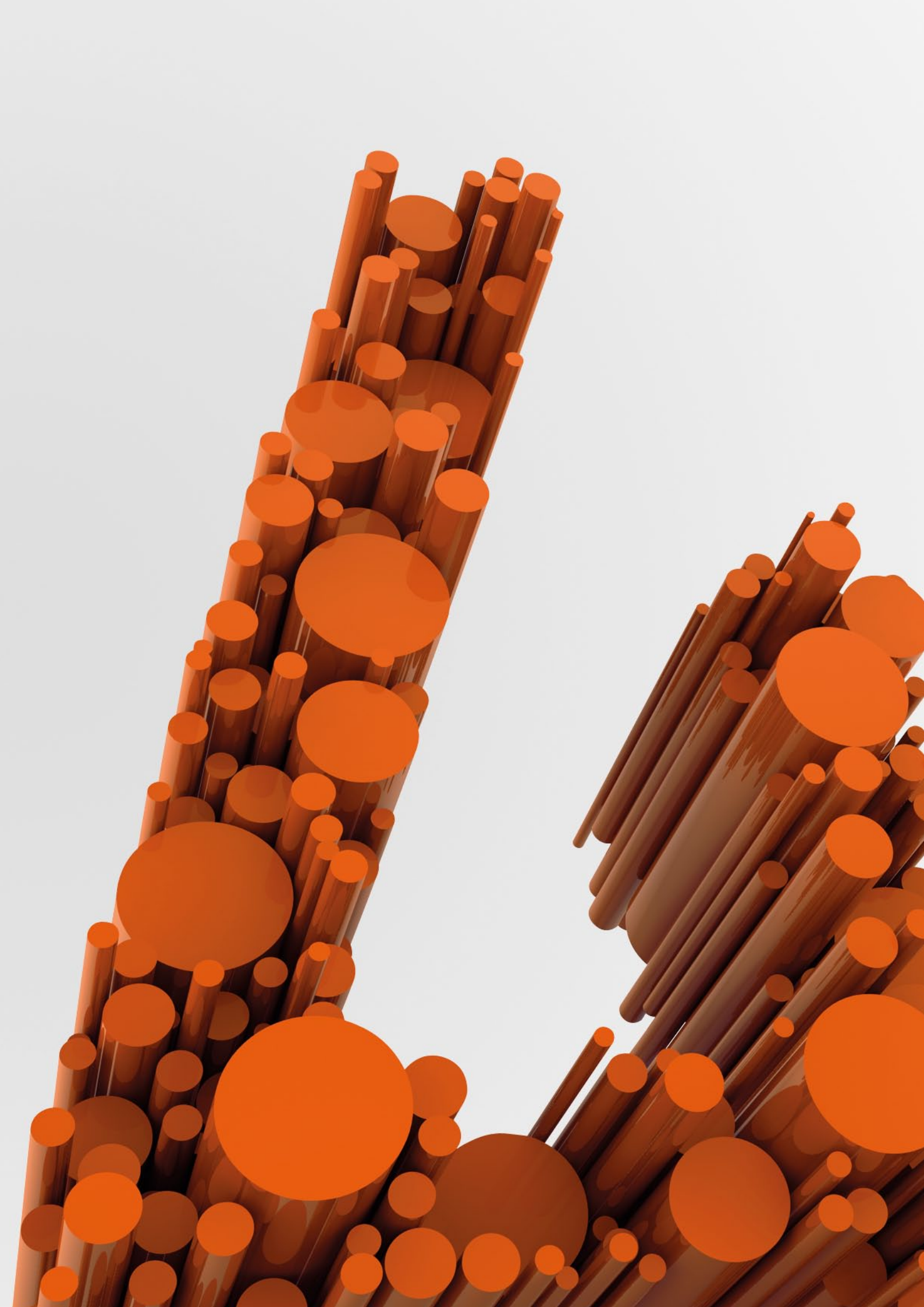
During 2011, there was no change in the number of shares issued by Sonaecom.

3.4. Own shares

During 2011, Sonaecom acquired own shares in the stock market between 10 March and 22 March. It purchased a total of 1,553,000 own shares through the Euronext Lisbon Stock Exchange, at a weighted average price of 1.43 euros per share. This represented approximately 0.42% of Sonaecom's share capital. The Shareholders' General Assembly granted the authorisations, which were designed to fulfil the obligations arising from the employees' Medium Term Incentive Plan (MTIP).

As a result of these purchases and the delivery of shares to employees under the terms of the MTIP, Sonaecom held 9,045,200 own shares at the end of 2011. This represented approximately 2.47% of its share capital.





4

OUR MANAGEMENT



- 4.1 OUR MANAGEMENT
- 4.2 QUALIFICATIONS OF THE BOARD OF DIRECTORS
- 4.3 OTHER OFFICES HELD BY MEMBERS OF THE BOARD OF DIRECTORS
- 4.4 ARTICLES 447, 448 AND QUALIFIED HOLDINGS



4 OUR MANAGEMENT



4.1 Our management

Management changes in 2011

At the Annual General Meeting held on 16 April 2008, the current governing bodies of the company were elected for a four-year mandate (2008-2011), with the exception of António Lobo Xavier, who was elected at the Annual General Meeting held on 23 April 2010 as an Executive member of the Board of Directors for the remainder of the four-year mandate covering the period from 2008 to 2011. As at 2011 year-end, Sonaecom had four Executive Directors and seven non-Executive Directors.

Sonaecom's Board of Directors and appointed Committees:

	Executive ⁽¹⁾	Non-Executive ⁽²⁾		Audit and Finance Committee	Nominations and Remunerations Committee
		Independent ⁽³⁾	Non-Independent		
Chairman					
Duarte Paulo Teixeira de Azevedo			•		•
Directors					
António Sampaio e Mello		•		•	
David Charles Denholm Hobley			•	•	
Franck Emmanuel Dangeard		•			•
Gervais Gilles Pellissier			•		
Jean-François René Pontal		•		•	•
Nuno Manuel Moniz Trígoso Jordão			•		
Ângelo Gabriel Ribeiro S. Paupério (CEO)	•				
Miguel Nuno Santos Almeida	•				
Maria Cláudia Teixeira de Azevedo	•				
António Bernardo Aranha da Gama Lobo Xavier	•				

⁽¹⁾ Executive Directors are members of the Board of Directors and Executive Committee with executive management responsibilities;

⁽²⁾ Non-Executive Directors are members of the Board of Directors without executive management responsibilities;

⁽³⁾ Independent Non-Executive Directors are Directors not associated with any specific interest groups in the company or groups which are, under any circumstance, capable of affecting their objectivity.

The Board of Directors is responsible for managing the company's business, monitoring risks, managing conflicts of interest and developing the organisation'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 also has two specialised committees — the Board Audit and Finance Committee (BAFC) and the Board Nomination and Remuneration Committee (BNRC). It is worth noting that the BAFC is solely constituted by non-executive members. The BAFC met periodically during 2011 and exercised an important influence over the decision-making process and the development of strategy and policy. The BAFC did not encounter any restraints in the performance of their duties.

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 4.2 below.

Chairman



Paulo Teixeira de Azevedo

Executive Directors



Ângelo Paupério
(CEO)



Miguel Almeida



Cláudia Teixeira
de Azevedo



António Lobo Xavier

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. These Directors, and the other Non-Executive Directors, exercise an important influence over the decision making process and the development of company strategy and policy. Sonaecom's Board of Directors exhibits a healthy balance between the total number of Non-Executive Directors and the number of Independent Non-Executive Directors.

Executive Committee

The Board of Directors formally delegates powers to Sonaecom's Executive Committee to manage and execute Sonaecom's day-to-day operations.

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

Executive Management Team and their roles

Ângelo Paupério	Miguel Almeida	Cláudia Azevedo	António Lobo Xavier
Chief Executive Officer	Deputy CEO Optimus CEO	SSI CEO Online & Media CEO	Executive Director

4.2. 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 EGP-UPBS (ex. ISEE).

Professional experience:

CEO of Sonae, SGPS, S.A.; Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.; Chairman of the Board of Directors of Sonae Investimentos, SGPS, S.A.; Sonae Sierra, SGPS, S.A. and MDS, SGPS, S.A.; Board Director of Sonae Indústria.

Previously:

CEO of Sonaecom, SGPS, S.A.; CEO of Optimus - Telecomunicações, S.A.; Executive Board Director of Modelo Continente Hipermercados, S.A. Member of APGEI - Associação Portuguesa de Gestão e Engenharia Industrial; Member of Board of Trustees of AEP - Associação Empresarial de Portugal; President of Oporto University Board of Trustees; Member of European Round Table of Industrialists (ERT) and Member of the Board of Founders of Fundação Casa da Música.

Responsibilities at Sonaecom:

Chairman of the Board of Sonaecom; Chairman of the Board Nominations and Remunerations Committee; Chairman of the Non-Executive Director Committee.

Ângelo Gabriel Ribeirinho dos Santos Paupério

Date of birth:

14 September 1959

Academic qualifications:

Degree in Civil Engineering at Porto University; MBA from EGP-UPBS (ex. ISEE).

Professional experience:

Executive Vice-President of Sonae, SGPS, Board Director of Sonae Investimentos, SGPS, S.A., MDS, SGPS, S.A. and Sonae Sierra, SGPS; Vice president of Sonae MC - Modelo Continente, SGPS, S.A., Sonae - Specialized Retail, S.A. and Sonaerp - Retail Properties, S.A..

Previously:

CEO of Sonae Capital, SGPS, S.A., CEO of Sonae Turismo, SGPS, S.A. and Board Director of Modelo Continente, SGPS, S.A.

Invited lecturer at EGP-UPBS (ex. ISEE).

Responsibilities at Sonaecom:

CEO of Sonaecom, SGPS, S.A., Chairman of Board of Directors of Público - Comunicação Social, S.A., Optimus - Comunicações, S.A. and Sonaecom - Sistemas de Informação, SGPS, S.A.

Miguel Nuno Santos Almeida

Date of birth:

15 March 1967

Academic qualifications:

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

Professional experience:

Executive Director of Optimus - Comunicações, S.A.

Previously: Marketing Director of Modelo Continente.

Responsibilities at Sonaecom:

Member of the Board and Executive Director of Sonaecom, SGPS, S.A.; CEO of Optimus - Comunicações, S.A., Chairman of the Board of Directors of Be Artis - Conceção, Construção e Gestão de Redes de Comunicações, S.A., Be Towering - Gestão de Torres de Telecomunicações, S.A. and Per-Mar, Sociedade de Construções, S.A.; Member of Board of Directors of PCJ - Público, Comunicação e Jornalismo, S.A.; Público - Comunicação Social, S.A.; Sonaecom - Sistemas de Informação, SGPS, S.A., Sonae Telecom, SGPS, S.A.; Sontária - Empreendimentos Imobiliários, S.A. and WeDo Consulting - Sistemas de Informação, S.A.

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 (Fontainebleau).

Professional experience:

Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.; Chairman of the Board of Directors of Efanor - Serviços de Apoio à Gestão, S.A.

Previously:

Executive Director of Sonae Matrix Multimedia Residential Unit and Marketing Director of Optimus.

Responsibilities at Sonaecom:

Executive Director of Sonaecom, SGPS, S.A.; Executive Director of Sonaecom - Sistemas de Informação, SGPS, S.A. ('SSI'); non-Executive Director of Optimus - Comunicações, S.A.

António Bernardo Aranha da Gama Lobo Xavier

Date of birth:

16 October 1959

Academic qualifications:

Degree in Law and Master in Economics Law, both from the University of Coimbra.

Professional experience:

Partner and Member of the Board of MLGTS; Non Executive member of the Board of BPI SGPS, Riopole S.A. and Mota-Engil, SGPS, S.A..

Responsibilities at Sonaecom:

Executive Director of Sonaecom, SGPS, S.A.; Member of the Board of Directors of Público - Comunicação Social, S.A.; Optimus - Comunicações, S.A. and Sonaecom - Sistemas de Informação, SGPS, S.A.

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:

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

Responsibilities at Sonaecom:

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

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

9 December 1946

Academic qualifications:

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

Professional experience:

Former Managing Director of Deutsche Bank
AG, London; Past and present 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);
graduate of HEC in International Management –
joint programme with Berkeley University and the
University of Cologne.

Professional experience:

France Télécom – Orange; Chief Executive Officer
Delegate.

Previously:

Supervisor of operational and geographic
integration of France Télécom's businesses in
Spain and 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 of École des Hautes Études
Commerciales; Institut d'Études Politiques de
Paris (Lauréat) and Harvard Law School (Fulbright
Scholar, HLS Fellow).

Professional experience:

Managing Partner of Harcourt; Chairman and CEO
of Thomson; Senior Executive Vice-President of
France Télécom; Managing Director of SBC Warburg
(Chairman of SBC Warburg France).

Responsibilities at Sonaecom:

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

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

17 April 1943

Academic qualifications:

Degree in Engineering from Centre d'Études
Supérieures des Techniques Industrielles, 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 Télécom;
CEO of Orange.

Responsibilities at Sonaecom:

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

Nuno Manuel Moniz Trigo Jordão**Date of birth:**

27 April 1956

Academic qualifications:

Degree in Economics from the ISCTE – University
of Lisbon.

Professional experience:

Executive Vice-President of Sonae, SGPS, S.A.;
Member of the Board of Directors of Sonae
Investimentos, SGPS, S.A.; Sonaerp – Retail
Properties, S.A. and Modelo – Distribuição de
Materiais de Construção.

Previously:

Member of the Board of Directors and CEO of
Sonae Distribuição, SGPS, S.A.

Responsibilities at Sonaecom:

Non-Executive Director of Sonaecom.

4.3. 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)
- MDS, SGPS, S.A.
(Chairman of the Board of Directors)
- Migracom, SGPS, S.A.
(Chairman of the Board of Directors)
- Sonae Indústria, SGPS, S.A.
(Member of the Board of Directors)
- Sonae Investimentos, SGPS, S.A.
(Chairman of the Board of Directors)
- Sonae MC – Modelo Continente, SGPS, S.A.
(Chairman of the Board of Directors)
- Sonae, SGPS, S.A.
(Member of the Board of Directors, CEO)
- Sonae Sierra, SGPS, S.A.
(Chairman of the Board of Directors)
- Sonaegest, Sociedade Gestora de Fundos de Investimentos
(Chairman of the Board of Directors)
- Sonaerp – Retail Properties, S.A.
(Chairman of the Board of Directors)
- Sonae – Specialized Retail, 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:

- Optimus – Comunicações, S.A.
(Chairman of the Board of Directors)
- PCJ – Público, Comunicação e Jornalismo, S.A.
(Chairman of the Board of Directors)
- Público – Comunicação Social, S.A.
(Chairman of the Board of Directors)
- Sonae Telecom, SGPS, S.A.
(Chairman of the Board of Directors)
- Sonaecom – Sistemas de Informação, SGPS, S.A.
(Chairman of the Board of Directors)
- Sontária – Empreendimentos Imobiliários, 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)
- MDS, SGPS, S.A.
(Member of the Board of Directors)
- Sonae, SGPS, S.A.
(Member of the Board of Directors)
- Sonae Center Serviços II, S.A.
(Member of the Board of Directors)

- Sonae Investments, B.V.
(Managing Director)
- Sonae Investimentos, SGPS, S.A.
(Member of the Board of Directors)
- Sonae MC – Modelo Continente, SGPS, S.A.
(Member of the Board of Directors)
- Sonaerp – Retail Properties, S.A.
(Member of the Board of Directors)
- Sonae Sierra, SGPS, S.A.
(Member of the Board of Directors)
- Sonae – Specialized Retail, SGPS, S.A.
(Member of the Board of Directors)
- 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)
- Love Letters – Galeria de Arte, S.A.
(Member of the Board of Directors)

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)
- M3G – Edições Digitais, 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)
- PCJ – Público, Comunicação e Jornalismo, S.A.
(Member of the Board of Directors)
- Público – Comunicação Social, S.A.
(Member of the Board of Directors)
- Saphety Level – Trusted Services, S.A.
(Chairman of the Board of Directors)
- Optimus – Comunicações, S.A.
(Member of the Board of Directors)
- Sonae Telecom, SGPS, S.A.
(Member of the Board of Directors)
- Sonaecom – Sistemas de Informação, SGPS, S.A.
(Member of the Board of Directors)
- Sonaecom – Sistemas de Información España, S.L.
(Director)
- Sontária – Empreendimentos Imobiliários, 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)
- Cape Technologies Limited (Ireland)
(Director)

- WeDo Poland Sp. Z.o.o.
(Director)
- WeDo Technologies Australia PTY Limited
(Director)
- WeDo Technologies (UK) Limited
(Director)
- WeDo Technologies Americas Inc.
(Chairman of the Board of Directors)
- WeDo Technologies Chile, Spa
(Director)
- WeDo Technologies Panama, S.A.
(Director)
- WeDo Technologies Singapore Pte Ltd
(Director)
- Praesidium Services 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)
- Fundação Belmiro de Azevedo
(Member of the Board of Directors)
- 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)

António Bernardo Aranha da Gama Lobo Xavier

Offices held in companies in which Sonaecom is a shareholder:

- Optimus – Comunicações, S.A.
(Member of the Board of Directors)
- PCJ – Público, Comunicação e Jornalismo, S.A.
(Member of the Board of Directors)
- Público – Comunicação Social, S.A.
(Member of the Board of Directors)
- Sonaecom – Sistemas de Informação, SGPS, S.A.
(Member of the Board of Directors)

Other offices held:

- MLGTS & Associados, Sociedade de Advogados
(Partner and Member of the Board of Directors)
- BPI, SGPS, S.A.
(Member of the Board of Directors)
- Mota-Engil, SGPS, S.A.
(Member of the Board of Directors)
- Riopele, S.A.
(Member of the Board of Directors)

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.
(Chairman of the Board of Directors)

- Be Towering – Gestão de Torres de Telecomunicações, S.A.
(Chairman of the Board of Directors)
- Per-Mar, Sociedade de Construções, S.A.
(Chairman of the Board of Directors)
- PCJ – Público, Comunicação e Jornalismo, S.A.
(Member of the Board of Directors)
- Público – Comunicação Social, S.A.
(Member of the Board of Directors)
- Sonae Telecom, SGPS, S.A.
(Member of the Board of Directors)
- Optimus – Comunicações, S.A.
(CEO)
- WeDo Consulting – Sistemas de Informação, S.A.
(Member of the Board of Directors)
- Sonaecom – Sistemas de Informação, SGPS, S.A.
(Member of the Board of Directors)

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)

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:

- Orange Brand Services Limited
(Member of the Board of Directors)
- Westgate Nominees Hall Limited
(Member of the Board of Directors)
- Velti plc
(Member of the Board of Directors)
- Still Standing Ltd
(Member of the Board of Directors)
- Nectar Global Alpha Fund
(Member of the Board of Directors)
- Incadea PLC
(Chairman of the Board of Directors)

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.

Other offices held:

- Harcourt (France)
(Managing Partner)
- Atari (France)
(Chairman, Member of the Audit Committee, Member of the Remuneration Committee)
- Crédit Agricole - Commercial and Investment Bank (France)
(Director, Member of the Remuneration Committee)
- Goldbridge Capital Partners (UK)
(Chairman, Member of the Remuneration Committee, Member of the Audit Committee)
- Moser Baer (India)
(Director, Member of the Audit Committee)
- Moser Baer Projects (India)
(Director, Member of the Audit Committee)
- PricewaterhouseCoopers (France)
(Chairman of the Strategy Board)
- Symantec (US)
(Director, Member of the Audit Committee, Member of the Nomination and Governance Committee)
- Telenor (Norway)
(Director, Member of the Ethics & Sustainability Committee)
- HEC (France)
(Member of the Advisory Board)
- HBS (US)
(Member of the International 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 Télécom Spain
(Member of the Board of Directors)
- Mobistar
(Member of the Board of Directors)
- Studio 37
(Member of the Board of Directors)
- Fram
(Member of the Supervisory Board)

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 Télécom, Dubai
(Member of the Board of Directors)

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:

- Modelo – Distribuição de Materiais de Construção, S.A.
(Member of the Board of Directors)
- Sonae Investimentos, SGPS, S.A.
(Member of the Board of Directors)
- Sonae, SGPS, S.A.
(Member of the Board of Directors)
- Sonaerp – Retail Properties, S.A.
(Member of the Board of Directors)

4.4. Articles 447, 448 and qualified holdings

Article 447

In accordance with article 447 of the Portuguese Company Law and CMVM Regulation no. 05/2008.

Shares held by the Board of Directors and Management and respective transactions during 2011:

Board of Directors

			Additions		Reductions	Balance at
	Date	Quantity	Average value €	Quantity	Average value €	31 December 2011
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, S.A. ⁽¹⁾						1
Migracom, SGPS, S.A. ⁽³⁾						1,969,996
Sonae, SGPS, S.A. ⁽⁶⁾						3,293 a)
Shares attributed under the Medium Term Incentive Plan	10.03.2011	355,103	0.00			
Sale	20.05.2011			355,103	0.828	
Ángelo Gabriel Ribeirinho dos Santos Paupério						
Sonae, SGPS, S.A. ⁽⁶⁾						355,233
Shares attributed under the Medium Term Incentive Plan	10.03.2011	105,233	0.00			
Sonaecom, SGPS, S.A. ⁽⁹⁾						292,086
Shares attributed under the Medium Term Incentive Plan	10.03.2011	67,086	0.00			
Miguel Nuno Santos Almeida						
Sonae, SGPS, S.A. ⁽⁶⁾						59,453
Shares attributed under the Medium Term Incentive Plan	10.03.2011	31,269	0.00			
Sonaecom, SGPS, S.A. ⁽⁹⁾						70,808 b)
Shares attributed under the Medium Term Incentive Plan	10.03.2011	31,009	0.00			
Maria Cláudia Teixeira de Azevedo						
Efanor Investimentos, SGPS, S.A. ⁽¹⁾						1
Linhacom, SGPS, S.A. ⁽⁴⁾						99,996
Sonae, SGPS, S.A. ⁽⁶⁾						-
Shares attributed under the Medium Term Incentive Plan	10.03.2011	21,549	0.00			
Sale	20.05.2011			21,549	0.828	
Sonaecom, SGPS, S.A. ⁽⁹⁾						170 c)
Shares attributed under the Medium Term Incentive Plan	10.03.2011	21,369	0.00			
Sale	20.05.2011			21,369	1.60	
António Bernardo Aranha da Gama Lobo Xavier						
Sonae, SGPS, S.A. ⁽⁶⁾						70,229
Shares attributed under the Medium Term Incentive Plan	10.03.2011	28,183	0.00			
Sonaecom, SGPS, S.A. ⁽⁹⁾						25,631
Shares attributed under the Medium Term Incentive Plan	10.03.2011	27,949	0.00			
Sale	22.06.2011			22,000	1.532	

a) Shares held by underage under his charge;

b) This balance includes 90 shares held by spouse;

c) Shares held by spouse.

Article 447 (continued)

Management

			Additions		Reductions	Balance at 31 December 2011
	Date	Quantity	Average value €	Quantity	Average value €	Quantity
David Graham Shenton Bain						
Sonae, SGPS, S.A. ⁽⁶⁾						20,000
Sonaecon, SGPS, S.A. ⁽⁹⁾						15,000
Ana Paula Garrido Pina Marques						
Sonae, SGPS, S.A. ⁽⁶⁾						11,000 d)
Sonaecon, SGPS, S.A. ⁽⁹⁾						28,241 e)
Shares attributed under the Medium Term Incentive Plan	10.03.2011	13,797	0.00			
Manuel António Neto Portugal Ramalho Eanes						
Sonaecon, SGPS, S.A. ⁽⁹⁾						15,538
Shares attributed under the Medium Term Incentive Plan	10.03.2011	15,538	0.00			
David Pedro Oliveira Parente Ferreira Alves						
Sonae, SGPS, S.A. ⁽⁶⁾						5,000
Sonaecon, SGPS, S.A. ⁽⁹⁾						64,013
Shares attributed under the Medium Term Incentive Plan	10.03.2011	23,500	0.00			
Rui José Gonçalves Paiva						
Sonaecon, SGPS, S.A. ⁽⁹⁾						460
Paulo Joaquim Santos Plácido						f)
Sonae, SGPS, S.A. ⁽⁶⁾						10,000
Sonaecon, SGPS, S.A. ⁽⁹⁾						49,821
Shares attributed under the Medium Term Incentive Plan	10.03.2011	11,023	0.1475			
José Manuel Pinto Correia						
Sonae, SGPS, S.A. ⁽⁶⁾						3,905
Sonaecon, SGPS, S.A. ⁽⁹⁾						121,468
Acções entregues ao abrigo do Plano de Incentivo de Médio Prazo	10.03.2011	25,163	0.1475			
Pedro Rafael de Sousa Nunes Pedro						
Sonae, SGPS, S.A. ⁽⁶⁾						6,625
Aquisição	04.02.2011	2,225	0.826			
Ana Cristina Dinis da Silva Fanha Vicente Soares						
Sonaecon, SGPS, S.A. ⁽⁹⁾						6,617
Shares attributed under the Medium Term Incentive Plan	10.03.2011	5,492	0.00			

d) Shares held by spouse;

e) This balance includes 7,957 shares held by spouse;

f) Shares held by spouse.

Statutory Audit Board

			Additions		Reductions	Balance at 31 December 2011
	Date	Quantity	Average value €	Quantity	Average value €	Quantity
Armando Luís Vieira Magalhães						
Sonae, SGPS, S.A. ⁽⁶⁾						-
Sale	11.05.2011			10,000	0.826	

Article 447 (continued)

Notes:

			Additions		Reductions	Balance at 31 December 2011
	Date	Quantity	Average value €	Quantity	Average value €	Quantity
(1) Efanor Investimentos, SGPS, S.A.						
Sonae, SGPS, S.A. ⁽⁶⁾						122,400,000
Sale	29.04.2011			585,250,000	0.811	
Acquisition	13.07.2011	30,000,000	0.667			
Acquisition	12.10.2011	16,000,000	0.529			
Acquisition	13.12.2011	2,000,000	0.473			
Pareuro, BV ⁽²⁾						2,000,000
Sonaecom, SGPS, S.A. ⁽⁹⁾						1,000
(2) Pareuro, BV						
Sonae, SGPS, S.A. ⁽⁶⁾						937,250,000
Acquisition	29.04.2011	585,250,000	0.811			
Sale	13.07.2011			30,000,000	0.667	
Sale	12.10.2011			16,000,000	0.529	
Sale	13.12.2011			2,000,000	0.473	
(3) Migracom, SGPS, S.A.						
Imparfin, SGPS, S.A. ⁽⁵⁾						150,000
Sonae, SGPS, S.A. ⁽⁶⁾						1,840,103
Acquisition	20.05.2011	355,103	0.828			
Sonaecom, SGPS, S.A. ⁽⁹⁾						387,342
(4) Linhacom,SGPS, S.A.						
Imparfin, SGPS, S.A. ⁽⁵⁾						150,000
Sonae, SGPS, S.A. ⁽⁶⁾						390,430
Acquisition	20.05.2011	21,549	0.828			
Sonaecom, SGPS, S.A. ⁽⁹⁾						71,231
Acquisition	20.05.2011	21,369	1.60			
(5) Imparfin, SGPS, S.A.						
Sonae, SGPS, S.A. ⁽⁶⁾						4,105,280
(6) Sonae, SGPS, S.A.						
Sonaecom, SGPS, S.A. ⁽⁹⁾						650,000
Sale	29.04.2011			188,649	1.537	
Sonae Investments BV ⁽⁷⁾						2,000,000
Sontel BV ⁽⁸⁾						4,286
(7) Sonae Investments BV						
Sontel BV ⁽⁸⁾						5,714
Sonaecom, SGPS, S.A. ⁽⁹⁾						-
Sale	29.04.2011			10,500,000	1.537	
(8) Sontel BV						
Sonaecom, SGPS, S.A. ⁽⁹⁾						194,063,119
Acquisition	29.04.2011	188,649	1.537			
Acquisition	29.04.2011	10,500,000	1.537			
(9) Sonaecom, SGPS, S.A.						
Shares attributed under the Medium Term Incentive Plan	10.03.2011			1,473,520	0.1475	
Shares attributed under the Medium Term Incentive Plan	10.03.2011			277,030	0.00	
Acquisition	Mar-11	1,553,000	1.432			
Shares attributed under the Medium Term Incentive Plan	22.06.2011			13,607	0.156	

Article 448

In accordance with article 448 of the Portuguese Company Law:

	Number of shares as of 31 December 2011
Efanor Investimentos, SGPS, S.A.	
Sonae, SGPS, S.A.	122,400,000
Pareuro, BV	2,000,000
Sonaecom, SGPS, S.A.	1,000
Pareuro, BV	
Sonae, SGPS, S.A.	937,250,000
Sonae, SGPS, S.A.	
Sonaecom, SGPS, S.A.	650,000
Sonae Investments BV	2,000,000
Sontel BV	4,286
Sonae Investments BV	
Sontel BV	5,714
Sontel BV	
Sonaecom, SGPS, S.A.	194,063,119
Atlas Services Belgium, S.A.	
Sonaecom, SGPS, S.A.	73,249,374

Qualified holdings

In compliance with sub-paragraph b), number 1, of the article 8 of the CMVM Regulation no. 05/2008, we declare the qualifying holdings as at 31 December 2011:

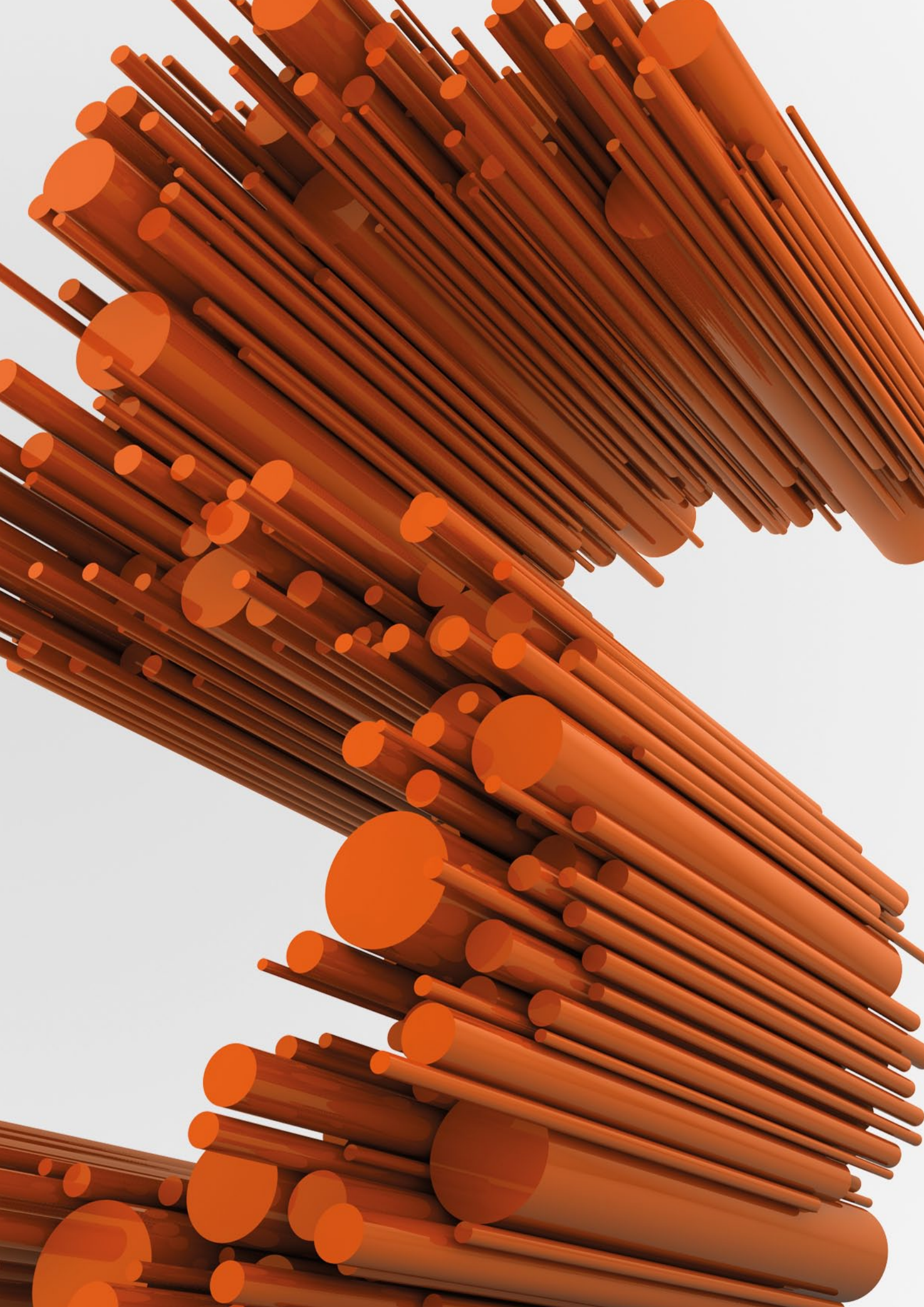
Shareholder	Number of shares	% of Share capital	% of voting rights	
			With own shares	Without own shares
Sontel BV	194,063,119	52.99%	52.99%	54.33%
Sonae SGPS	650,000	0.18%	0.18%	0.18%
Migracom, SGPS, S.A.	387,342	0.11%	0.11%	0.11%
Ângelo Gabriel Ribeirinho dos Santos Paupério ^{(1),(2)}	292,086	0.08%	0.08%	0.08%
Belmiro Mendes de Azevedo ^{(1),(3)}	75,537	0.02%	0.02%	0.02%
Linhacom, SGPS, S.A.	71,231	0.02%	0.02%	0.02%
Álvaro Carmona e Costa Portela ⁽¹⁾	5,000	0.00%	0.00%	0.00%
Efanor Investimentos, SGPS, S.A.	1,000	0.00%	0.00%	0.00%
Maria Cláudia Teixeira de Azevedo ⁽³⁾	170	0.00%	0.00%	0.00%
Total attributable ⁽⁴⁾	195,545,485	53.39%	53.39%	54.74%
France Télécom, S.A.				
Atlas Services Belgium, S.A.	73,249,374	20.00%	20.00%	20.51%
Total attributable	73,249,374	20.00%	20.00%	20.51%
BCP				
Banco Comercial Português S.A.	100,998	0.03%	0.03%	0.03%
Fundo de Pensões Grupo BCP	12,400,000	3.39%	3.39%	3.47%
Total attributable	12,500,998	3.41%	3.41%	3.50%

⁽¹⁾ Member of the Board of Directors of Sonae, SGPS, S.A.;

⁽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, S.A.;

⁽⁴⁾ The corresponding qualified holding is attributable to Efanor.



5

OUR GOVERNANCE



- 5.1 INTRODUCTION
- 5.2 STATEMENT OF COMPLIANCE
- 5.3 SHAREHOLDERS' GENERAL MEETING
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- 5.5 GROUP REMUNERATION POLICY, MANAGEMENT
AND AUDIT BODIES' REMUNERATION
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- 5.7 OTHER INFORMATION
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- 5.9 APPENDIX

5 OUR GOVERNANCE



5.1. Introduction

i) Message to shareholders

Dear shareholder,

Sonaecom has a serious commitment to the creation of long-term shareholder value and, as a result, we are focused on adopting Portuguese and international best practice in terms of corporate governance. We are fully compliant with the legal requirements of the Portuguese Securities Commission ("CMVM"), we comply with the vast majority of their recommendations on Corporate Governance and we will continuously improve our practices going forward.

This commitment is assumed throughout our organization, in which our values and disclosure principles are widely disseminated. In the interests of total transparency, we also publish our governance regulations and guidelines on our website (www.sonae.com).

We want to be one step ahead by creating a "best in class" governance model and communicating our governance culture to all stakeholders.

We are particularly proud of the solid and objective principles that support our remuneration policy and methodology. Our remuneration policy is competitive, linked to performance, aligned with shareholder interests, transparent, reasonable, fair and remuneration awarded is disclosed in detail. Our principles clearly reflect our commitment in this area.

ii) Corporate Governance principles

Our corporate governance practices are based on the following main principles:

- Transparency
- Independence
- Oversight
- Risk management
- Shareholder engagement
- Governance model adaptation - One size does not fit all (we "comply" or "explain")

What corporate governance means to Sonaecom?

By governance we mean our decision-making processes and the way in which our decisions are implemented, as well as the formal structures and different bodies that are involved in preparing, challenging, approving, implementing and reporting on these decisions.

For Sonaecom, corporate governance is about making sure that:

- Our management is leading the business in the right direction and is acting in the interest of the company and its shareholders;
- We protect our ethical standards and respect stakeholder interests;
- We comply with our statutes, and applicable laws and regulations;
- We pursue our corporate strategy in order to accomplish our performance objectives;
- We have the appropriate controls and procedures in place to manage risks effectively;
- Our management and our governance are assessed and monitored, by having the right structures and processes in place.

How does Sonaecom make corporate governance happen?

At Sonaecom, our governance happens throughout our organisational structure, our principles and our communication with and disclosure to stakeholders, which together create a governance culture.

Our Board & Corporate Governance Officer supports the Sonaecom Chairman and the CEO, in keeping our governance under review to ensure that the right processes and procedures are in place to protect shareholder interests.

Moreover, we have organised ourselves so that the different governing bodies, both statutory and non-statutory, take responsibility for assuring that we follow best practice in terms of corporate governance and optimise the alignment between management and shareholders.

5.2. Statement of Compliance

As required by Portuguese regulations and in line with the recommendations on corporate governance issued in January 2010 by the Portuguese Securities Commission (CMVM), the following section explains the roles, responsibilities and composition of our principal statutory and non-statutory governing bodies. This section also includes detailed disclosure and an explanation of our remuneration policy and of Directors' shareholdings.

Disclosure of the availability of information

The full text of the corporate governance guidelines currently adopted by Sonaecom, whether published by specific regulation, recommendation or voluntarily, including our Code of Conduct and, in particular, our guidelines covering Share Dealing and Conflicts of Interest – are made publicly available on our website www.sonaecom.com and also at www.cmvm.pt.

CMVM recommendations on Corporate Governance

The table below sets out all of the CMVM's recommendations on Corporate Governance (as issued in January 2010) and our assessment of our compliance as at 31 December 2011:

	CMVM recommendations	Sonaecom compliance	Comments
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.	Yes	All resources requested have been made available by Sonaecom, via the relevant departments: Legal, Facilities, Finance, and others.
1.1.2	The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual Corporate Governance Report.	Yes	The remuneration is disclosed (see '5.3. Shareholders' General Meeting - Remuneration').
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.	Yes	The blocking of shares is no longer required as the law has changed and Sonaecom's General Meeting held on 2011 resolved the change of the Articles of Association in order to ensure compliance (see '5.3. Shareholders' General Meeting - Blocking of shares').
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.	Yes	The blocking of shares is no longer required as the law has changed and Sonaecom's General Meeting held on 2011 resolved the change of the Articles of Association in order to ensure compliance (see '5.3. Shareholders' General Meeting - Rules applicable to the blocking of shares in case of suspension of the General Meeting').
1.3	Voting and exercising voting rights		
1.3.1	Companies should not impose any statutory restriction on postal voting and, whenever adopted or admissible, on electronic voting.	Yes	There are no restrictions on postal or electronic voting (see '5.3. Shareholders' General Meeting - Postal voting').
1.3.2	The statutory advance deadline for receiving voting ballots by post shall not exceed three working days.	Yes	Our statutory deadline is three working days (see '5.3. Shareholders' General Meeting - Deadline for receiving postal votes').
1.3.3	Companies shall ensure the level of voting rights and the shareholder's participation, ideally through the statutory provision that obliges the one share-one vote principle. The companies that: i) hold shares that do not confer voting right; ii) establish non-casting of voting rights above a certain number, when issued solely by a shareholder or by shareholders related to former, do not comply with the proportionality principle.	Yes	Sonaecom's Articles of Association comply with the one share-one vote principle (see '5.3. Shareholders' General Meeting - Number of shares corresponding to one vote').

	CMVM recommendations	Sonaecom compliance	Comments
1.4	Quorum and resolutions		
	Companies shall not set a deliberative quorum that exceeds the minimum required by Portuguese Company Law.	Yes	Our quorum corresponds to the minimum required by law.
1.5	Attendance lists, minutes and information on resolutions adopted		
	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 information disclosed shall cover the resolutions passed, the represented capital and the voting results. Said information shall be kept on the company's website for no less than a 3 year period.	Yes	All required elements are made and remain available on the Company's website.
1.6	Measures relating to changes in control		
16.1	In accordance with the principle established in the previous sub-paragraph, any Company that has Articles of Association with clauses that restrict or limit the number of votes that may be held or exercised by a single shareholder, either individually or acting in concert with other shareholders, shall also require that, at least once every five years, the continuation of such clauses must be ratified at a Shareholders' General Meeting, at which the quorum shall not exceed the legal minimum and all votes cast shall count, without applying any restriction.	Yes	There are no clauses that restrict or limit the number of votes.
16.2	Defensive measures that automatically lead to 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.	Yes	No such measures exist (see '5.3. Shareholders' General Meeting – Defensive measures in case of change of control or changes in the Board of Directors').
2	Management and audit boards		
2.1	General points		
2.1.1	Structure and duties		
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.	Yes	The Board of Directors has assessed the impact of the corporate governance model adopted and has not encountered any restrictions susceptible of affecting its overall performance, as described in section 5.2.2. of this report.
2.1.1.2	Companies shall set up internal control and risk management systems in order to safeguard the company's worth and which will identify and manage the risk. Said systems shall include at least the following components: i) setting of the company's strategic objectives as regard risk assumptions; ii) identifying the main risks associated to the company's activity and any events that might generate risks; iii) analyse and determine the extent of the impact and the likelihood that each of said potential risks will occur; iv) risk management aimed at aligning those actual incurred risks with the company's strategic options for risk assumption; v) control mechanisms for executing measures for adopted risk management and its effectiveness; vi) adoption of internal mechanisms for information and communication on several components of the system and risk-warning; vii) periodic assessment of the implemented system and the adoption of the amendments that are deemed necessary.	Yes	These systems are in place and are further described in this report (see '5.6. Risk Management').

	CMVM recommendations	Sonaecom compliance	Comments
2.1.1.3	The Board of directors shall ensure the establishment and functioning of the internal control and risk management systems. The Statutory Audit Board shall be responsible for assessing the functioning of said systems and proposing the relevant adjustment.	Yes	These systems are in function and are assessed by Supervisory Bodies, namely the Statutory Audit Board and the Board Audit and Finance Committee. Responsibilities attributed to BAFC, as a specialized committee of the Board of Directors, are developed in terms of company management and do not override the functions of the Statutory Audit Board, as a Supervisory Body. The BAFC is a Committee within a Board of Directors and according to its empowerment is responsible, among other matters, for an in-depth analysis of the financial statements, of the performance of key financial ratios and for the assessment of the internal control and risk management processes. It issues recommendations for final deliberation at the Board of Directors, thereby improving its operational functioning. It allows strengthening the levels of control within the company, in addition to the independent supervision role of the SAB. <i>See '5.6.a) Internal control and risk management system - Report to management and auditing bodies'.</i>
2.1.1.4	Companies shall: i) identify the main economic, financial and legal risks that the company is exposed to during the exercise of its activity and; ii) describe the performance and effectiveness of the risk management system in its Annual Corporate Governance Report.	Yes	<i>See '5.5.b) Risk Management - Main risks and control actions'.</i>
2.1.1.5	The Board of Directors and Statutory Audit Board shall establish internal regulations, which shall be disclosed on the Company's website	Yes	<i>'Management and auditing Bodies - Corporate structure organization - Roles and competencies'. See complementary information on other regulations on '5.6.c) Risk management - Risk management policies for Ethics and Disclosure'.</i>
2.1.2	Incompatibility and independence		
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.	Yes	Out of total of eleven members, there are seven non-executive members on Sonaecom's Board of Directors (see '5.4.a) Management and auditing Bodies - Identification and composition').
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.	Yes	There are currently three independent non-executive members on our Board of Directors (corresponding to more than one quarter of the total number of Board members authorised by the Articles of Association) (see '5.4.a) Management and auditing Bodies - Identification and composition').
2.1.2.3	The independence assessment of its non-executive members carried out by the Board of Directors shall take into account the legal and regulatory rules in force concerning the independence requirements and the incompatibility framework applicable to members of other corporate boards, which ensure orderly and sequential coherence in applying independence criteria to all the company. An independent executive member shall not be considered as such, if in another corporate board and by force of applicable rules, may not be an independent executive member.	Yes	The Board of Directors carries out annually an assessment of the independence of its non-executive members, requesting the update of the information previously provided to qualify the independence status. The Board of Directors assessment for the 2011 year can be found in section 5.2.3. of this report.
2.1.3	Eligibility criteria for appointment		
2.1.3.1	Depending on the governance model adopted, the Chairman of the Statutory Audit Board, the Board Audit Committee or Financial Matters Committee shall be independent and possess the necessary skills to perform their duties.	Yes	Compliance with legal requirements on independence and necessary skills for the members of our Statutory Audit Board was confirmed through specific questionnaires implemented by Sonaecom (see '5.4.f) Management and auditing bodies - Identification of the members of the Statutory Audit Board').

	CMVM recommendations	Sonaecom compliance	Comments
2.1.3.2	The selection process of candidates for non-executive members shall be conjured so as prevent interference by executive members.	Yes	Sonaecom selection process of candidates for non-executive members fully meets this recommendation. Given the clear separation between Sonaecom Board Nomination and Remuneration Committee and Sonaecom Shareholders' Remuneration Committee, Sonaecom executive members do not have any kind of interference in the selection of non-executive members. (see '5.4.b) Management and auditing Bodies - Corporate structure organization - Roles and competencies').
2.1.4	Policy on the reporting of irregularities		
2.14.1	The Company shall adopt a policy on 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 who are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should this be requested by the reporter.	Yes	Sonaecom has adopted a policy that fully meets this recommendation. See '5.6.c) Risk management policies for Ethics and Disclosure - Whistle-blowing policy'.
2.14.2	General guidelines from this policy should be disclosed in the Corporate Governance Report.	Yes	Sonaecom discloses the general guidelines in this report and on the company's website. See '5.6.c) Risk management policies for Ethics and Disclosure - Whistle-blowing policy'.
2.1.5	Remuneration		
2.15.1	The remuneration of the Members of the Board of Directors shall be structured so that the formers' interests are capable of being aligned with the long-term interests of the company. Furthermore, the remuneration shall be based on performance assessment and shall discourage taking on extreme risk. Thus, remunerations shall be structured as follows: i) The remuneration of the Board of Directors carrying out executive duties shall include a variable element which is determined by a performance assessment carried out by the company's competent bodies according to pre-established quantifiable criteria. Said criteria shall take into consideration the company's real growth and the actual growth generated for the shareholders, its long-term sustainability and the risks taken on, as well as compliance with the rules applicable to the company's activity. ii) The variable component of the remuneration shall be reasonable overall as regard the fixed component of the remuneration and maximum limits shall be set for all components. iii) A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall depend of the company's steady positive performance during said period. iv) Members of the Board of Directors shall not enter into contracts with the company or third parties that will have the effect of mitigating the risk inherent in the variability of the remuneration established by the company.	No	Alignment with the interests of the Shareholders is ensured and this recommendation is met (see '5.5. Group Remuneration Policy and Remuneration of Management and Audit Bodies') with the exception of 2.2.5.1 i). Although António Lobo Xavier is a member of the Executive Committee, his remuneration package does not include any variable component. This is an exception to the general rule for members of the Executive Committee of Sonaecom and is not in compliance with particular recommendation. However, as António Lobo Xavier is member of the Sonaecom Ethics Committee and has responsibilities in terms of Governance, it was considered that it was not advisable for his remuneration package to include any variable component. Sonaecom's remuneration Structure combines fixed and variable components, in alignment with European pay standards. In comparable terms, fixed remuneration is close to the median and total compensation is close to the third quartile of the standards. Variable pay represents more than 40% of the component. The minimum and maximum of the variable component are established as percentage of fixed component (thus, establishing objectively the maximum limits). See '5.5.b) Directors Remuneration'. No such contracts have been identified.

	CMVM recommendations	Sonaecom compliance	Comments
	(v) The Executive Directors shall hold, at least twice the value of the total annual remuneration, the company shares that were allotted by virtue of the variable remuneration schemes, with the exception of those shares that are required to be sold for the payment of taxes on the gains of said shares.		Sonaecom implemented since 2008 a Share Holding and Retention Policy that fully complies with this recommendation.
	(vi) When the variable remuneration includes stock options, the period for exercising same shall be deferred for a period of not less than three years.		The variable remuneration does not include stock options.
	(vii) The appropriate legal instruments shall be established so that in the event of a Director's dismissal without due cause, the envisaged compensation shall not be paid out if the dismissal or termination by agreement is due to the Director's inadequate performance.		Sonaecom applies for the appropriate legal instruments available in law to this type of situations. There are no individual contracts with Directors to define how compensations would be calculated. Moreover, Sonaecom has never attributed or estimated to attribute to the Directors any compensation in case of dismissal or termination due to inadequate performance.
	(viii) The remuneration of Non-Executive Board Members shall not include any component the value of which is subject to the performance or the value of the company.		Non-Executive Directors do not receive annual performance bonuses nor do they participate in the Sonaecom Medium Term Incentive Plan (MTIP).
2.1.5.2	The statement on the remuneration policy of the management and audit bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall contain, in addition to the content therein stated, adequate information on: i) which groups of companies the remuneration policy and practices of which were taken as a baseline for setting the remuneration ii) the payments for the dismissal or termination by agreement of the Directors' duties.	Yes	2011 AGM remuneration proposal includes such information.
2.1.5.3	The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the persons discharging managerial responsibilities' remuneration which contain an important variable component, within the meaning of Article 248-B/3 of the Securities Code. The statement shall be detailed and the policy presented shall particularly take the long-term performance of the company, compliance with the rules applicable to its business and restraint in taking risks into account.	Yes	2011 AGM remuneration proposal includes such information.
2.1.5.4	A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share prices, to members of the management and audit bodies and other managers within the context of Article 248/3/B of the Securities Code. The proposal shall mention all the necessary information for its correct assessment. The proposal shall contain the regulation plan or in its absence, the plan's conditions. The main characteristics of the retirement benefit plans established for members of the management and audit bodies and other managers within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Meeting.	Yes	This proposal was approved at the 2011 AGM. No retirement benefit plans are in place. (see '5.5.a) Group remuneration policy').
2.1.5.5	At least one of the Remuneration Committee's representatives shall be present at the Annual General Meeting for Shareholders.	Yes	A representative of the Shareholders' Remuneration Committee has been present at the AGM.

	CMVM recommendations	Sonaecom compliance	Comments
2.2	Board of Directors		
2.2.1	Within the limits established by Portuguese Company Law for each management and audit governance structure, and unless the Company is restricted by its size, the Board of Directors shall delegate the day-to-day running of the Company and the powers and terms of the delegation should be set out in the Corporate Governance Report.	Yes	The day-to-day running of the Company is delegated to an Executive Committee (see '5.4.b) Management and auditing Bodies – Corporate structure organization - Roles and competencies').
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.	Yes	Such responsibilities are not delegated (see '5.4.b) Management and auditing Bodies – Corporate structure organization - Roles and competencies').
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.	Not Applicable	The Chairman of the Board of Directors does not have an executive role at Sonaecom (see '5.4.a) Management and auditing Bodies – Identification and composition').
2.2.4	The Annual Management Report shall include a description of the activity carried out by the non-executive Board Members and shall, in particular, report any restrictions that they encountered.	Yes	This description is included in Section 4 of the Annual Management Report.
2.2.5	The company shall expound its policy of portfolio rotation on the Board of directors, including the person responsible for the financial portfolio, and report on same in the Annual Corporate Governance Report.	Yes	Sonaecom policy is not to adopt a formal and mandatory policy of rotation. We defend that forcing the adoption of such principle could translate into a harm measure for the company and its shareholders. See '5.4.b) Management and auditing Bodies – Corporate structure organization - Roles and competencies'.
2.3	Chief Executive Officer (CEO), Executive Committee and Executive Board of Directors		
2.3.1	When Directors who carry out executive duties are requested by other Board Members to supply information, they shall provide answers in a timely manner with information that adequately responds to the request made.	Yes	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.	Yes	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.	Not Applicable	Sonaecom has not adopted this governance model.
2.4	General and Supervisory Board, Financial Matters Committee, Audit Committee and Statutory Audit Board		
2.4.1	In addition to fulfilling its supervisory and verification roles, the General and Supervisory Board shall fulfil the 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 form an opinion 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.	Not Applicable	Sonaecom has not adopted this governance model.

	CMVM recommendations	Sonaecom compliance	Comments
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.	Yes	The annual report of the Statutory Audit Board is disclosed on the Company'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.	Yes	The Statutory Audit Board's report includes such a description.
2.4.4	The General Supervisory Board, 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, and also acting as the point of contact with the Company and being the first recipient of their reports.	Yes	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 General Supervisory Board, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted), shall assess the external auditor on an annual basis and should propose to the Shareholders' General Meeting that the external auditor be discharged, should justifiable grounds exist.	Yes	The Statutory Audit Board makes this annual assessment.
2.4.6	The internal audit services and those that ensure compliance with the rules applicable to the company (compliance services) shall functionally report to the Audit Committee or the Statutory Audit Board or, in the case of companies adopting the Latin model, an independent director or Statutory Audit Board, regardless of the hierarchical relationship that these services have with the executive management of the company.	Yes	Internal Audit services report functionally and in separate to the Statutory Audit Board and to the Board Audit and Finance Committee. Sonaecom confirms that Internal Audit functionally reports in an effective manner to the Statutory Audit Board, so the reporting to an independent statutory body is guaranteed. The reporting to the Board Audit and Finance Committee, as a specialized committee of the Board of Directors, is an additional way of strengthening the levels of control and does not override the functions of the Statutory Audit Board. See also comments given to Recommendation 2.1.1.3. See '5.6. a) Internal Control and Risk Management System - Report to Management and Auditing Bodies'.
2.5	Special purpose or specialised committees		
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 measures to make improvements to the relevant bodies; and iii) in due time identify potential candidates with the high profile required for the performance of director's duties.	Yes	Board Audit and Finance Committee and, especially, the Board Nomination and Remuneration Committee were set up for these purposes (see '5.4.b) Management and auditing Bodies - Corporate structure organization - Roles and competencies').
2.5.2	Members of the Shareholders' Remuneration Committee or similar, shall be independent from the members of the Board of Directors and include at least one member with knowledge and experience in matters of remuneration policy.	Yes	See explanations below in respect of the effective independence of Paulo Azevedo (see 'CMVM Recommendations compliance').

	CMVM recommendations	Sonaecom compliance	Comments
2.5.3	Any natural or legal person which provides or has provided, over the past three years, services to any structure subject to the Board of Directors, to the Board of Directors of the company or that has to do with the current consultant to the company shall not be recruited to assist the Remuneration committee. This recommendation also applies to any natural or legal person who has an employment contract or provides services.	Yes	The Board Nomination and Shareholders' Remuneration Committee, made up of independent members, supports the Compensation Committee to carry out its duties. It is supported by international consultants of recognized competence, whose independence is assured by the fact that they are not bound in any way to the Board of Directors and through their broad experience and recognized status in the market place.
2.5.4	All committees shall draw up minutes of the meetings they hold.	Yes	Our Board committees draw up minutes.
3	Information and auditing		
3.1	General disclosure requirements		
3.1.1	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.	Yes	Sonaecom has set up an Investor Relations Office (see '5.7. Other information - Investor Relations').
3.1.2	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; h) Notices convening Shareholders' General Meetings.	Yes	All the information indicated is available in English on the Company's website.
3.1.3	Companies shall advocate the rotation of auditors after two or three terms in accordance with four or three years respectively. Their continuance beyond this period must be based on a specific opinion from the Statutory Audit Board to formally consider the conditions of the auditor's independence and the benefits and costs of replacement.	Not Applicable	Recommendation not applicable, as Sonaecom External auditors' mandate ended in 31 December 2011.
3.1.4	The external auditor must, within its powers, verify the implementation of remuneration policies and systems, the efficiency and functioning of internal control mechanisms and report any shortcomings to the company's Statutory Audit Board.	Yes	The work performance of the statutory external auditor during 2011 is disclosed in the annual auditor report, available on the Company's website.
3.1.5	The company shall not recruit the external auditor for services other than audit services, nor any entity with which same takes part or incorporates the same network. Where recruiting such services is called for, said services should not be greater than 30% of the total value of services rendered to the company. The hiring of these services must be approved by the Statutory Audit Board and must be expounded in the Annual Corporate Governance Report.	Yes	Sonaecom policy is to adopt services other than audit not greater than 30% of the total value of services rendered to the company. Particularly in 2011, this percentage of services totaled 17%.

	CMVM recommendations	Sonaecom compliance	Comments
4	Conflicts of Interest		
4.1	Shareholder Relationship		
4.1.1	Where deals are concluded between the company and shareholders with qualifying holdings or entities with which same are linked in accordance with Article 20 of the Securities Code, such deals shall be carried out in normal market conditions.	Yes	Sonaecom policy is to conduct these deals according with the normal market conditions. See '5.6.c) Risk management policies for Ethics and Disclosure - Conflicts of Interest policy'.
4.1.2	Where deals of significant importance are undertaken with holders of qualifying holdings, or entities with which same are linked in accordance with Article 20 of the Securities Code, such deals shall be subject to a preliminary opinion from the Statutory Audit Board. The procedures and criteria required defining the relevant level of significance of these deals and other conditions shall be established by the Statutory Audit Board.	Yes	Sonaecom policy is to report such deals to the SAB and obtain a preliminary opinion for deals higher than 10 million euros, as defined by the SAB. See '5.6.c) Risk management policies for Ethics and Disclosure - Conflicts of Interest policy'.

5.2.1. Notes on CMVM Recommendations compliance

On what concerns CMVM's Recommendations on Corporate Governance, we would like to add that concerning recommendation 2.5.2. (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 (for example, 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 60,800 euros in 2011.

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.

On what concerns recommendation 3.1.3., Sonaecom adopted the current governance model in 2007, in which the external auditor is no longer part of the Statutory Audit Board. According to this model, the nomination for each mandate of the Statutory External Auditor is made in the Shareholders annual general meeting upon a proposal of the Statutory Audit Board. Additionally, the Statutory Audit Board undertakes an annual assessment of the external auditor, aimed at assuring that the rotation of the partner

responsible for executing the work is completed as required by article 54^o of Decree Law 487/99 of 16 November (as changed by Decree Law 224/2008 of 20 November). As the current mandate of the External Auditor ended in 31 December 2011, during 2011 the SAB didn't take a formal position regarding an eventual replacement of the External Auditor.

5.2.2. Declaration of the Board of Directors on its assessment of the governance model adopted (issued for the purpose of CMVM Recommendation II.1.1.1)

Sonaecom's governance model has enabled the Board of Directors and its specialized committees to function normally, and none of the other statutory bodies have reported the existence of any constraints to their normal functioning. The Statutory Audit Board has exercised its supervisory powers, having received all the required support of the Board to that effect, through information provided on a regular basis by the Board and Audit Finance Committee. The Statutory External Auditor has analysed the Company's activity and has conducted the examinations and verifications deemed necessary to the proper audit and legal certification of the accounts, in conjunction with the Statutory Audit Board, and with the full cooperation of the Board of Directors.

The Board of Directors, through its Board Audit and Finance Committee and Executive Committee, has been carrying out its duties and cooperating with the Statutory Audit Board and the Statutory External Auditor, when so requested, in a transparent and rigorous manner and in compliance with its Terms of Reference and best corporate governance practices.

In order to provide a cumulative record of how the Board of Directors and the auditing bodies have functioned and interacted under the current governance model during the course of the Board's current mandate, an internal document has been prepared by the bodies involved detailing the procedures as to how the Statutory Audit Board interacts with the Board of Directors, the Executive Committee and the Board Audit and Finance Committee.

These procedures, developed during the Board's mandate, facilitate:

- the manner in which the Statutory Audit Board carries out its duties, formalizing the exchange and flow of information to and from the Board of Directors, with the active involvement of the Board Finance and Audit Committee and Executive Committee in reporting information concerning risk management procedures, the Company's internal audit activities as well as the preparation and disclosure of financial information;
- the involvement of the Statutory Audit Board through recommendations given to the Board of Directors and Executive Committee, concerning namely the functioning of internal control and risk management systems and, if relevant, transactions with related parties.

5.2.3. Assessment of Independence of the Members of the Board of Directors

The Board of Directors did not identify any fact or circumstance that would have caused any loss of independence by any of its independent non-executive members during the term to which this report refers. This conclusion was based on written statements issued by each of the independent members at the request of the Board.

5.3. Shareholders' General Meeting

Composition of the Board of Shareholders' General Meeting

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

Mandates

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

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. These amounts didn't suffer any change since 2008.

Blocking of shares

The blocking of shares is no longer required as the law has changed. The Shareholders' General Meeting is composed of shareholders that on the record date, meaning at 00:00 hours (GMT) of the fifth trading day before the date of the general meeting hold shares that entitled them to least one vote, provided confirmation of their intention of attending the General Meeting under Portuguese Company Law and the Articles of Association.

Rules applicable to the blocking of shares in case of suspension of the General Meeting

The blocking of shares is no longer required as the law has changed. Shareholders may participate in Shareholder's General Meeting under the terms established by Portuguese Company Law.

Number of shares corresponding to one vote

Each share corresponds to one vote.

Statutory rules on limitations of the number of votes

The Articles of Association do not include any restrictions on the number of votes that may be counted nor do they allow for the existence of shares that do not grant the right to vote.

Postal voting

Postal voting is allowed in respect of all proposals for discussion and decision at a Shareholders' General Meeting, according to the terms and conditions set out 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.

Form used for postal voting

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

Deadline for receiving postal votes

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

Electronic voting

Electronic voting is allowed for under Sonaecom's Articles of Association, provided the requirements imposed by the Chairman of the Shareholders' General Meeting, in the notice convening the respective General Meeting, in order to assure an equivalent level of security and authenticity, are respected.

Possibility of access to the extracts of the minutes of the General Meetings on the website of the Company

All shareholders have access to the extracts of the minutes on Sonaecom's website within the following five days.

Member of the Shareholders' Remuneration Committee that attended the General Meeting

The member of the Shareholders' Remuneration Committee who attended the 2011 Shareholders' General Meeting was Bruno Lehmann.

Approval of remuneration policy and assessment of the management 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 and following the remuneration and other compensation policies already approved by Shareholders at Shareholders' General Meetings.

In line with the CMVM's Recommendations on Corporate Governance, such proposal include persons discharging managerial responsibilities' remuneration in 2011.

As required by 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.

Approval of share plans

Sonaecom's share plans are approved by the General Meeting and all relevant information is provided to the Shareholders in detail, in order to enable them to decide on a fully informed basis. The current plan was approved at the 2011 AGM and all relevant data is available on the Company's website.

Approval of retirement benefits

Sonaecom does not have any retirement benefits in place.

Existence of a statutory provision regarding the resolution of the General Meeting aiming at maintaining or revoking a statutory provision referring to the limitation on the number of votes that may be counted

No such provision exists, as there are no limitations on the number of votes that may be counted.

Defensive measures in case of change of control or changes in the Board of Directors

None of the so-called defensive measures exist.

Agreements with ownership clauses

A change in control of Sonaecom would allow France Télécom to terminate the Strategic Partnership Agreement entered into on 9 June 2005, which was renewed on 24 October 2008.

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

Please refer to 5.5.b) Compensation for Board members on termination of office.

5.4. Management and auditing Bodies

a) Identification and composition

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 twelve, 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.

		Members
Duarte Paulo Teixeira de Azevedo	Chairman	
António Sampaio e Mello	Independent Non-Executive Director	
David Charles Denholm Hobley	Non-Executive Director *	
Gervais Gilles Pellisser	Non-Executive Director	
Jean-François René Pontal	Independent Non-Executive Director	
Franck Dangeard	Independent Non-Executive Director	
Nuno Manuel Jordão	Non-Executive Director	
Ângelo Gabriel Ribeirinho dos Santos Paupério	Executive – CEO	
António Bernardo Aranha da Gama Lobo Xavier	Executive Director	
Maria Cláudia Teixeira de Azevedo	Executive Director and CEO of SSI and Online & Media	
Miguel Nuno Santos Almeida	Executive Director and CEO of Optimus	

*See 'Independence Criteria'.

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

Composition

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

		Members
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 António Manuel Martins Amaral, who may be substituted, if required, by João Luís Falua Costa da Silva.

Company Secretary

Composition

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

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 and the three other Executive Directors comprise the Executive Committee.

		Members
Ângelo Gabriel Ribeirinho dos Santos Paupério	Executive Director – CEO	
Miguel Nuno Santos Almeida	Executive Director – Telecommunications and Deputy CEO	
Maria Cláudia Teixeira de Azevedo	Executive Director – SSI and Online & Media CEO	
António Bernardo Aranha da Gama Lobo Xavier	Executive Director	

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.

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

* See 'Independence Criteria'.

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:

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

Ethics Committee

Composition

Sonaecom's Ethics Committee consists of four members appointed by the Board of Directors, including one Independent Non-Executive Director, as Chairman of the Committee, an Executive Director, the Board and Corporate Governance Officer and the head of the Human Resources department. The current composition is shown in the table below:

	Members
Jean-François René Pontal	Chairman – Independent Non-Executive Director
António Bernardo Aranha da Gama Lobo Xavier	Executive Director
David Graham Shenton Bain	Board and Corporate Governance Officer
Anabela Magalhães	Head of the Human Resources Department

Board and Corporate Governance Officer

Composition

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

Shareholders' Remuneration Committee

Composition

Sonaecom's Shareholders' Remuneration Committee ('Comissão de Vencimentos') comprises two members:

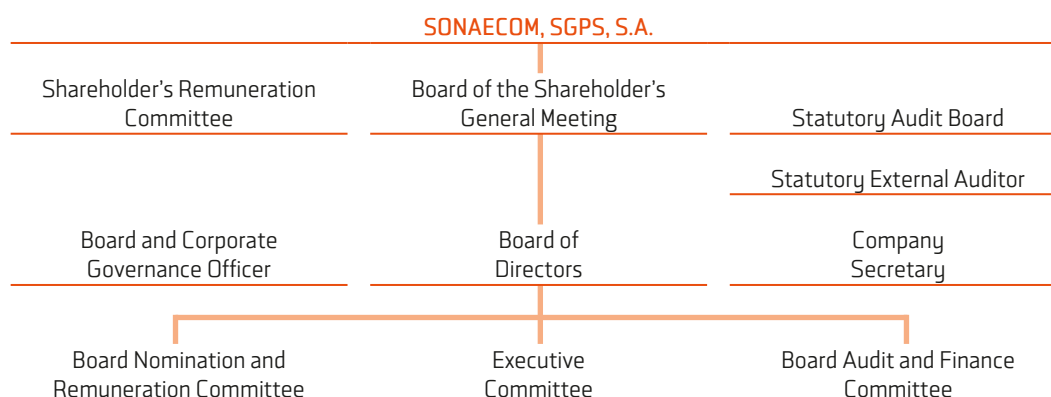
Sonae SGPS, S.A. represented by	Duarte Paulo Teixeira de Azevedo ⁽¹⁾
Sontel, BV, represented by	Francisco de la Fuente Sánchez ⁽²⁾

⁽¹⁾ Sonae, SGPS, S.A., appointed his CEO, Duarte Paulo Teixeira de Azevedo to exercise its role, under a four-year mandate covering the period 2008 to 2011;

⁽²⁾ Sontel BV appointed Bruno Walter Lehmann to exercise its role for a four-year mandate (2008 to 2011). At 27 April 2011, Bruno Walter Lehmann resigned to its role and the company appointed Francisco de la Fuente Sánchez until the term of the mandate.

b) Corporate structure organisation – roles and competencies

Sonaecom's Corporate Governance structure sets out clearly the roles, duties and responsibilities of its different governing bodies.



We highlight below the key duties and responsibilities of 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.

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.

Policy of rotation

Sonaecom policy is not to adopt a formal and mandatory policy of rotation. Executive Commission roles at Sonaecom are rotated based on matching the skills and competencies required for the role, at any point in time, with the capabilities, experience and career plans of the individuals currently serving. Alternative candidates are identified and considered, as part of the Company's annual succession and contingency planning processes.

Sonaecom does not have a formal policy in relation to the rotation of the executive roles of the Board of Directors, in the sense that no rotation of any of the executive roles is mandatory. Sonaecom does not agree with rotation for rotation's sake, 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 forcing the rotation of a competent and successful CFO or the holder of any other Executive Commission role.

Statutory Audit Board

The Statutory Audit Board, while performing its functions, statutory and legally assigned, including the ones set out in Art. 420 of the Commercial Companies Code, has the following main duties, among others:

- (i) To oversee the Company's management;
- (ii) To oversee compliance with legal and regulatory requirements and the Company's Articles of Association;
- (iii) To verify that the books of account, accounting records and supporting documentation are correctly maintained and kept up to date;
- (iv) To verify the accuracy of the documents used in the presentation of the accounts;
- (v) To verify if the accounting policies and accounting criteria used by the Company are suitable to showing a true and fair view of the financial position and the results of its operations;
- (vi) To prepare an annual report on the supervisory work performed and express an opinion on the management report, accounts and other proposals submitted by the Board of Directors, in which it should express its agreement or not, with the management report and the accounts of the year;
- (vii) To evaluate if the corporate governance report disclosed, includes the information listed in Art. 245 of the Portuguese Securities Code;
- (viii) To convene the Shareholders' General Meeting, should the Chairman of the General Meeting fail to do this in circumstances when it is necessary;
- (ix) To assess the risk management systems, internal control system and internal audit system and to monitor the effectiveness of them, and receive the respective reports;
- (x) To oversee the independence of the internal audit function, particularly with regard to restrictions to its organizational independence and any lack of resources for internal audit activity;
- (xi) To receive communications of alleged irregularities occurring in the Company and presented by the Company's shareholders, employees or others;
- (xii) To appoint and hire services from experts to help one or more members in the exercise of their duties. The hiring and fees of these experts should take into consideration the complexity of the matters involved and the financial position of the Company;
- (xiii) To oversee the preparation and disclosure of financial information;
- (xiv) To propose the appointment of the Statutory External Auditor to the Shareholders' General Meeting and their remuneration;
- (xv) To oversee the Company's financial statements, and to assess the Statutory External Auditor on an annual basis and recommend to the Shareholders' General Meeting their dismissal, if there is due case to do so;
- (xvi) To assure that the Company provides the Statutory External Auditor the necessary conditions for carrying out their duties, to intermediate between them and the Company, as well as, be a receiver of their reports;
- (xvii) To consider and oversee the independence of the Statutory External Auditor, namely in relation to any additional services they may provide;
- (xviii) To issue a prior opinion on relevant business activities (higher than 10 million euros) with qualified shareholders, or entities with whom they are in any relationship, according to Art. 20 of the Portuguese Securities Code;
- (xix) To carry out any other supervisory duties required by law.

The SAB obtains from the Board of Directors, namely through the Board of Audit and Finance Committee, all the necessary information to carry out its duties, namely relating to the operational and financial progress of the Company, changes to its business portfolio, the terms of any transactions that have occurred and the details of the decisions taken.

The SAB is the global supervision body of the company for matters of internal control and risk management, acts in an independent manner and has primacy over other bodies regarding the supervision of those matters.

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

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

- (i) To review the Company's annual and interim financial statements and reports to the market, and report 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 controls and risk management activities applied by the Executive Committee, allowing to strengthen the Company's levels of self-control in addition to the independent, sovereign and dominant supervision role performed by the Statutory Audit Board;
- (iv) To advise the Board on the appointment of, the assignments to and the remuneration of the Statutory External Auditor; to advise the Board on the quality and independence of the Internal Audit function and to be consulted by management in relation to the appointment and removal of the Chief Audit Executive;
- (v) To review the scope of the Internal Audit Function and its relation to the scope of the Statutory External Audit; to discuss with the Statutory External Auditor and the Internal Auditor their reports, and advise the Board thereon; these reports are issued both to the Statutory Audit Board and BAFC. It should be emphasized that these reports are previously analysed by the Statutory Audit board, being subsequently discussed by the Board Audit and Finance Committee.

The full Terms of Reference of the BAFC are available on the Company's website (www.sonae.com). Sonaecom's BAFC reports in writing, on a regular basis, to the Board of Directors concerning the work accomplished, results obtained and concerns identified, thus ensuring the effectiveness of 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:

- The Sonaecom Board Nomination and Remuneration Committee (BNRC) consists of up to three members: the Chairman of the Sonaecom Board and up to two independent Non-Executive Directors (NEDs) appointed by the Board. The Sonaecom Chairman will chair the BNRC, provided he or she is not remunerated as an Executive by the Company. Otherwise, the senior independent NED appointed will chair the BNRC.
- Members shall be appointed to serve on the BNRC for a period of four years (following the Board mandates).
- The Sonaecom Chief Executive Officer (CEO) will attend the meetings of the BNRC, unless the BNRC on an ad hoc basis, decides otherwise.
- The Secretary to the BNRC will be the Sonaecom Board & Corporate Governance Officer.
- The BNRC is responsible for the succession planning and nomination processes for Board members, for reviewing all remuneration and other compensation policies and proposals for Board members and other Sonaecom Senior Executives (covering Management Levels G2 and above), for supervising the Sonaecom Medium Term Incentive Plan ("MTIP") and for monitoring Sonaecom's talent management and contingency planning processes.
- The BNRC will normally meet at least twice a year (in late February or Early March, preferably before the annual meetings of the Sonaecom Shareholder Remuneration Committees – "Comissão de Vencimentos" (See Note below) and in late October or early November). Other meetings may be called by the Chairman or the Board, as necessary.
- The BNRC will report and, when necessary, propose to the full Sonaecom Board and will also liaise with the Sonaecom Shareholder Remuneration Committees through the Sonaecom Chairman.
- The BNRC may take advice from external experts at the expense of the Company. Such experts will be held to absolute secrecy on the topics upon which they opine.
- The agenda of the February/March meeting will always include the review of proposals for the remuneration and other compensation of Executive and Non-Executive Directors of Sonaecom and other Sonaecom Senior Executives. The Sonaecom CEO and other members will withdraw individually from the meeting, when their own remuneration is discussed.
- Remuneration and other compensation proposals, which are submitted to the BNRC for review on behalf of the Sonaecom Board, are prepared based on proposals made by the Sonaecom Chairman (for NEDs and for the CEO) and by the CEO (for other Executive Directors and for Senior Executives), are supported by market and are derived from individual appraisals and KPI analyses.
- The remuneration and other compensation of the Sonaecom Chairman is decided directly by the independent member of the Sonaecom Shareholders' Remuneration Committee.
- Minutes of BNRC meetings will be prepared and extracts of these will be circulated to all Board Members.

Note: Under Article 27 of the Company Statutes, Sonaecom has a Shareholders Remuneration Committee ("Comissão de Vencimentos") with 2 members, being: Paulo Azevedo (representing Sonae SGPS) and Francisco de La Fuente Sánchez (representing Sontel BV). All remuneration and other compensation proposals involving the Officers of the Company ("Órgãos Sociais"), including the Board of Directors, must have the agreement of and be formally approved by this Body on behalf of Sonaecom SGPS shareholders.

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

During 2011, Sonaecom BNRC hired external advisory services in remuneration policy benchmarking and best practices.

Ethics Committee

The Ethics Committee is responsible for supervising and maintaining the Company's Code of Conduct and for monitoring its application and ensuring compliance by all Officers and employees of Sonaecom companies. The Committee is also responsible for reporting to the Company's Board of Directors on compliance with the Code of Conduct, at least once a year, and additionally, whenever requested.

By delegation of the Statutory Audit Board, it is the responsibility of the Ethics Committee to receive, discuss, investigate and assess any alleged irregularities that are reported, in accordance with Sonaecom's 'whistle-blowing' policy. The Committee decides the appropriate measures that should be taken in each case reported.

The full Terms of Reference of the Ethics Committee are available on the Company's website (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;
- (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 Board is conscious of the concept of stakeholders and the need to protect minority interests, 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;
- (xii) Participating, on behalf of the Company, in external initiatives to debate and improve Corporate Governance regulations and practices in Portugal.

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

c) Governing bodies – terms of reference, nomination and substitution

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.

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 on 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.

d) Information on the number of meetings held during 2011

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 2010, there were five Board meetings and the attendance rate was 85%.

Sonaecom's Non-Executive Directors (Non-Executive Directors) also hold separate meetings to discuss their ability to assert their independence within the Board and to make suggestions to improve Board procedures and Corporate Governance in general. During 2011, there were two Non-Executive Director meetings and the attendance rate was 79%. The Non-Executive Directors have confirmed, at these meetings, that there have been no restrictions on the scope of their activities during 2011.

Statutory Audit Board meetings

The Statutory Audit Board meets at least once every quarter. There were seven formal Statutory Audit Board meetings during 2011 and the attendance rate was 100%.

Executive Committee meetings

Sonaecom's Executive Committee normally meets once every two weeks and whenever the CEO or a majority of its members call for a meeting. There were 19 meetings of the Executive Committee in 2011 and the attendance rate was 99%.

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 2011, the Committee met five times with an attendance rate of 100% 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 two formal BNRC meetings during 2011 and the attendance rate was 100%.

Shareholders' Remuneration Committee meetings

This Committee meets at least once a year. There was one meeting during 2011 and the attendance rate was 100%.

Ethics Committee meetings

The Ethics Committee normally meets once per semester and whenever its Chairman or two of its members deem necessary. There was one meeting during 2011 and the attendance rate was 100%.

e) Executive and Non-Executive members of the Board of Directors

The list below identifies again the members of the Board of Directors, with a distinction between executive and non-executive members and, among the latter, the identification of independent members, who fulfil the independence criteria set out in Article 414^o n^o 5 of Portuguese Company Law and are not subject to any of the circumstances foreseen in Article 414-A, 1 of that Law:

Duarte Paulo Teixeira de Azevedo	Chairman – Non-Executive
António Sampaio e Mello	Independent Non-Executive
David Charles Denholm Hobley	Non-Executive*
Gervais Gilles Pellisser	Non-Executive
Jean-François René Pontal	Independent Non-Executive
Franck Dangeard	Independent Non-Executive
Nuno Manuel Jordão	Non-Executive
Ângelo Gabriel Ribeirinho dos Santos Paupério	Executive – CEO
António Bernardo Aranha da Gama Lobo Xavier	Executive
Maria Cláudia Teixeira de Azevedo	Executive
Miguel Nuno Santos Almeida	Executive

* See 'Independence Criteria'.

Independence Criteria

During 2011, three Independent Non-Executive Directors served on 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. The assessment of the independence was made by reference to the legal requirements and, especially, 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 and 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 Télécom Group, which owns a 20% stake in Sonaecom.

It should also be noted that all the members of the Statutory Audit Board fulfil the independence criteria set out in Article 414º nº 5 of Portuguese Company Law and are not subject to any of the circumstances foreseen in Article 414-A, 1 of that Law.

f) Qualifications, experience and offices held by members of the management bodies

Board of Directors

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

The month and the year 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
Ângelo Gabriel Ribeirinho dos Santos Paupério	April 2007
Maria Cláudia Teixeira de Azevedo	April 2006
Miguel Nuno Santos Almeida	April 2005
António Bernardo Aranha da Gama Lobo Xavier	April 2010

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 within Sonaecom Group and others – are disclosed in the Appendix to this Report.

Statutory Audit Board

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

The month and year of 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.

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.

5.5. Group Remuneration policy, Management and Audit bodies' Remuneration

a) Sonaecom's remuneration policy

i) Remuneration Policy Principles

Our remuneration policy aims to be:

- **Competitive**
Sonaecom aims to have a competitive remuneration policy in comparison with peer companies and be able to attract good quality talent across the company. To achieve this, Sonaecom designs its remuneration policy based on market benchmark values for peer companies ensuring competitiveness of its Policy.
- **Linked to performance**
An important part of Sonaecom Executive's remuneration policy is determined by the company's success. A significant part of executive's remuneration is linked to corporate and individual performance.
- **Aligned with Shareholder's interests**
Part of the executive's remuneration is paid in shares that are retained for a three year period. Having into consideration that the value of shares is defined by the performance of the company, the remuneration paid is affected by the Executive's contribution to the results of that performance, hence aligning the Directors with the shareholders interests and long-term performance.
- **Transparent and adequately disclosed**
All aspects of the remuneration structure are clear to employees and openly disclosed. This communication process contributes at fostering fairness and independence.
- **Reasonable and Fair**
Executive's remuneration at Sonaecom aims to be reasonable, ensuring the balance between the Companies interests and market positioning, the expectations and motivations of our employees and our talent retention needs.

ii) Who are our peer companies?

Sonaecom compares its executive Remuneration Policy with generic market trends provided by the main market studies on this area for Portugal and European markets. Sonaecom presently uses the Mercer and HayGroup market studies.

The companies forming our peer group for all reward purposes are the companies that comprise the PSI-20 (Portuguese Stock Index) and European businesses.

iii) What are our remuneration components?

Sonaecom's remuneration policy for all employees may be composed of the following components:

- Fixed remuneration, which is paid as annual salary (salaries are paid 14 times per annum in Portugal), and a number of benefits associated with the function;
- Variable remuneration, which is paid in the first quarter of the following year(through payment in cash, or Long term retirement saving plans or transference of shares with discount) – short term bonus, and in March 10 of the following year in the form of deferred compensation, under the Sonaecom Medium Term Incentive Plan (MTIP), applied to more senior employees (Sonaecom Group Management Levels – 'Grupos Funcionais' or 'GF' 1 to 6); These variable remuneration constitutes a discretionary component of the remuneration policy;
- Results participation.

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.

Variable remuneration

a) The short term bonus

The short term bonus is aimed at rewarding the achievement of certain pre-defined annual objectives which are linked to both Business and Personal Key Performance Indicators (KPIs) and can be paid to employees in cash, or through Long term retirement saving plans or transference of shares with discount.

The target variable remuneration amount is based on a percentage of the employee's fixed remuneration, which ranges between 12% and 65%, depending on the employee's Management Level. Business KPIs (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 between 35% and 70% of the Variable remuneration, depending on the employee's Management Level, being normally objective indicators.

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

The Business KPIs and their weightings for 2011 were:

Indicator - Description	Weight
Turnover	30.0%
EBITDA	30.0%
Free Cash Flow	30.0%
Relative Share Price Performance	10.0%

b) The Medium Term Incentive Plan ('MTIP')

(i) General terms

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.

The MTIP applies to all Sonaecom Group companies, with the exception of WeDo Consulting which follows a specific incentive plan. In relation to Público Group companies, the attribution rules are more restricted and this is not expected to change. Additionally, the inclusion of employees working in editorial areas (journalists) is not recommended, as this could risk the independence required for these activities.

The general terms of the MTIP and any significant amendments must be approved by shareholders at a Shareholders' General Meeting, based on a proposal submitted by the Board of Directors, after the Board has taken advice from the Board Nomination and Remuneration Committee ("BNRC"). The participation in the MTIP of the members of Sonaecom's Executive Committee (ExCom) and of persons discharging managerial responsibilities requires approval by the Shareholders' Remuneration Committee ("Comissão de Vencimentos"), in line with the Group's Remuneration Policy, which is approved by shareholders at a Shareholders' General Meeting.

The participation of other Senior Executives is approved, annually, by the Sonaecom ExCom. The MTIP was approved by shareholders at the Annual General Meeting held on 26 April 2011.

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 value rewarded from the application of the short term variable remuneration criterion 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. In the case of Sonaecom Executive Board members, the delivery of the MTIP on the vesting day depends on the overall success of the society during this period, esteemed in accordance with objectives set by the Remuneration Committee for each period of three years.

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 2011, in order to comply with best practice in Corporate Governance. The MTIP was approved by shareholders at the Annual General Meeting held on 26 April 2011.

(ii) MTIP assessment

All Sonaecom employees with Management Levels GF1 to GF6, 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 total variable component target for all employees with Management levels GF1 and GF2. For the remaining employees, with Management levels GF3, GF4, GF5 and GF6, the value awarded is determined by applying the following percentages to the fixed component, established individually having into account the level of qualification of the employee, the structure of its remuneration package and the level of fulfillment of individual KPIs.

Sonaecom Management Levels ('Grupos Funcionais') ⁽¹⁾	Target value of MTIP	Based on
GF6	Up to 45%	Annual Fixed component
GF5	Up to 50%	Annual Fixed component
GF4	Up to 60%	Annual Fixed component
GF3	Up to 65%	Annual Fixed component
GF2	50%	Annual Variable component
GF1	50%	Annual Variable component

⁽¹⁾ Sonaecom Group Management Levels ('Grupos Funcionais' or 'GF') are attributed according to Hay's international model for the classification of corporate functions.

For Sonaecom's senior employees who are at Group Senior Executive Level (GF1), up to 40% of the awards under the MTIP are linked to Sonae SGPS shares (the 'Sonae SGPS Share Plans'), and, for Sonaecom's senior employees who are at the Senior Executive Level (GF2), up to 30% of the awards under the MTIP are linked to Sonae SGPS shares. This link to Sonae SGPS shares was introduced to promote cooperation, maximise synergies and promote the exchange of knowledge between the Company and Sonae SGPS, Sonaecom's controlling Shareholder. For Senior Executive or above (GF1, GF2) with Executive Management positions in Sonaecom or any of its Companies, the MTIP awarded is equal to the value rewarded from the application of the variable remuneration criterion for the same 'performance year'.

On vesting, the transfer of the shares depends on the overall success of the society during this period, esteemed in accordance with the objectives set by the Remuneration Committee for each period of three years. If the criterion for continuing positive performance of our organisation, mentioned above, is met, 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 the share price on that date, with the Company having the option to apply a discount over the share price. 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.

Results participation

In some cases, the Board of Directors of each subsidiary, after approval of the Board Nomination and Remuneration Committee, can propose, to the Shareholders, the company's results distribution to employees. After the assessment of the total amount to be distributed, the value to be received by each employee will depend on the achievement of certain annual objectives, which are linked to both Business and Personal Key Performance Indicators (KPIs) as described for the Variable remuneration.

Summary of shares under the MTIP – Sonaecom's Share Plans

The awards outstanding under the Sonaecom Share Plans in 2011 can be summarised as follows:

Sonaecom Share Plans outstanding during 2011

	Vesting Period			At 31 December 2011	
	Share price at award date*	Award Date	Vesting Date	Aggregate of number participants	Number of options/shares
Sonaecom Shares					
2007 Plan	2.447	10 Mar 2008	09 Mar 2011	-	-
2008 Plan	1.117	10 Mar 2009	09 Mar 2012	381	3,469,227
2009 Plan	1.685	10 Mar 2010	08 Mar 2013	390	2,485,188
2010 Plan	1.399	10 Mar 2011	10 Mar 2014	384	2,938,055

*Average share price for the month prior to the award date.

The number of shares on the table corresponds to the MTIP value committed.

The number of shares awarded, and shares unvested or vested under Sonaecom's MTIP in the year ended at 31 December 2011, are shown in the following table:

Sonaecom's shares under the MTIP

	Sonaecom Shares	
	Aggregate of number participants ⁽¹⁾	Number of shares
Outstanding at 31 December 2010		
Unvested	1,176	7,576,178
Total	1,176	7,576,178
Movements in the year		
Awarded	393	2,927,010
Vested	(377)	(1,764,157)
Cancelled / Lapsed / Adjusted / Transfers ⁽²⁾	(37)	153,439
Outstanding at 31 December 2011		
Unvested	1,155	8,892,470
Total	1,155	8,892,470

⁽¹⁾ The number of participants is the cumulative number for all plans. The participant in the three plans count as three. The number of shares on the table corresponds to the MTIP value committed;

⁽²⁾ The adjustments are made for dividends paid, for the share capital changes and others adjustments, namely, resulting from a change in the vesting of MTIP which may now be made through the purchase of shares with discount.

The number of shares on the table corresponds to the MTIP value committed.

Summary of shares under the MTIP – Sonae SGPS Share Plans

Awards under the Sonae SGPS Share Plans outstanding during 2011 can be summarised as follows:

	Vesting Period			At 31 December 2011	
	Share price at award date*	Award Date	Vesting Date	Aggregate of number participants	Number of options/shares
Sonae SGPS Shares					
2007 Plan	1.160	10 Mar 2008	09 Mar 2011	-	-
2008 Plan	0.526	10 Mar 2009	09 Mar 2012	4	405,776
2009 Plan	0.761	10 Mar 2010	08 Mar 2013	4	314,954
2010 Plan	0.811	10 Mar 2011	10 Mar 2014	8	379,903

* The lower of the average closing share price for the 30 trading prior to the Annual General Meeting and the closing share price on the day after the Annual General Meeting.

The number of awarded, unvested or vested, and cancelled, lapsed or adjusted Sonae SGPS shares under the MTIP in the year ended at 31 December 2011, are shown in the following table:

Sonae SGPS shares under the MTIP

	Sonae SGPS Shares	
	Aggregate of number of participants ⁽¹⁾	Number of shares
Outstanding at 31 December 2010		
Unvested	12	877,623
Movements in the year		
Awarded	8	364,438
Vested	(4)	(186,234)
Cancelled / Lapsed / Adjusted ⁽²⁾	-	44,806
Outstanding at 31 December 2011		
Unvested	16	1,100,633

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

⁽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 2010 Plan. The plans are hedged through own shares acquired in 2007 to 2011 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.

For Sonaecom's share plans, the total responsibility is calculated taking into consideration the share price as at award date. The total responsibility for the mentioned plans is 7,119,989 euros and was recorded under the heading of 'Reserves'.

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. As a result of 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 0.587 euros, 0.766 euros and 0.678 euros for the MTIP 2008, 2009 and 2010, respectively. At 31 December 2011, the total amount provided for is 641,749 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 2011, 31.1 million euros had been recognised as a cost (4.2 million euros during 2011 and 26.9 million euros in previous years).

sb) Directors remuneration

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: (a) a fixed component, which includes an Annual Salary (salaries are paid 14 times per annum in Portugal), an Annual Responsibility Allowance and a package of benefits linked to level of responsibility; and (b) a variable component composed by (i) "Variable remuneration", which is paid during the first quarter of the following year, as previously described for all employees, and (ii) a discretionary variable component, attributable on 10 March of the following year, as a deferred performance bonus under Sonaecom's Medium Term Incentive Plan, which vests on the third anniversary of the attribution date, detailed below:

(a) Fixed Component:

Individual compensation packages will be defined as a function of the level of responsibility of each Executive Director and will be reviewed annually. Each Executive Director is attributed a Sonaecom Management Level ("Grupo Funcional" or "GF"). Sonaecom's Executive Directors are normally either "Group Senior Executive" (GF1) or "Senior Executive" (GF2). Sonaecom Management Levels are applied in a similar way across all Sonae Group companies and are related to Hay's international model for the classification of corporate functions, thereby facilitating market comparisons, as well as helping to promote internal equity. The compensation packages to be awarded to Executive Directors will be benchmarked using market surveys of the compensation of Portuguese and European top executives, with the aim of setting fixed remuneration close to the median and total compensation close to the third quartile in comparable circumstances;

(b) Variable Component:

(i) Variable remuneration will be aimed at rewarding the achievement of certain pre-defined annual objectives, which are linked to both "Key Performance Indicators of Business Activity" (Business KPIs) and "Personal Key Performance Indicators" (Personal KPI's). The target amounts attributed will be based on a percentage of the fixed component of the compensation package, which will range between 33% and 60%, depending on the Executive Director's Management Level. Business KPIs, which include economic and financial indicators, will be based on approved budgets, share price performance, individual business unit performance as well as the performance of our Group as a whole, will derive 70% of the Variable remuneration and are objective indicators. The remaining 30% of the Variable remuneration will derive from Personal KPI's, which include both objective and subjective indicators. Actual amounts paid will be based on the real performance achieved or assessed and can represent anything from 0% to 148% of the target amount attributed;

(ii) The Medium Term Incentive Plan will be aimed at enhancing the loyalty of Executive Directors, aligning their interests with shareholders, and increasing their awareness of the importance of their performance on the overall success of our organisation, including the future evolution of our share price and the Total Share Return delivered to our shareholders, as well as rewarding their continuing contribution to the positive performance of our organisation over the vesting period of the Plan.

The terms under which Executive Directors will be awarded a Medium Term Performance plan are the following:

- a) The target Medium Term Performance plan is attributed at the beginning of each year, normally representing 100% of the target variable remuneration for the same year;
- b) On 10 March of the following year, based on the % of achievement of the KPIs used for the Medium Term Performance Bonus, aimed at measuring shareholder value created over the medium term, the target value is increased or reduced accordingly and the resulting value is converted into equivalent shares by dividing by the average stock exchange price (Euronext Lisbon) over the last 30 trading sessions;
- c) These shares, or the equivalent value in cash, are delivered after a deferral period of 3 years. This delivery depends on the overall success of the society during this period, esteemed in accordance with the objectives set by the Remuneration Committee for each period of three years. However, should dividends be distributed, the nominal value of the shares altered, or the share capital be changed, during the deferral period, the initial number of shares under the Medium Term Incentive Plan will be altered to reflect the effects of the above changes in order for the Plan to be aligned with the Total Share Return achieved. This linkage is based on Sonaecom shares but a component, representing up to 40% of the overall value, is linked to Sonae, SGPS shares. At the vesting date, if the criterion for continuing positive performance of our organisation, mentioned above, is met, payment is made by delivering shares at the share price on that date, with the Company having the option to apply a discount over the share price, although Sonaecom retains an option to pay an equivalent value in cash.

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.

The remuneration of our Non-Executive Members of our Board (Non-Executive Directors) is based on market comparables and be structured as follows:

- (1) a Fixed Remuneration (of which approximately 15% depends on attendance at Board, Board Audit and Finance Committee and Board Nomination and Remuneration Committee meetings);
- (2) an Annual Responsibility Allowance which amounted, in 2011, to 2,100 euros.

For each Non-Executive Director, fixed remuneration assumes an agreed commitment of time during 2011, 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 meetings: 390 euros. The Chairman of the Board does not receive attendance fees for Board Committee meetings.

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

On resignation of any member of the Board, it is Group policy to pay whatever compensation is legally required, or to negotiate, in each situation, a value considered to be fair and appropriate by the parties involved. No additional compensation conditions exist for members of the Board who are treated in the same way as all employees. There are no individual contracts with Directors to define how compensations would be calculated. Furthermore, Sonaecom has never attributed or estimated to attribute to the Directors any compensation in case of dismissal or termination due to inadequate performance.

Remuneration and compensation received by the Board of Directors

The remuneration of Sonaecom's Directors was as follows during 2011 and 2010. These values include fixed remuneration and Annual Performance Bonuses (both computed on an accruals basis) and the Medium Term Incentive Plan in respect to the performance years of 2011 and 2010, and that will be awarded in 2012, for 2011 values, and were awarded in 2011, for 2010 values.

Amounts in euros	2011				2010			
	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total
Individual breakdown								
Executive Directors								
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)	409,500	308,800	308,800	1,027,100	409,400	297,700	297,700	1,004,800
Maria Cláudia Teixeira de Azevedo	209,860	83,800	83,800	377,460	212,525	94,400	94,400	401,325
Miguel Nuno Santos Almeida	302,260	146,500	146,500	595,260	275,375	137,900	137,900	551,175
António Bernardo Aranha Lobo Xavier (eight months in 2010) ⁽¹⁾	198,520	-	-	198,520	133,547	-	-	133,547
	1,120,140	539,100	539,100	2,198,340	1,030,847	530,000	530,000	2,090,847
Non-Executive Directors								
Duarte Paulo Teixeira de Azevedo (Chairman) ⁽²⁾	60,800	-	-	60,800	60,700	-	-	60,700
Jean François René Pontal	40,180	-	-	40,180	40,180	-	-	40,180
David Charles Denholm Hobley	36,810	-	-	36,810	37,750	-	-	37,750
António Maria Theotonio Pereira Sampaio Melo	37,650	-	-	37,650	35,960	-	-	35,960
Nuno Manuel Moniz Trigos Jordão ⁽³⁾	33,460	-	-	33,460	34,300	-	-	34,300
Frank Emmanuel Dangeard	35,280	-	-	35,280	35,280	-	-	35,280
Gervais Pellissier	-	-	-	-	-	-	-	-
	244,180	-	-	244,180	244,170	-	-	244,170
Total	1,364,320	539,100	539,100	2,442,520	1,275,017	530,000	530,000	2,335,017

⁽¹⁾ On 23 April 2010, António Bernardo Aranha Lobo Xavier was appointed to the Board of Directors.

⁽²⁾ The value for Duarte Paulo Teixeira de Azevedo for 2011 disclosed in the table above includes remuneration paid by Sonaecom of 30,980 euros, as well as management services recharged by Sonae to Sonaecom of 29,820 euros, which represents the equivalent cost of his services centralised at Sonae, SGPS, during the second half of 2011.

⁽³⁾ The value for Nuno Manuel Moniz Trigos Jordão for 2011 disclosed in the table above includes remuneration paid by Sonaecom of 17,780 euros, as well as management services recharged by Sonae to Sonaecom of 15,680 euros, which represents the equivalent cost of his services centralised at Sonae, SGPS, during the second half of 2011.

Note: Annual Performance Bonus and MTIP for 2011 are stated at the real values awarded, which have been already approved by the company's shareholder's remuneration.

In presenting the figures above, the remuneration for each Board member has been disclosed based on the period of their Board service.

The Annual Performance Bonuses of the Executive Directors in the table above represent the actual values for performance during 2011. 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.

During 2011, Sonaecom had 20 persons discharging managerial responsibilities, "Dirigentes". As at 31 December 2011, the amount paid (which comprises total fixed and total variable remuneration) was of 3,324,526 euros. The total MTIP award totaled 876,286 euros. (for a more detailed information please see chapter 6, on the notes to the accounts, note 40).

Directors' participation in the MTIP

Sonaecom Executive Directors have been awarded compensation under the Sonaecom MTIP. Sonaecom's Non-Executive Directors do not participate in the MTIP.

Directors' participation in the Sonaecom MTIP (see below)

	Plan 2007	Plan 2008	Plan 2009	Plan 2010	Total
Award Date	10 Mar 2008	10 Mar 2009	10 Mar 2010	10 Mar 2011	
Sonaecom Shares					
Share price at award date ⁽¹⁾	2.447	1.117	1.685	1.399	
Share price at vesting date	1.475	-	-	-	
Share price at 30 December 2011 ⁽²⁾	1.215	1.215	1.215	1.215	
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)					
Number of shares at 01 January 2011	67086	143,259	102,516	-	312,861
Number of shares at 31 December 2011	-	147,984	105,897	131,888	385,769
Miguel Nuno Santos Almeida					
Number of shares at 01 January 2011	31,009	65,801	42,694	-	139,504
Number of shares at 31 December 2011	-	67,971	44,102	61,093	173,166
Maria Cláudia Teixeira de Azevedo					
Number of shares at 01 January 2011	21,369	47,502	36,724	-	105,595
Number of shares at 31 December 2011	-	49,069	37,935	48,792	135,796
António Bernardo Aranha Gama Lobo Xavier					
Number of shares at 01 January 2011	7,624	58,156	42,997	-	108,777
Number of shares at 31 December 2011	-	60,074	44,415	-	104,489
Total					
Number of shares at 01 January 2011	127,088	314,718	224,931	-	666,737
Number of shares at 31 December 2011	-	325,098	232,350	241,773	799,220
Sonae SGPS Shares					
Share price at award date ⁽¹⁾	1.160	0.526	0.761	0.811	
Share price at vesting date	0.827	-	-	-	
Share price at 30 December 2011 ⁽³⁾	0.459	0.459	0.459	0.459	
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)					
Number of shares at 01 January 2011	105,233	219,994	157,657	-	482,884
Number of shares at 31 December 2011	-	229,329	164,348	153,062	546,739
Miguel Nuno Santos Almeida					
Number of shares at 01 January 2011	31,269	64,959	65,658	-	161,886
Number of shares at 31 December 2011	-	67,715	68,445	70,901	207,061
Maria Cláudia Teixeira de Azevedo					
Number of shares at 01 January 2011	21,549	46,894	36,307	-	104,750
Number of shares at 31 December 2011	-	48,884	37,848	36,402	123,134
António Bernardo Aranha Gama Lobo Xavier					
Number of shares at 01 January 2011	28,183	57,411	42,509	-	128,103
Number of shares at 31 December 2011	-	59,848	44,313	-	104,161
Total					
Number of shares at 01 January 2011	186,234	389,258	302,131	-	877,623
Number of shares at 31 December 2011	-	405,776	314,954	260,365	981,095
Values					
CEO					
Value at award date	286,230	275,737	292,716	-	854,683
Value at vesting date	185,980	-	-	-	185,980
Values at 31 December 2011	-	285,063	204,101	230,499	719,663
Miguel Nuno Santos Almeida					
Value at award date	112,151	107,668	121,905	-	341,724
Value at vesting date	71,598	-	-	-	71,598
Values at 31 December 2011	-	113,666	85,000	106,771	305,438
Maria Cláudia Teixeira de Azevedo					
Value at award date	77,287	77,726	89,510	-	244,522
Value at vesting date	49,340	-	-	-	49,340
Values at 31 December 2011	-	82,056	63,464	75,991	221,510
António Bernardo Aranha Gama Lobo Xavier					
Value at award date	51,348	95,158	104,799	-	251,306
Value at vesting date	34,553	-	-	-	34,553
Values at 31 December 2011	-	100,460	74,304	-	174,764
Total					
Value at award date	527,016	556,290	608,930	-	1,692,236
Value at vesting date	341,470	-	-	-	341,470
Values at 31 December 2011	-	581,245	426,869	413,261	1,421,375

⁽¹⁾ Average share price in the month prior to the award date;⁽²⁾ On 12 May 2011, the share price hit a high of 1.644 euros and a low of 1.096 euros per share on 23 September 2011;⁽³⁾ On 11 May 2011, the share price hit a high of 0.848 euros and a low of 0.425 euros per share on 29 November 2011 and 15 December 2011.

Directors' compensation in other group companies

Amounts (in euros)	Sonaecom		Sonae SGPS		Sonae RP - Retail Properties		Total
	Role	Total Remuneration	Role	Total Remuneration	Role	Total Remuneration	
Name							
Ângelo Gabriel Ribeiro dos Santos Paupério	CEO	1,003,300	Executive	30,100	-	-	1,033,400
Duarte Paulo Teixeira de Azevedo ⁽¹⁾	Chairman	30,980	CEO	1,112,040	-	-	1,143,020
Nuno M. M. Trigo Jordão ⁽¹⁾	Non Executive	17,780	Executive	271,705	Non Executive	16,025	305,510

⁽¹⁾ The amounts disclosed in the table above are the amounts of remuneration actually paid or awarded by each Group company, with no adjustments made for the management services recharged mentioned in the footnotes to the Sonaecom Board Remuneration table on page 126.

Sonaecom stock plan

Sonaecom stock plan determines that each executive Director is required to withhold 50% of the shares delivered to each plan, maintaining permanently a number of shares equivalent to the value of 2 (two) annual fixed salaries. The requirement for retention of the shares delivered in each plan, ceases from the time that the executive director in question has already retained a number of shares equivalent to the defined objective, either by Sonaecom Plans allocated either by the acquisition personnel shares. For this purpose, annual salary is the monthly base salary paid 14 times a year.

Regarding Sonaecom stock plan, we fully uphold our share retention policy.

Compensation for Board members on termination of office

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.

For recent senior managers ("Dirigentes") in case of termination of contract, it is agreed an indemnity payment equal to the fixed remuneration due until the end of the mandate period up to maximum of 12 months, or the return to previous function as a dependent employee.

c) Remuneration of the members of the Statutory Audit Board

The remuneration of the members of the Statutory Audit Board was as follows during 2011 and 2010:

Amounts in euros	2011	2010
Individual breakdown		
Statutory Audit Board		
Arlindo Dias Duarte Silva	10,100	8,910
Armando Luís Vieira Magalhães	8,100	6,910
Óscar José Alçada Quinta	8,100	6,910
Jorge Manuel Felizes Morgado	-	-
Total	26,300	22,730

These amounts correspond to the fixed remuneration. The members of the Statutory Audit Board do not receive Annual Performance Bonuses and do not participate in the Sonaecom MTIP.

d) Remuneration Policy Process

The following table provides information on the main milestones on the subject of Sonaecom remuneration policy process in 2011. It is established that the Shareholders Remuneration Committee meets between July and December but only if there are any changes in the Board membership. As no changes occurred prior to 2011 Annual General meeting, last SRC meeting was held in May 2011.

Month	Remuneration cycle
March	BNRC meets: Close Performance year annual review and awards: - Fixed remuneration 2012 (real) - Annual short term performance bonus 2011 (real) - Annual short term performance bonus 2012 (target) - Deferred MTIP 2011 (real) - Deferred MTIP 2012 (target) - Review annual appraisal process - Review remuneration - 2011 Disclosure in MR&A
March	SRC meets: - Post BNRC meeting, before quarterly payments are made
April/May	BNRC meets: - Close detail of 2011 Executive Commission Individual KPIs (only if not possible to close them earlier)
May	SRC meets: - Only if there is a new Board mandate or Board membership changes at AGM
July	BNRC reports: - Progress on 2011 KPIs
October/November	BNRC reports: - Progress on 2011 KPIs - Review MTIP pipeline and shares retained - Contingency and succession planning - Talent management - Review BNRC terms of reference and NY annual plan
December	BNRC reports: - Forecast Full Year 2011 KPIs - Adjustment needs for 2012 KPIs

5.6. Risk Management

This section contains a description of the functioning and effectiveness of Sonaecom's risk management system and identifies the main risks affecting the company.

Sonaecom is committed to developing and implementing best practices in terms of risk management and risk control. We consider these areas as fundamental pillars of our business strategy, which is supported by a sound corporate governance system. The company has implemented a system that places the responsibility for internal control and risk management on the functional areas of each business, supported by the central Risk Management team, together with the Internal Audit team, the External Auditors and the Planning and Control team. The BAFC, operating on behalf of the Board, and the SAB, acting independently, are responsible for the supervision and oversight of the risk management system.

We have processes in place to identify risks and controls, to monitor and to report; and to assess the effectiveness and improve the internal control and risk management system. These processes are based on corporate best practice and international standards for Enterprise Risk Management (ERM), from which we derive the main risk management and control approaches of the company. Sonaecom organises its risks under a Business Risk Model (BRM) that helps to identify our risks and their underlying causes, while promoting a culture of risk awareness throughout the company.

We have focused our efforts on implementing actions to further improve control levels on Economic risks, particularly on the intrinsic business risks related to the technical-operational activities in the telecommunications business unit. This has been achieved by developing specific risk management programmes, or by implementing day-to-day control activities and through the existence of dedicated teams. Financial and Legal risks have been managed within Sonaecom by assuring compliance with internal and regulatory requirements. There are also policies and procedures for Ethics and Disclosure, including a Code of Conduct, to govern and manage particularly sensitive areas such as conflicts of interest, transactions with related parties, remuneration practices and communication of irregularities that apply to all our officers, employees and business partners.

a) Internal Control and Risk Management System

At Sonaecom, we acknowledge that certain risks are involved in all management processes. Accordingly, managers at the various levels of the organisation have to be aware of the specific risks in their areas and are held responsible for managing those risks.

Internal Control and Risk Management Organisation

The responsibilities and objectives of the key players in the Internal Control and Risk Management systems are:

- **Business areas**
Each functional department in Sonaecom's business units is, as part of its responsibility over the functional processes, responsible for implementing internal controls and managing its specific risks. Additionally, for the development of certain risk management programmes, there is a specific risk management organisation, such as a Risk Committee or a Working Group, comprising an executive sponsor, a committee of business unit managers and a group of business unit representatives.
- **Planning and Control functions**
Are responsible for elaborating and monitoring the execution of the annual Action and Resource Plans and the budgets/forecasts, as well as all the processes leading to its realization, both in the financial and operational matters. Business plans are also monitored on the financial component. Promotes and supports the integration of risk management in the planning and control processes of the Sonaecom companies.
- **Risk Management functions**
These contribute with tools, methodology, support and know-how to the business areas. They also promote and monitor the implementation of programmes and actions aimed at bringing risk levels within the acceptable boundaries established by management. They also promote awareness, measurement the management of business risks that interfere with achieving our organisation's objectives and value creation.
- **Internal Audit area**
It evaluates the risk exposure and verifies the effectiveness of the risk management and internal control of the business processes, information and telecommunication systems. It proposes measures to improve controls and monitors the evolution of risk exposure associated with the main audit findings.

- **Statutory External Auditor**

Within the scope of the early auditing process, verifies the efficiency and functioning of internal control mechanisms and reports any shortcomings. It is responsible for verifying the company's accounts and all its financial statements and for issuing a legal certification of the accounts and audit report.

The company has two specialised risk areas: the Risk Management central function and Internal Audit team. Their mission is to contribute to the effective management of Sonaecom's business risks. They assist Sonaecom in accomplishing its objectives, adding value and improving its operations by bringing a systematic and disciplined approach to evaluating and helping to improve the organisation's risk management, internal controls and governance processes.

The Risk Management area has a central function at corporate level that promotes awareness of critical business risks, proposes risk management policies for the company and co-ordinates cross-organisational programmes or projects for implementing risk management processes. There are also risk management functions in the business areas, specifically when the existence of representatives is relevant for some risk management disciplines, for example in the case of Business Continuity Management and Information Security Management.

The Internal Audit team activity is defined under the Internal Audit Charter, approved by the supervisory bodies. It is an independent and objective assurance and consulting activity, governed by adherence to The Institute of Internal Auditors guidance, including the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (IIA Standards). The annual Internal Audit plan is developed and based on: Sonaecom's annual Action and Resource Plan; a prioritization of audit work, using a risk-based methodology; and on input from the Executive Committee, other senior management and the BAFC and, separately, from the SAB.

In accordance with international best practices, there are 18 certifications in audit standards and in risk management programmes. These include the Certified Internal Auditor (CIA), Certified in Control Self Assessment (CCSA), Certified Information System Auditor (CISA), Certified Fraud Examiner (CFE), Management of Risk Foundation and Practitioner (MoR), Associated Business Continuity Professional (ABCP), Certified

by Business Continuity Institute (CBCI), Certified Continuity Manager (CCM), Certified Information System Security Professional (CISSP), ISO 27001 Lead Implementer, Certified in Risk and Information Systems Control (CRISC), Cisco Certified Network Associate (CCNA) and Project Management Professional (PMP).

Report to Management and Auditing Bodies

The responsibilities for the **creation, functioning and periodic evaluation of the internal control and risk management systems** are generally distributed as follow:

- The Board of Directors, through delegation on the Executive Committee, guarantees the creation and functioning of the internal control and risk management system.
- The BAFC, under Terms of Reference approved by the Board of Directors, advises the Board on the adequacy and appropriateness of systems and standards on internal business controls and risk management activities applied by the Executive Committee.
- The SAB, under Terms of Reference and as the independent supervisory body, oversees the effectiveness of the overall risk management, internal control and internal audit systems.
- The Board of Directors establishes the Internal Audit function and its responsibilities are reviewed by the BAFC.
- The BAFC liaises with the SAB to ensure that the SAB approves the role agreed for Internal Audit.
- The BAFC advises the Board of Directors on the quality and independence of the Internal Audit function and should be consulted by management in relation to the appointment and removal of the Chief Audit Executive.
- The BAFC and SAB, according to the Internal Audit Charter, approve the appointment or removal of the Chief Audit Executive and can request information in relation to the Chief Audit Executive's performance evaluation, annual compensation and salary adjustment.
- The BAFC advises the Board of Directors on the appointment of as well as the assignments and the remuneration given to the Statutory External Auditor.
- The SAB liaises with the BAFC on the matters related to the Statutory External Auditor.
- The BAFC reviews the scope of the Internal Audit function and its relation to the Statutory External Auditor's scope of the work. The BAFC discusses with the Statutory External Auditor and the Internal Audit their reports and advises the Board of Directors on them.
- The Statutory External Auditor verifies the effectiveness and the functioning of the internal control mechanisms and reports deficiencies.

- The Statutory External Auditor, in the scope of the annual auditing process, verifies the efficiency and functioning of internal control mechanisms and reports any shortcomings.
- The Internal Audit activity is subjected to the assessment of the BAFC and SAB that are responsible for supervising the effectiveness of the internal audit system and that may propose the adoption of modifications that might eventually become necessary. Additionally, the Chief Audit Executive informs the BAFC and SAB on the Internal Audit quality assurance and improvement programme, including the results of internal or external assessments, which should be completed at least every five years. Accordingly, during 2010, the Internal Audit activity was subjected to an external assessment.
- The Risk Management central function presents a periodic report on the Enterprise Wide Risk Management cycle (method and results) for the BAFC's evaluation, and shares it with SAB; and may get inputs to adjust it.

Sonaecom considers it is important to clarify the **attributions of the SAB and the BAFC**, within matters of control and risk, as follows:

- The SAB is the statutory supervision body of the company, has primacy regarding those matters, and acts in an independent manner.
- The Internal Audit reporting to the SAB assures the existence of a reporting line to a body that is independent from the Board of Directors.
- The assessment of the internal control and risk management system is effectively executed, being the SAB the global supervision body, with primacy over the BAFC, given that the agreement of the SAB must always be obtained.
- The SAB has the "last word" on the role and evaluation of the Internal Audit.
- The Internal Audit can request private meetings to report to the SAB without any Board of Directors or Management member being present.
- The existence of assessment attributions with in the BAFC are necessary and bring benefits, both for the shareholders and the company, in the sense that the BAFC is a Committee with more specialised and executive knowledge about the business information, which is complex, allowing to more closely control and challenge several areas of the company to achieve an efficient management of their risks.
- Thus, the existence of a specialized Committee, within the Board of Directors, with assessment attributions on the matters of control and risk, does not override the SAB's functions. The separate supervision of these two bodies allows us to strengthen the levels of self-control (BAFC's role), in addition to the independent, sovereign and dominant supervision (SAB's role).

The **reporting lines** of the Internal Audit and Risk Management are as follows:

- Internal Audit reports hierarchically to the Sonaecom CEO.
- Internal Audit reports functionally to Sonaecom SAB and the Sonaecom BAFC in separate.
- Risk Management central function has similar reporting lines within Sonaecom.

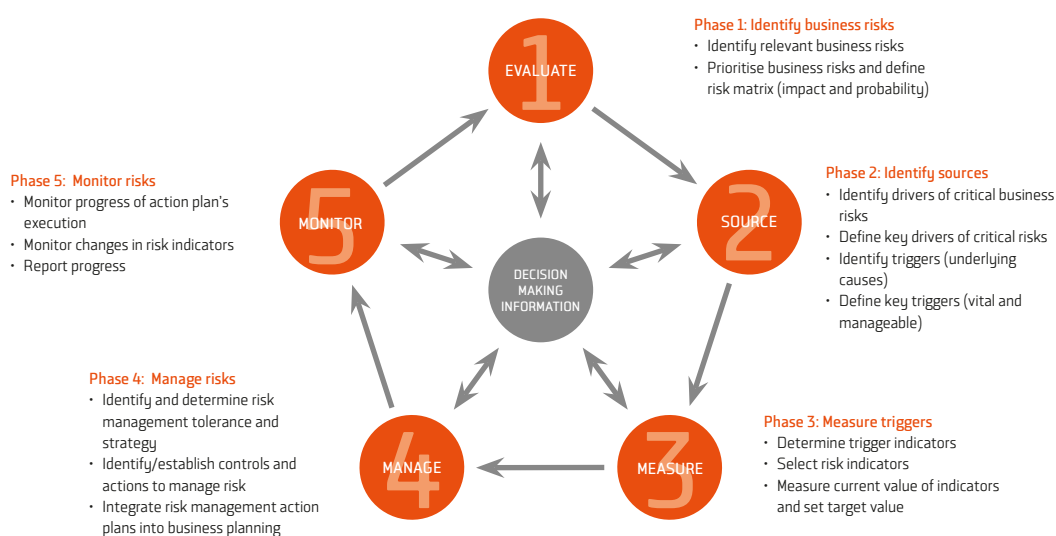
The **internal mechanisms for information and communication** about the system and for **risk alerts** include:

- **Periodical reports** by Internal Audit and Risk Management functions:
 - Internal Audit reports to the Executive Committee following the conclusion of each internal audit engagement.
 - Internal Audit can issue an interim report at any time to communicate information that requires immediate attention.
 - Internal Audit reports quarterly to the BAFC and semi-annually to the SAB, presenting a summary of all major internal audit conclusions.
 - Risk Management central function makes similar periodical reports within Sonaecom, regarding the status of risks and control projects/actions.
- **Risk monitoring** processes such as:
 - The existence of processes and dashboards in place across all business areas to monitor operations and KPIs.
 - The existence of departments dedicated to monitoring specific business risks and to producing alerts. For instance: the Fraud and Revenue Assurance teams in the telecommunications unit.
 - The implementation of indicators and alerts for service interruption and security incidents at operational level.
 - The development of business risk indicators for key drivers at management level.

Risk Management approach

The diagram below illustrates the main phases included in the Sonaecom risk management cycle, that can be applicable to all business units in its portfolio. The risk management process is supported by a consistent and systematic methodology, aligned with Sonae Group "Standard for Risk Management" which is based on the international standard "Enterprise Risk Management - Integrated Framework", issued by COSO (Committee of Sponsoring Organisations of the Treadway Commission).

ERM - Enterprise Risk Management cycle



ERM - Enterprise Risk Management cycle - Framework is based on the 'Standard for Risk Management', from the Sonae Risk Management Consulting Group (2008)

Derived from this general framework, the management and control of Sonaecom main risks is achieved through the following key approaches and methods:

EWRM – Enterprise Wide Risk Management

Approach: The Enterprise Wide Risk Management aligns the risk management cycle with the strategic planning cycle. This approach, allows Sonaecom businesses to prioritise and identify critical risks that might compromise their performance and goals and to take actions to manage those risks, within the pre-defined levels of acceptance. This is achieved through constant monitoring of risks and the implementation of certain corrective measures.

Method: 1. Identify business risks >> 2. Identify sources >> 3. Measure triggers >> 4. Manage risks >> 5. Monitor risks

BCM – Business Continuity Management

Approach: The implementation of Business Continuity Management processes is intended to mitigate the risk of interruption of business critical activities, which may arise as a consequence of disasters, technical-operating failures or human failures. The scope of this process also includes the assessment and the management of physical security risks at the company critical sites.

Method: 1. Business understanding >> 2. Define resiliency strategies >> 3. Develop and implement Business Continuity and Crisis Management plans >> 4. Test, maintain and audit the BCM plans and processes

ISM – Information Security Management

Approach: The implementation of processes for Information Security Management is intended to manage the risks associated with the availability, integrity, confidentiality and privacy of information. It intends to develop and maintain the Information Security Policy, to verify compliance of the procedures with the policy, to develop training and awareness programmes, and to establish and monitor KPIs for Information Security.

Method: 1. Identify critical Information >> 2. Detail critical systems/resources supporting Information >> 3. Evaluate security risk level >> 4. Define and implement indicators >> 5. Manage and monitor risks mitigation actions

RMCP – Risk Management Cycles or Processes

Approach: The development of specific risk management cycles/processes enables the mitigation of critical risks that can impact certain processes, areas or entities, positioning these risks within the levels defined by management. It identifies and monitors other operational risks that management considers relevant.

Method: 1. Identify specific risks >> 2. Identify sources >> 3. Manage risks >> 4. Monitor risks

The **setting of strategic objectives of the company regarding risk-taking** considers:

- The aligning of the risk management cycle with the strategic planning cycle, specifically during the definition of the annual Business Plan (Action and Resource Plan) when the business units identify the risks that could potentially affect the achievement of their target objectives and define actions to overcome them.
- The risk-taking objectives are derived and aligned with the overall strategic objectives of the Sonaecom companies.

There are several **mechanisms to control the execution and the effectiveness of the risk management actions**, including:

- The controlling of Action and Resource Plans execution: The activity of business units is monitored and progress reports are made (financial and operational). The analysis of the business units actions is supported by the Planning and Control functions, including preparing notes on the major discrepancies identified and anticipation of future issues.
- The execution of Risk Management cycles: During the Evaluation and Source phases, the risk-taking tolerance (low, medium, high or very-high) and the selected strategy (avoid, retain, reduce or transfer) are identified for key risk drivers. During the Monitor phase, main risks are cross checked with the actions defined in the annual Action and Resource Plan, to verify their evolution.
- The execution of Internal and External Audits: The effectiveness of the internal controls and risk management actions are evaluated regarding business process and systems.
- The execution of Findings Monitoring: An internal follow-up procedure aimed at monitoring the relevant findings status and the adoption of corrective actions by business areas is carried out by on a semi-annual basis.

b) Main risks and control actions

This section covers the identification of the main risks related to our actual business activities, including the description of some events that can trigger those risks and the main control actions implemented to manage them.

During 2011, in relation to Sonaecom's business risks, a particular focus was placed on the execution of a risk management cycle update for the telecommunications business unit. The status of the main risks was updated, through the revision of the most relevant risk drivers, the assignment of risk owners and the identification of existing controls or new actions to manage those risks. This revision also resulted in an updated risk matrix, including the analysis of impact and probability for each potential risk. Other risk management cycle updates are expected to take place throughout 2012.

Within the economic, financial and legal categories, the risks are presented and ordered in this section according to the classification and structure of the Sonaecom Business Risk Model (BRM). The BRM is a systematic way of identifying the risks that affect an organisation (common language) and allows the defining and grouping the risks as well as its main drivers (risk dictionary).

Economic risks

According to the Sonaecom BRM, economic risks relate to these risk categories: Business Environment, Strategic, Operations, Information Processing and Technology, and Empowerment and Integrity.

Economic Influences

Optimus is exposed to the current adverse economic environment in Portugal and consequently to eventual reductions in the level of consumption (see Chapter 2 on the Portuguese telecoms market). Although Portugal's highly competitive telecommunications market proved to be remarkably resilient to the global recession during 2009 and to a lesser extent during 2010, this resilience became less evident during 2011. In this context, there is the risk that the average revenue per customer will continue to be affected by consumption reduction. Optimus has in place several initiatives that may help to mitigate this risk through tighter cost controls.

Concerning the SSI companies, due to the pace of WeDo Technologies' expansion and internationalisation, the impact of the adverse economic environment on the business is more diluted. The company has continued to manage these adverse effects by expanding its product portfolio and by targeting other business sectors (see Business Portfolio risk, below). Furthermore, since 2010 WeDo Technologies has been optimising its national and international structure, helping to sustain the pace of its growth. Regarding Mainroad, although the economic recession has affected all IT outsourcing businesses in general, the managed services market has been immune to this downward trend. So demand for this type of service has kept pace at Mainroad. At Bizdirect, the company has been affected by the end of the "E-Escolas" programme in the first quarter of 2011 and by the market downturn. In the current economic crisis, hardware investment is delayed and reduced.

Like other companies in the publishing industry, Público has gone through a period of economic and financial crisis, in the context of economic recession that offers limited perspective of a recovery in the advertising market. In this context, the company outlined a plan for reducing general costs and salary costs, with the agreement of its employees, in order to ensure the sustainability of the business.

Technological Innovation

For Optimus having an optimised technological infrastructure is a critical success factor that helps to reduce potential failures in leveraging on technical evolutions. There has been a positive evolution in the possible causes of this risk, related to the pace of introducing 4G mobile networks based on Long-Term Evolution (LTE) technology, the 4G legacy compatibility issues, and the need to support the growing use of multimedia services by customers. During 2011 Optimus evaluated the technical and market requirements related to the 4G challenges and successfully executed the LTE technology test pilots. The company has also continued other actions to leverage on technological innovation, allowing the business to mitigate those possible risk causes.

WeDo Technologies is certified in Management of Research, Development and Innovation (NP 4457:2007). This certification, along with the Quality Management System certification (ISO 9001:2008), helps the company to continue

innovating in a sustainable way and helps to mitigate potential risk drivers. This means innovation risk is not significant for this Sonaecom subsidiary. WeDo Technologies was one of the first software vendors to invest in the Revenue Assurance market and was the first to do so for Business Assurance.

Mainroad faces the technological innovation challenges of cloud computing. This technological trend is characterised by a growing and heavy adoption of server virtualisation and service-oriented architectures by customers. On the service provider's side, an effort has to be made to keep up the pace, to adapt infrastructures and to shift the operations model to a service-oriented model. One of the most relevant risk generally associated with cloud computing is the shift from traditional data centres (that are customised to fit customers' proprietary solutions) to cloud computing service data centres (which are more standardised). In this context, Mainroad has continued its approach to handling cloud computing issues, as follows:

- Develop its three main business areas to work as complementary tools for leveraging cloud computing opportunities: the Data Centre services (with two data centers); the Infrastructure and Application Management services (which includes IT managed/outsourcing services); and the Solutions services (which includes customer centric projects and IT security/continuity services).
- Deliver cloud computing services through partnerships. The company highlights its recent partnership with Fujitsu for the delivery of its full portfolio of cloud computing services in the form of Infrastructure As A Service (IaaS). Fujitsu's services, tools and innovative processes in this area will enable Mainroad to reach all types of businesses, not just large ones, and enable it to have a multi-company offer solution in its portfolio.

Cloud computing is also presented as a risk factor to Bizdirect's business, since it may cannibalise the market of infrastructure sales and can reduce demand for systems among customers. Although part of Bizdirect's revenues come specifically from sales of equipment and software, cloud computing is seen as a positive challenge when it comes to addressing customers' needs, accompanying them through the different stages of cloud evolution that companies now face. The risk is also managed through the existing strategic relationships with partners, which enable us to offer a complete portfolio of products without limiting supply. We highlight, as an example, the partnership with Microsoft that allows Bizdirect to commercialise online solutions of the Office 365 products.

Público begun preparations for a deep restructuring of its daily and weekend newspaper editions, which should continue during 2012 with the aim of ensuring greater alignment with the new reading habits of the Portuguese and new ways of accessing information via smartphones and tablets. The newspaper also embraced innovation on paper, since it is now printed on commercial rotary press. This new printing system benefits readers, giving them an improved reading experience, and the advertisers have also seen the quality of their ads improve.

Competition

Optimus has been an active agent of transformation within the Portuguese telecommunications market. Today is the integrated player best positioned to act as a true alternative to the incumbent operator. In this context, Optimus is exposed to competition risks from other players in its business environment.

Regarding the SSI companies, WeDo Technologies is the business that could be more exposed to international competition. However, this risk is not significant given that WeDo Technologies is a worldwide leader in the telecom revenue assurance market (source: "Revenue Assurance and Cost Management Global CSP Sector Assessment" - Stratcast - May 2010).

Business Portfolio

In WeDo Technologies, one of the main objectives has been the expansion and internationalisation of the business. This could have been adversely affected if the company had continued with a single line of products, focused on one business sector. This risk is being mitigated because the company has continued to consolidate its global presence outside Portugal for several years and has targeted new business sectors since 2009. It has also increased its product portfolio, by expanding from Revenue Assurance and Fraud Management to Business Assurance.

In 2011 Bizdirect continued its strategy of growth and portfolio diversification along three axes: internationalisation, customer relationships and differentiation.

Saphety restructured its portfolio of services during 2011. The aim was to mitigate the risk that information about its offer was not completely clear to customers and prospects while also consolidating its service offering, allowing it to respond to the need to cover value chain, identified in the market. The portfolio is now divided into three types of solutions that can work in an integrated manner and under Software as a Service mode: SaphetyGov, SaphetyBuy and SaphetyDoc.

To reduce the risk of dependence on the national market, Saphety also continued to internationalise.

Similarly, Mainroad also continued to expand its portfolio of international customers during 2011, through the growth of services and projects, focusing on markets in Angola and Brazil, in addition to its existing customer base in Spain.

Business Interruption & Catastrophic Loss (Business Continuity Management)

Given that Sonaecom businesses (Telecom, SSI and Media) rely mainly on the use of technology, potential failures in technical-operational resources (network infrastructures, information system applications, servers etc.), could cause a significant business interruption risk if not properly managed. This could bring other risks to the company, such as adverse impacts on reputation, on brand, on revenue integrity, on customer satisfaction and on quality of service that can ultimately lead to loss of customers (churn). In the telecommunications sector, the business interruption and associated risks could be aggravated because services (voice, data/Internet and TV) are delivered in real time and customers typically have a low tolerance towards interruption. Likewise, in the IT sector, the SSI companies face additional risks related to the resilience of the data centres infrastructures and their management and operational procedures, the availability of the software platforms that support key customer processes, etc.

In order to identify this specific set of risks and to implement prevention and mitigation actions that guarantee the continuity of critical operations and services, Sonaecom has put in place over several years the BCM - Business Continuity Management programme. This programme is sponsored by a member of the Sonaecom Executive Committee (Optimus CEO), is co-ordinated by the Risk Management central function and has a permanent working group with management and operational representatives from relevant business units.

During 2011, Sonaecom continued to enhance its BCM process implementation and maintenance activities, through a number of actions that included:

- Revision of the BCM Focus, to reflect the evolution of Optimus's service portfolio and updated critical activities.
- Periodical updates of the Crisis Management Plan, which addresses technical-operational failure scenarios in the telecommunications unit, including additional procedures for managing crisis communication with customers.
- Starting to implement a support system for BCM information, procedures and plans, with the aim of ensuring a more efficient maintenance and a sustainable BCM lifecycle for the organization.
- Implementation of supplementary resilience strategies for some critical platforms of the telecommunications' network, including, for example, the ones that support IP multimedia services.
- Update of the existing IT/IS disaster recovery

solution, envisaging high-availability of applications and geographic replication of data for a set of critical business systems.

- Improvements in the robustness of the technical systems and infrastructures for access to the contact centres that support Optimus Customer Care activities.
- Co-ordination with external official entities for catastrophic scenarios, security of critical infrastructures and crisis communication, including collaboration on the update and simulation of Civil Protection Plans.
- Participation in workshops and contributing comments on the regulations related to Communications Security, promoted by the Portuguese regulator (ICP – ANACOM) and European regulator (ENISA), involving all major communications operators in Portugal.
- Revision of specific conditions of the Sonaecom property insurance policy, by indexing the insurance deductibles and capitals to the risk locations, thus allowing for better coverage of catastrophic risks, physical damages and robbery in small size facilities like Optimus stores.
- Achievement of the best "Managed Services Data Centre in Europe" award by Mainroad. This was the third time that Mainroad was granted in the "Data Centers in Europe Awards", following its second best places obtained as "Data Centers Risk Mitigator" in 2009 and as "Disaster Recovery Provider" in 2008. This proves the company's ability to maintain a resilient operation in its data centers that serve Sonaecom companies and external customers.

Availability, Integrity and Confidentiality (Information Security)

Information Security Management (Telecom, SSI and Media)

Bearing in mind that Sonaecom is primarily a Technology, Media and Telecommunications (TMT) group, all its subsidiary companies make intensive use of technology and information, which are typically subjected to availability, integrity, confidentiality and privacy risks. Given this, during 2010 Sonaecom decided to reinforce its commitment to the management of these risks by creating the Information Security Governance, Risk and Compliance (GRC) Committee. This group works as an additional risk management and supervision mechanism, in addition to the existing controls in each Sonaecom business unit.

The Information Security GRC Committee is a working group mandated by the Executive Committee, sponsored by the CIO, co-ordinated by the Risk Management central function, and has representatives from the business areas that are most closely associated with information assets management and security matters. The Committee has the highest decision level for Information Security matters, makes decisions on policies at Sonaecom level and suggests recommendations. The Committee's principal responsibilities include: the maintenance and development of the Information Security policy and related Charter, Standards and Procedures; the supervision of the policy through risk assessments, compliance evaluations and KPIs; and the promotion of security awareness through training and communication.

The Information Security GRC Committee develops, proposes and co-ordinates an annual risk management action plan.

Awareness is a key success factor to foster a strong Information Security culture among employees, partners and key stakeholders. Besides being a technological issue, security should be seen as a cultural and behavioural issue. With this in mind, Sonaecom has put in place several awareness and accountability initiatives over recent years. These were still applicable during 2011 and include the following.

- An annual communication plan for security, based on awareness campaigns for the themes that are considered to be the most relevant in each year. These campaigns are also built on interactive and multimedia tools.
- Having the Information Security policy published on the company intranet, accessible to all employees from the homepage. Additionally, the intranet also hosts a space dedicated to confidentiality issues including: explanation of the definition and scope of customer and employee personal data in telecommunications; behaviours guidelines; relevant legislation; and related frequent questions and answers (FAQ).
- The welcome programme for recent employees includes topics on the themes of information security and personal data.
- Clauses for protection of personal data in the terms of contracts with employees and business partners. All employees are bound by the duties of confidentiality, secrecy and protection of personal data and cannot transmit to any third parties the data they have access during the course of their work and as a result of their functions in the company. These obligations and duties remain in force even after the termination of the working relationship between the company and an employee. Our business partners have the same confidentiality obligations and, in turn, these obligations are also applicable to their employees.

Customer Information and Security (Telecom)

Given that Optimus is a customer-driven company, we have reinforced our efforts to address security issues from the customer's perspective. The evolution of telecommunication services functionalities and their ability to support the flow of customer information have increased security risks, in terms of technical as well as customer behaviour. During 2011, we developed several control actions covering the security of telecommunications services, as follows:

- Identification, analysis and prevention of mobile malware and malicious application threats, to protect Optimus and customers from attacks. Optimus has selected a Global Security Solution for integration into handsets/smartphones to protect customers from virus, spyware, Trojans, worms, malicious browsing, theft, etc.
- Updating the Customer Educational Programme on the Sonaecom and Optimus websites to create awareness of common risks and to advise customers on the best anti-fraud and security practices to follow when using telecoms services.
- Further development of the e-privacy project to mitigate and protect access to sensitive customer information by the business operational support systems.
- Cooperation with the national banking industry through APB (Associação Portuguesa de Bancos) on the development and implementation of security actions against home banking frauds.
- Executing risk assessments of fraud and service security for Optimus new products, services and technologies in order to assure both company and customer protection.
- Participation at the GSM MoU Association Security Group, to study best practices and to propose cost-effective technical security measures to avoid telecommunications fraud and to prevent security breaches at the service support platform and network level.

Product-Service Failure (Professional Liability)

Given that Sonaecom companies are customer-oriented, we pay particular attention to the impact that any potential failure of our products or services could have to our customers, especially liability issues. These issues are business-intrinsic and are generally related to accidents, unintentional acts, errors or omissions performed by employees or subcontractors. Risk events can be physical (for example damage to equipment or facilities) or non-physical (for example errors in a software installation). Both are relevant to business like Sonaecom subsidiaries, which primarily provide services based on technology and information. Given that liability is derived from contractual relationship with the customers, professional liability issues can arise in the event of a service failure.

Besides implementing internal controls, the risk management strategy Sonaecom selected for this type of risk was to transfer the risk by using insurance. In this context, during 2011, we continued to maintain and improve actions taken in previous years regarding Professional Liability, as follows:

- Implementation of enhancements in some internal controls to further mitigate risk causes.
- Renewal of professional liability global insurance that incorporates an enlarged scope of coverage and is tailored to the business realities facing Sonaecom companies.
- Subscription of professional liability insurance WeDo Technologies' foreign companies, improving coverage with specific insurance policies in certain worldwide locations where our general insurance policy does not apply due to legal restrictions.

Revenue and Cost Assurance (Telecom Business Assurance)

Telecommunications businesses are subject to inherent operational risks associated with the assurance and monitoring of customer revenues and costs. Throughout 2011 we continued to improve our risk controls, in line with the following key objectives:

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

This monitoring is supported by the RAID system, a leading application developed by WeDo Technologies. This platform already includes our fixed-mobile convergent offers. During 2012 the monitoring scope will be extended to include LTE services offers.

The business assurance process has continued to broaden its control to cost assurance activities. Besides controlling the efficient allocation of technical resources in the network, introduced in previous years, during 2011 we introduced the controlover fixed equipment related to IPTV.

During 2011, we also introduced a process designed to promote and monitor the discontinuation of obsolete products and services. This process involves conducting internal forums with the Optimus business units, twice a year.

Fraud (Telecom Fraud Management)

Customer or third-party fraud is a common risk in the telecommunications sector. Fraudsters can take advantage of potential process, service or network vulnerabilities. With this in mind, Optimus has had a dedicated Fraud Management team in place for some time. During 2011, the company maintained and further developed new control actions such as:

- Continuous focus on the mitigation and control of IRSF (International Revenue Share Fraud), one of the main fraud types affecting telecommunications operators worldwide. Several prevention and control measures have been taken such as: blocking specific risk destinations; changing service functionalities to better protect customers; reviewing retail tariff plans.
- Working with TMN and Vodafone to create a common and standard methodology to classify and measure Telecom Fraud at national level in order to improve co-operation and mitigation procedures.
- Improvement of fraud monitoring and detection through the expansion of the Near Real Time Roaming Data Exchange (NRTRDE) system to other network operators and the implementation of new controls for Prepaid, Postpaid, Roamers IN and Roamers OUT customers.
- Participation at the GSM MoU Association Fraud Forum, in order to share experiences, study the most common fraud types committed against telecom companies and foster worldwide co-ordination of mitigation and detection actions against telecom crimes. Optimus has promoted and contributed to the creation of the GSMA Hot B Number Database, a risk list of the most common international destinations used for Telecom Fraud.
- Hosting the GSMA MoU Association Fraud Forum event in Lisbon in May 2011. The meeting was organised by WeDo Technologies and involved more than 100 worldwide telecom operators, joining together to discuss fraud trends and mitigation procedures.
- Finalising development and deployment at Optimus of a new Fraud Management System(FMS), the RAID FMS provided by We Do Technologies.

Financial risks

According to the Sonaecom Business Risk Model (BRM), financial risks mainly relate to the Financial risk category and partially relate to the Business Environment risk category.

In this section Sonaecom acknowledges that, like other listed companies carrying out similar activities, we are potentially exposed to risks relating to financial reporting and accounting processes. We are also potentially exposed to a variety of other financial risks such as market risk (particularly, exchange rate and interest rate risks), liquidity risk and credit risk. Sonaecom's attitude towards financial risk management is conservative and prudent, and we followed those principles throughout 2011.

The **roles and responsibilities** regarding **financial risks** are generally allocated as follow:

- The Finance and Accounting department manages and controls the risks; and liaises as necessary with all other business and support areas that contribute to controlling financial risks.
- The SAB oversees and approves the disclosure of financial information under its responsibility; oversees the work performed by the Statutory External Auditor on the company financial statements; and issues an annual report on its supervisory work, as well as an opinion on the report of the Board of Directors, the consolidated and the separate financial statements.
- The BAFC reviews the financial statements to be disclosed and reports its findings to the Board of Directors; monitors significant financial exposures; monitors major judgmental areas in financial and accounting areas; oversees compliance with accounting standards; and oversees compliance with statutory and legal requirements and regulations in particular in the financial domain.
- The Internal Audit evaluates the risk exposure; verifies the effectiveness of the risk management and internal controls; and proposes measures to improve controls.
- The Statutory External Auditor verifies if the main elements of the internal control and risk management system, regarding accounting and financial statements, are presented in the annual Corporate Governance Report and issues the legal certification of accounts and an audit report, in which attests if the Corporate Governance Report includes all the elements as required by Article 245 – A, of the Portuguese Securities Code.

Accounting & Financial Reporting (Financial Risks Control System)

Sonaecom's Board of Directors is committed to having an effective internal control environment, particularly in the financial reporting process. It seeks to identify and improve the most relevant processes in terms of the preparation and disclosure of financial information, with the objective of transparency, consistency, simplicity and materiality. The objective of the internal control system is to ensure reasonable assurance regarding the preparation of financial statements, in accordance with adopted accounting principles, and the quality of financial reporting.

The internal control system for **accounting and preparation of financial statements** include the following **key controls**:

- The process of disclosure of financial information is formalized, the risks and associated controls are identified, being duly established and approved the criteria for its preparation and disclosure, which are periodically reviewed.
- There are three main types of controls: high level controls (entity level controls), controls of information systems (IT level controls) and controls in terms of processes (process level controls). It includes a set of procedures relating to execution, supervision, monitoring, and process improvement, with the objective of preparing the company financial reporting.
- The use of the accounting principles, which are explained throughout the notes to the financial statements (see chapter 6.2, note 1), act as one of the control system's fundamental pillars.
- The plans, procedures and registers in the Group allow a reasonable assurance that transactions are executed only with the general or specific authorisation of management and that those transactions are recorded to allow that financial statements comply with generally accepted accounting principles. This also assures that the company keeps updated assets register, that the access to assets depends on a management authorisation and that the assets register is verified against existing assets and appropriate measures are taken, whenever differences occur.
- During the process of preparing and reviewing financial information, a timeline is first established and shared with the different areas involved and all documents are reviewed in detail. This involves a review of the principles used, the verification of the accuracy of the information produced and the consistency with the principles and policies defined and used in previous periods.
- The Group financial statements are prepared and analysed by the Finance and Accounting department, under the supervision of the Group Executive Committee. The Management Report

and the Corporate Governance Report are prepared by the Investor Relations Department, with input and further review by several business and support areas, with support and supervision by the Director of Corporate Governance and the Law and Regulation department. The set of documents that make up the annual report are sent for review and approval by the Sonaecom Board of Directors. After approval, the documents are sent to the Statutory External Auditor, which issues its legal certification of accounts and the External Auditor Report. These documents are sent, together with the Annual Report, to the Statutory Audit Board for review, which approves the documents and issue the Report and Statutory Audit Board's opinion.

Of the various **risk drivers** that can materially impact accounting and financial reporting we highlight the following:

- Accounting estimates and provisions
The most significant accounting estimates are described in the notes to the financial statements (see chapter 6.2, Note 1.aa). The estimates were based on the best information available during the preparation of financial statements and based on the best knowledge and experience of past and/or present events.
- Balances and transactions with related parties
The most significant balances and transactions with related parties are disclosed in the notes to the financial statements (see chapter 6.2, note 35). Attached to the report, we present a list of all related parties of the Sonaecom Group. These are mainly associated with the operational activities of the Group, as well as the granting and obtaining loans, being made at market prices.

More specific information on how these and other risks drivers were mitigated can be seen throughout the notes to the financial statements (see chapter 6.2, note 1.ab).

Sonaecom undertakes several actions regarding the **continual improvement** of the Financial Risks Control System including:

- Control documentation enhancement
Following actions taken in 2010, during 2011 Sonaecom continued to enhance the documentation and systematization of the risks and the internal control system related to preparation of financial information. This action includes the identification of risk/drivers (initial risk), the identification of process with higher materiality, the controls documentation and the final analysis (residual risk) after the implementation of potential improvements in the controls.
- Compliance analysis
The Investor Relations department, in cooperation with the Finance and Accounting department, the Law and Regulation department, the Internal Audit and Risk Management department and other departments as necessary, coordinates a periodic analysis of the compliance with the legal requirements and regulations regarding the underlying governing processes and corresponding financial information reported in the Management Report and the Corporate Governance Report.

Currency

The Group operates internationally and has subsidiaries operating in Brazil, United Kingdom, Poland, Ireland, Spain, United States of America, Mexico, Chile, Panamá, Australia, Egypt, Singapore and Malaysia (branch). Subsidiaries have local employees and operate in local currency. The Group's exposure to exchange rate risk comes mostly from the fact that some of its subsidiaries report in currencies other than the euro, which is immaterial to the risk associated with operating activities.

Foreign exchange risk management seeks to minimise the volatility of investments and transactions made in foreign currency and, whenever possible, the company uses natural hedges to manage exposure or derivative financial hedging instruments. In the notes to the financial statements (see chapter 6.2, note 1.ab), we present further information on how this risk is managed and controlled, including a summary of the Group exposure to exchange rate risk and its sensitivity to changes in exchange rates.

Interest Rate

Sonaecom 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 results or on its Shareholders funds is mitigated by the effect of the following factors: (i) relatively low level of financial leverage; (ii) the possibility of using derivative instruments that hedge the interest rate risk, as mentioned below; (iii) during non-recession periods, the possible correlation between the level of market interest rates and economic growth, with the latter having a positive effect in other lines of the company results, this way partially offsets the increase of financial costs ("natural hedge"); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate. The Company only uses derivatives or similar transactions to hedge interest rate risks considered significant. These include interest rate swaps and other derivatives. The counterparties of the derivative hedging instruments are limited to highly rated financial institutions. Sonaecom Board of Directors approves the terms and conditions of financing with a significant impact in the company, based on the analysis of the debt structure, the risks and the different options in the market, particularly the type of interest rate

(fixed /variable). Under the policy defined above, the Executive Committee is responsible for making decisions on the occasional interest rate hedging contracts, by monitoring the conditions and alternatives existing in the market. In the notes to the financial statements (see chapter 6.2, note 1.ab), we present further information on how this risk is managed and controlled, including the sensitivity analysis on interest rate risk (see note 20).

Liquidity

The existence of liquidity in the company requires the definition of policies for ensuring efficient and secure management of that liquidity, allowing us to maximize the profitability and to minimise the opportunity costs related with that liquidity. 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. In the notes to the financial statements (see chapter 6.2, note 1.ab), we present further information on how this risk is managed and controlled.

Credit

The company exposure to credit risk is mainly associated with the accounts receivable related to current operational activities. The credit risk associated with financial operations is mitigated by the fact that the Group, related to telecommunication operators, only negotiates with entities demonstrating 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. To assist in mitigating this risk, the Group uses credit rating agencies and has dedicated departments for Credit Control, Collections and Litigation Management. The Group also subscribes credit insurances, to deal with credit risks relating to third party telecommunication operators in Optimus and relating to advertisement publishing agencies in Público. The Group has started to evaluate the feasibility of credit insurances to be subscribed by SSI companies.

Capital Availability

Sonaecom is naturally exposed to the current adverse economic environment, as well as to the restrictions that banks, especially Portuguese banks, are generally applying when granting loans, due to the impacts of the economic and financial crisis over their lending capacity and capital requirements. This financial environment is not favourable, especially at a time when telecom operators will be required to make significant investments, as is the case, for example, on LTE technology that requires the acquisition of additional spectrum and the implementation of a new access network. In this adverse context, during 2011 the Group succeeded in getting additional financings, including the issue, at the end of the 3rd quarter, of a new bond loan subscribed by international banks. With this transaction, Sonaecom assured a greater diversification of the funding sources, increased the average debt maturity and anticipated funds required to meet the refinancing needs scheduled for 2012. For details about our debt and capital structure see (see chapter 6.2 note 20). During 2011, in terms of Working Capital, the company conducted additional analysis and several actions were taken in order to optimize it, namely on stock management.

Legal risks

According to the Sonaecom Business Risk Model (BRM), legal risks relate to Business Environment risk category. To monitor the drivers of actual and potential risks, as well as to assure the fulfilment of the legal and regulatory framework in place, Sonaecom has a dedicated team, which includes the Law and Regulation department, that follows legal and regulatory issues very closely. Despite this, we cannot totally exclude the risk of possible infringement processes against Sonaecom companies due to different views on the practical meaning of the legal and regulatory framework. Sonaecom also collaborates with the authorities aiming at the definition of the legal and regulatory framework that, according to our view, promotes the development of the communications sector in Portugal. Such collaboration may be proactive or involve sending comments to public consultations.

Legal and Regulatory

Within Sonaecom's business portfolio, regulatory issues are more relevant in the telecommunications unit, which is subject to specific rules that are mainly defined by the sector regulator ICP - Autoridade Nacional de Comunicações (ICP - ANACOM), following the regulatory framework defined at European level.

The regulator's decisions may have a significant impact on the development of Optimus's activities, particularly those decisions relating to: spectrum awarding conditions, mobile termination rates, the regulatory framework for next generation networks (NGNs), within which should be defined the conditions of access to third parties' NGN, wholesale offers conditions (namely, access to ducts, leased lines and access to local loop unbundling) and universal service financing. As already mentioned, ICP - ANACOM is responsible for setting the conditions for spectrum award. This was particularly relevant to Optimus's activities since the regulator promoted the auction for awarding of spectrum during 2011.

There are other issues that affect the company activity. These are decided directly by the Government, assisted by ICP - ANACOM, and include the designation of the universal service provider, regulatory fees (spectrum, numbering, regulatory activity) or other fees to be imposed on the communications providers and consumer protection rules.

Additionally, Sonaecom has also to comply with rules that are defined at European level, and have a direct effect on Portugal as a Member State of the European Union. This applies, for example, to the regulation on roaming services, which limits the conditions of providing roaming services either at wholesale or retail level.

Besides the specific rules regarding the telecommunications sector, Sonaecom companies are also subjected to horizontal legislation, including competition law.

The Sonaecom's SSI companies face an additional risk relating to the internationalisation process. This has been managed for many years in WeDo Technologies and is becoming increasingly relevant for Mainroad, Saphety and Bizdirect. The issue arises because these companies have presence in several countries around the world, which involves specific risks relating to very different legal frameworks, where additional effort is needed to fully understand and to cope with those frameworks.

c) Risk management policies for Ethics and Disclosure

The last part of this section covers Sonaecom's policies and procedures for managing risks associated with Ethics and Disclosure. These relate to three areas that are generally considered to be risk sensitive, and they are areas that receive particular attention from shareholders and other stakeholders and interested parties: Conflicts of Interest, Remuneration Practices and Whistle-blowing and the Reporting of Irregularities. Although these are important and sensitive areas, Sonaecom considers that, given the governance structure, policies and processes we have in place, these areas involve lower levels of risk compared with, for example, some of the economic risks intrinsic to the business, which have already been described in this section.

Conflicts of Interest policy

It is a matter of good governance that, in all dealings at Sonaecom, integrity and reputation cannot be compromised when any party to the dealing has a conflict of interest, either actual, potential, perceived, or is a third party. Accordingly, internal control processes are in place that allow us to address conflicts of interest, across several levels of the organisation.

For all employees, Sonaecom has adopted a Code of Conduct that includes the following guidance on conflicts of interest:

- The code is applicable to all employees, including Board level and company officers, as well as permanent external consultants and outsourcing personnel (also referred to as business partners). As a matter of corporate principle, all employees are encouraged to disclose potential conflicts of interest to their immediate supervisor.
- Employees should avoid intervening in decision making processes that involve, directly or indirectly, organisations with which they collaborate or have collaborated or people with whom they are or have been connected by ties of kinship or friendship. If it is impossible to abstain from intervention in these processes, employees should inform their administrative superior about the existence of these connections.
- Employees should abstain from participating in or carrying out duties in organisations whose activities may be incompatible with the performance of their duties at Sonaecom or whose goals might be incompatible with those of Sonaecom.

- The Code of Conduct, as well as the functioning of its related processes under the supervision of the Ethics Committee, are made available to all current and new employees or business partners, are published on Sonaecom's website and intranet and are subject of periodic awareness communications.

Additionally, at **Board level** there is a regulation governing "Policy and Procedures on Conflicts of Interest" approved by the Board, which determines that:

- The regulation is applicable to all Directors, including all members of the Board of Directors, as well as other Senior Executive Managers who regularly participate in Board meetings, Executive Committee meetings or any Board Committees.
- A Director, or entities in which a Director has a significant interest and/or influence, who or which enter or propose to enter into a transaction with the Company shall make full disclosure immediately.
- Such conflicts will be reported to the Board of Directors, normally via the BAFC. The Board of Directors, on advice from the BAFC, may approve the transaction or request that further pre-defined steps should be taken as are necessary and reasonable to remove any conflict of interest.
- For all Directors, a register should be maintained by the Secretary of the Board of Directors regarding significant and relevant outside directorships and other significant roles or activities (supervised by the BNRC), as well as a register of all significant shareholdings held (supervised by the BAFC). Directors should reconfirm the contents of the register in writing at least once a year.

At **Company level**, in relation to shareholder relationships and related party transactions:

- When executing related party transactions, Sonaecom companies should act in a diligent, careful and organized manner and should ensure that transactions are well documented. The interests of all parties involved should be respected ensuring that, globally, transactions are implemented on an "arm's length" basis, observing general market practices, so that deals are carried out as if the parties involved in the transaction are independent entities carrying out comparable transactions. Transactions should serve the long term interests of the parties involved (including the fair treatment of any minority shareholders) and should take into account the interests of other relevant parties such as employees, clients and creditors, so ensuring the companies' sustainability.

- Where deals of significant importance are undertaken with holders of qualifying shareholdings, or with entities are classified as related parties, such deals shall be subject to a preliminary opinion from the SAB. The SAB, under its Terms of Reference, obtains from the Board of Directors, normally through the BAFC, all the necessary information relating to the operational and financial progress of the company, changes to its business portfolio, the terms of any sensitive or related party transactions that have occurred and the details of decisions taken. Under its Terms of Reference, the BAFC devotes particular attention to material transactions with related parties, especially any transactions that could involve significant transfer pricing risk.
 - Relevant information regarding reference shareholders and related parties is disclosed in section 5.6, including Sonaecom qualified holdings under "Qualified Shareholdings" and the existence of other material non-operational transactions with related parties, if any, is disclosed under "Relevant transactions with related parties".
- process involves different governing bodies in order to ensure independent scrutiny, equity and adequate risk management of the processes. In particular, the BNRC has an important role in overseeing risk given its key function in reviewing remuneration and compensation policy and remuneration proposals, as well as, supervising the MTIP.
- The remuneration principles and practices that apply at Board level are further explained and detail of individual remuneration are disclosed in section 5.4 under Directors' remuneration. The BNRC reports in writing to the Board, whenever necessary, and liaises with Sonaecom Shareholders Remuneration Committee ("Comissão de Vencimentos") to obtain their approval, on behalf of shareholders, for remuneration and other compensation given to the Board of Directors and other Statutory Governing Bodies.
 - Finally, the fact that we disclose comprehensive information in section 5.4 on the remuneration policy we adopt, promotes transparency and is itself a contributing factor towards mitigating the risk of potentially problematic pay practices.

Remuneration policy:

Sonaecom is committed to applying generally recommended risk management guidelines in terms of remuneration:

- The design of the remuneration policy for all officers and employees should take into account their potential risk taking behaviour, by giving a sufficient, but a balanced, weighting to their variable component transposing some of the activity risk into the officers or employees own assumed risk by linking their own reward to individual and corporate performance.
- Additionally, the remuneration of members of the Board of Directors should be structured so that their interests are aligned with the long term interests of the company. Their remuneration should be based on an independent assessment of their performance and should be structured to discourage excessive risk taking.

A risk assessment of Sonaecom's remuneration policy can be made by considering the following facts:

- The remuneration principles applied for all officers and employees and how the different remuneration components contribute to a controlled environment in terms of risk taking behaviour is explained in section 5.4 of this report, under Group Remuneration Policy, Remuneration of Management and Audit bodies.
- The remuneration policy decision and approval

Whistle-blowing policy

Sonaecom has a policy and process for communicating alleged irregularities carried out by officers, employees and business partners which sets out procedures to respond to any reported irregularities.

The SAB has statutory responsibilities in relation to this process, in particular:

- To receive communications of alleged irregularities reported relating to the Company and presented by the Company's shareholders, employees or other parties.
- To record any alleged irregularities that were reported, to promote investigation with due diligence by the Board of Directors, the Internal and/or the External Auditor and to report its conclusions.

The responsibility for supervising this process has been delegated to the Sonaecom Ethics Committee, which is required:

- To assess the alleged irregularities considering the policy stated in the Code of Conduct.
- To receive, discuss, investigate and assess any alleged irregularities that are reported and to decide on the appropriate measures that should be taken in each case reported.
- To review and evaluate the efficiency and effectiveness with which the policy and process for communicating irregularities operates.

The whistle-blowing process can be summarised as follow:

- Anyone wishing to communicate any irregularity believed or known to have been committed by any Sonaecom officer, member of staff or business partner, must address a letter or an e-mail containing a summary description of the facts to the Ethics Committee. The identity of the whistle-blower will be kept anonymous, if explicitly requested.
- The complaint will be analysed by the Ethics Committee and, if the Committee finds grounds for the reported irregularity, measures will be taken, as deemed appropriate.

5.7. Other information

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.

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.

Sonaecom qualified holdings

Shareholders	Number shares held	% shareholding as at 31 December 2011
Sonae SGPS	194,714,119	53.17%
France Télécom	73,249,374	20.00%
BCP S.A.	12,500,998	3.41%

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% stake in Sonaecom. The free float, as at 31 December 2011 (% of shares not held or controlled by Shareholders with qualified holdings and excluding own shares) stood at approximately 20.95%.

During 2011, there were no changes to the number of shares issued by Sonaecom.

Shareholders holding special rights

There are no Shareholders with special rights.

Restrictions on the transfer and ownership of shares

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

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.

Rules applicable to the amendment of Company's Articles of Association

Changes to the Company's Articles of Association require approval at a Shareholders' General Meeting, which decides, in accordance with the applicable law, by a majority of two-thirds of the votes cast.

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 freely exercise their voting rights.

Share price performance

Sonaecom's shares ended 2011 with a market price of 1.215 euros per share, 10.8% below the closing price of 1.350 euros per share at 31 December 2010. The share price reached a maximum of 1.644 euros per share on 12 May 2011 and a minimum of 1.096 euros on 23 and 26 September 2011.

At the end of 2011, Sonaecom's market capitalisation was approximately 445 million euros. The average daily trading volume reached 353 thousand shares, a decrease of 24.2%, when compared to 2010.

During 2011, Sonaecom's share price evolution and liquidity were mainly influenced by the following news:

- 2 March 2011: full-year 2010 consolidated results released;
- 27 April 2011: Shareholders' Annual General Meeting held with release of information about approved decisions;
- 5 May 2011: first quarter 2011 consolidated results released;
- 9 May 2011: announcement on dividend payment for the year 2010;
- 28 July 2011: first-half 2011 consolidated results released;
- 23 September 2011: completion of an 100 million euros bond issue;
- 3 November 2011: first nine months 2011 consolidated results released;
- 1 December 2011: announcement on closing of LTE spectrum auction.

Dividend distribution policy

At the Shareholders' Annual General Meeting, held on 26 April 2011, Sonaecom's Shareholders approved the proposal from the Board of Directors to distribute through shareholders a dividend of 0.05 euros per share, applying the remainder net results to retained earnings.

Proposals to distribute dividends (as for every proposal for the appropriation of net results) are made by the Board of Directors, subject to compliance with Portuguese Company Law and the Company's Articles of Association, and the decision on any such proposals are taken by the Annual General Meeting as described below.

The Board of Directors prepares proposals relating to 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 in any way limit 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".

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 other material non-operational transactions during 2011 with related parties (including Sonaecom Officers and 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 Strategic Partnership agreement with France Telecom entered into on 9 June 2005 and renewed on 24 October 2008, as well as a new agreement between the two parties, signed on 1 March 2012.

Reports of the Statutory Audit Board

The annual report of the Statutory Audit Board is disclosed on Sonaecom's website.

Investor Relations

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

The department regularly prepares presentations and communications covering quarterly, half-year and annual results, as well as issuing 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:

Carlos Alberto Silva
Investor Relations Manager
Tel: (+351) 93 100 2444
Fax: (+351) 93 100 2229
Email: carlos.alberto.silva@sonae.com
investor.relations@sonae.com
Address: Rua Henrique Pousão, 432 – 7º Piso
4460-191 Senhora da Hora, Portugal
Website: www.sonae.com

During 2011, the Investor Relations department participated in 71 one-on-one and group meetings, two roadshows and three 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 Securities Market Commission is António Lobo Xavier who can be contacted by phone or e-mail:

Tel: (+351) 93 100 2232
Fax: (+351) 93 100 2229
E-mail: antonio.xavier@sonae.com
investor.relations@sonae.com
Address: Rua Henrique Pousão, 432 – 7º Piso
4460-191 Senhora da Hora, Portugal

Fees of the Statutory External Auditor

During 2011, Sonaecom Group paid the following fees to the Statutory External Auditor Deloitte and their network of companies:

		2011		2010
Statutory Audit	145,022	64%	232,762	81%
Other Compliance & Assurance Services	43,637	19%	42,756	15%
Audit services	188,659	83%	275,518	95%
Tax Consultancy	19,081	8%	13,283	5%
Other consultancy	20,000	9%	-	-
Total	227,740	100%	288,801	100%

Sonaecom's Risk Management Policy, which is supervised by the SAB in liaison with the BAFC, monitors the non-audit services requested from the Statutory External Auditor and their respective network of companies, in order to ensure that auditor independence is not compromised. Quarterly, the SAB receives and analyses information on the fees and services of the Statutory External Auditor. 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.

5.8. Articles 447, 448 and qualified shareholdings

Please refer to 4.4 under the 'Our management' section.

5.9. Appendix

5.9.1. Qualifications and professional experience of the members of the Board of Directors

Please refer to 4.1 under the 'Our management' section.

5.9.2. Shares held by the members of the Board of Directors and respective transactions during 2010

Please refer to 4.3 under the 'Our management' section.

5.9.3. Offices held by the members of the Board of Directors

Please refer to 4.2 under the 'Our management' section.

5.9.4. Qualifications, professional experience and shares held by the members of the Statutory Audit Board

Arlindo Dias Duarte Silva

Academic qualifications:

Degree in Economics from 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 [MHA]

Academic qualifications:

Degree in Economics from 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 [MHA]

Academic qualifications:

Degree in Economics from 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 from 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.

5.9.5. Offices held by the members of the Statutory Audit Board**Arlindo Dias Duarte Silva**

Offices held in companies in which Sonaecom is a Shareholder:

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

Other offices held:

- DMJB – Consultadoria de Gestão, S.A.
(Statutory External Auditor)
- Sonae SGPS, S.A.
(Member of the Statutory Audit Board)
- Sonae Investimentos, SGPS, S.A.
(Member of the Statutory Audit Board)
- Rochinvest – Investimentos Imobiliários e Turísticos, 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)
- Associação Cultural do Senhor do Padrão
(Member of the Statutory Audit Board)

Armando Luís Vieira de Magalhães [MHA]

Offices held in companies in which Sonaecom is a Shareholder:

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

Other offices held:

- Sonae Capital, SGPS, S.A.
(Statutory Audit Board)
- Sonae Indústria, SGPS, S.A.
(Statutory Audit Board)

Offices in non-profitable institutions:

- Fundação Eça de Queirós
(Statutory Audit Board)
- Futebol Clube do Porto – Futebol, S.A.D; Porto Comercial – Sociedade de Comercialização e Sponsorização, SA; Porto Estádio – Gestão e Exploração de Equipamentos Desportivos, SA.
(Statutory Audit Board)

Óscar José Alçada da Quinta [MHA]

Offices held in companies in which Sonaecom is a Shareholder:

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

Other offices held:

- BA GLASS I – Serviços de Gestão e Investimentos, S.A.
(Statutory Audit Board)
- Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC
(Member of the Board of Directors)
- Sonae Investimentos, SGPS, S.A.
(Statutory Audit Board)
- Caetano-Baviera – Comércio de Automóveis, S.A.
(Statutory Audit Board)

Jorge Manuel Felizes Morgado

Offices held in companies in which Sonaecom is a Shareholder:

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

Other offices held:

- Sonae Capital, SGPS, S.A.
(Statutory Audit Board)
- Sonae Indústria, SGPS, S.A.
(Statutory Audit Board)
- Sonae SGPS, S.A.
(Statutory Audit Board)
- Sonae Sierra, S.A.
(Statutory Audit Board)





6

OUR PERFORMANCE



- 6.1 SONAECON CONSOLIDATED FINANCIAL STATEMENTS
- 6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- 6.3 SONAECON INDIVIDUAL FINANCIAL STATEMENTS
- 6.4 NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

6 OUR PERFORMANCE

6.1. Sonaecom consolidated financial statements

Consolidated balance sheets

For the years ended at 31 December 2011 and 2010

(Amounts expressed in euro)	Notes	December 2011	December 2010
Assets			
Non-current assets			
Tangible assets	1.d), 1.i) and 6	583,413,555	592,369,741
Intangible assets	1.e), 1.f) and 7	371,429,260	272,896,942
Goodwill	1.g) and 9	521,103,723	526,141,552
Investments available for sale	1.h), 8 and 10	212,323	212,323
Other non-current assets	1.s) and 1.t)	264,973	174,363
Deferred tax assets	1.q), 1.t) and 11	103,853,881	109,587,224
Total non-current assets		1,580,277,715	1,501,382,145
Current assets			
Inventories	1.j) and 12	7,365,390	17,473,750
Trade debtors	1.h), 1.k), 8 and 13	146,137,974	143,294,200
Other current debtors	1.h), 1.k), 8 and 14	25,933,462	61,302,698
Other current assets	1.s), 1.y) and 15	70,723,575	69,839,130
Cash and cash equivalents	1.l), 8 and 16	189,350,054	68,577,903
Total current assets		439,510,455	360,487,681
Total assets		2,019,788,170	1,861,869,826
Shareholders' funds and liabilities			
Shareholders' funds			
Share capital	17	366,246,868	366,246,868
Own shares	1.v) and 18	(13,594,518)	(15,030,834)
Reserves	1.u)	605,708,296	582,259,583
Consolidated net income/(loss) for the year		62,520,591	41,182,587
		1,020,881,237	974,658,204
Non-controlling interests	19	515,654	593,790
Total Shareholders' funds		1,021,396,891	975,251,994
Liabilities			
Non-current liabilities			
Medium and long-term loans – net of short-term portion	1.m), 1.n), 8 and 20	320,176,857	305,038,006
Other non-current financial liabilities	1.i), 8 and 21	17,990,531	19,253,869
Provisions for other liabilities and charges	1.p), 1.t) and 22	48,549,956	33,150,028
Securitisation of receivables	8 and 23	19,951,846	39,740,412
Deferred tax liabilities	1.q), 1.t) and 11	498,166	786,549
Other non-current liabilities	1.s), 1.t), 1.y) and 24	30,041,779	2,739,617
Total non-current liabilities		437,209,135	400,708,481
Current liabilities			
Short-term loans and other loans	1.m), 1.n), 8 and 20	118,405,031	30,942,240
Trade creditors	8 and 25	172,622,586	178,732,746
Other current financial liabilities	1.i), 8 and 26	2,645,498	2,171,140
Securitisation of receivables	8 and 23	19,802,596	19,634,161
Other creditors	8 and 27	23,832,672	56,752,155
Other current liabilities	1.s), 1.y) and 28	223,873,761	197,676,909
Total current liabilities		561,182,144	485,909,351
Total Shareholders' funds and liabilities		2,019,788,170	1,861,869,826

The notes are an integral part of the consolidated financial statements at 31 December 2011 and 2010.

The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo
 Ângelo Gabriel Ribeiro Paupério
 António Bernardo Aranha da Gama Lobo Xavier
 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 Manuel Moniz Trigo Jordão

Consolidated profit and loss account by nature

For the quarters and the years ended at 31 December 2011 and 2010

(Amounts expressed in euro)	Notes	December 2011	September to December 2011 (not audited)	December 2010	September to December 2010 (not audited)
Sales	29 and 35	77,172,088	18,765,526	118,773,668	38,370,470
Services rendered	29 and 35	786,462,327	194,560,066	801,945,320	198,220,870
Other operating revenues	1.k), 1.r), 30 and 35	8,809,285	2,514,929	8,224,984	3,617,996
		872,443,700	215,840,521	928,943,972	240,209,336
Cost of sales	1.j) and 12	(85,401,524)	(21,283,053)	(127,913,977)	(43,390,607)
External supplies and services	1.i), 31 and 35	(442,250,912)	(112,940,954)	(479,774,171)	(120,732,470)
Staff expenses	1.y), 39 and 40	(92,443,327)	(21,388,946)	(96,550,733)	(22,716,096)
Depreciation and amortisation	1.d), 1.e), 1.g), 1.x), 6, 7 and 9	(130,495,567)	(36,742,381)	(129,542,660)	(31,352,799)
Provisions and impairment losses	1.k), 1.p), 1.x) and 22	(23,698,647)	(6,676,510)	(16,030,069)	(4,640,484)
Other operating costs	32	(15,663,550)	(4,582,397)	(14,663,482)	(3,706,660)
		(789,953,527)	(203,614,241)	(864,475,092)	(226,539,116)
Losses in group and associated companies	1.b) and 33	(54,422)	(54,422)	-	-
Other financial expenses	1.n), 1.w), 1.x), 33 and 35	(17,413,177)	(5,088,976)	(14,531,097)	(3,728,192)
Other financial income	1.w), 33 and 35	8,575,532	3,080,089	8,159,770	3,845,409
Current income / (loss)		73,598,106	10,162,971	58,097,553	13,787,437
Income taxation	1.q), 11 and 34	(11,039,716)	(4,706,894)	(16,749,346)	(2,301,028)
Consolidated net income / (loss) for the year		62,558,390	5,456,077	41,348,207	11,486,409
Attributed to:					
Shareholders of parent company	38	62,520,591	5,429,246	41,182,587	11,463,219
Non-controlling interests	19	37,799	26,831	165,620	23,190
Earnings per share					
Including discontinued operations:					
Basic		0.18	0.02	0.12	0.03
Diluted		0.18	0.02	0.12	0.03
Excluding discontinued operations:					
Basic		0.18	0.02	0.12	0.03
Diluted		0.18	0.02	0.12	0.03

The notes are an integral part of the consolidated financial statements at 31 December 2011 and 2010.

The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo
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Consolidated statement of comprehensive income

For the years ended at 31 December 2011 and 2010

(Amounts expressed in euro)	Notes	December 2011	December 2010
Consolidated net income / (loss) for the year		62,558,390	41,348,207
Components of other consolidated comprehensive income, net of tax			
Changes in currency translation reserve and other	1.w)	(297,463)	35 7,412
Consolidated comprehensive income for the year		62,260,927	41,705,619
Attributed to:			
Shareholders of parent company		62,223,128	41,539,999
Non-controlling interests		37,799	165,620

The notes are an integral part of the consolidated financial statements at 31 December 2011 and 2010.

The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo
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 António Sampaio e Mello
 David Charles Denholm Hobley
 Frank Emmanuel Dangeard

Gervais Gilles Pellissier
 Jean-François René Pontal
 Nuno Manuel Moniz Trigos Jordão

Consolidated movements in shareholder's funds
For the years ended at 31 December 2011 and 2010

(Amounts expressed in euro)	Share capital	Own shares (note 18)	Reserves								
			Legal reserves	Share premium	Other reserves	Reserves for Medium Term Incentive Plans (note 39)	Reserves of own shares	Total reserves	Non- -controlling interests	Net income / (loss)	Total
2011											
Balance at 31 December 2010	366,246,868	(15,030,834)	1,221,003	775,290,377	(214,095,384)	4,812,753	15,030,834	582,259,583	-	41,182,587	974,658,204
Appropriation of the consolidated net result of 2010											
Transfers to legal reserves and other reserves	-	-	6,770,189	-	34,412,398	-	-	41,182,587	-	(41,182,587)	-
Dividend distribution	-	-	-	-	(17,859,403)	-	-	(17,859,403)	-	-	(17,859,403)
Consolidated comprehensive income for the year ended at 31 December 2011	-	-	-	-	(297,463)	-	-	(297,463)	-	62,520,591	62,223,128
Acquisition of own shares	-	(2,223,287)	-	-	(2,223,287)	-	2,223,287	-	-	-	(2,223,287)
Delivery of own shares under the Medium Term Incentive Plans (notes 11) e 39)	-	3,659,603	-	-	1,775,360	(1,604,799)	(3,659,603)	(3,489,042)	-	-	170,561
Effect of the recognition of the Medium Term Incentive Plans (notes 11) e 39)	-	-	-	-	-	3,912,035	-	3,912,035	-	-	3,912,035
Balance at 31 December 2011	366,246,868	(13,594,518)	799,1192	775,290,377	(198,287,780)	7,119,989	13,594,518	605,708,296	-	62,520,591	1,020,881,237
Non-controlling interests											
Balance at 31 December 2010	-	-	-	-	-	-	-	-	593,790	-	593,790
Non-controlling interests in comprehensive income	-	-	-	-	-	-	-	-	37,799	-	37,799
Dividend distribution	-	-	-	-	-	-	-	-	(124,500)	-	(124,500)
Other changes	-	-	-	-	-	-	-	-	8,565	-	8,565
Balance at 31 December 2011	-	-	-	-	-	-	-	-	515,654	-	515,654
Total	366,246,868	(13,594,518)	799,1192	775,290,377	(198,287,780)	7,119,989	13,594,518	605,708,296	515,654	62,520,591	1,021,396,891

162 Consolidated movements in shareholders' funds (continued)

For the years ended at 31 December 2011 and 2010

(Amounts expressed in euro)	Share capital	Own shares (note 18)	Reserves					Total			
			Legal reserves	Share premium	Other reserves	Reserves for Medium Term Incentive Plans (note 39)	Reserves of own shares		Total reserves	Non- -controlling interests	Net income / (loss)
2010											
Balance at 31 December 2009	366,246,868	(12,809,015)	1,985,181	775,290,377	(21,7116,182)	2,977,695	12,809,015	575,946,086	-	5,748,497	935,132,436
Appropriation of the consolidated net result of 2009	-	-	-	-	5,748,497	-	-	5,748,497	-	(5,748,497)	-
Use of the legal reserve to cover the accumulated losses recorded in the individual accounts	-	-	(764,178)	-	764,178	-	-	-	-	-	-
Consolidated comprehensive income for the year ended at 31 December 2010	-	-	-	-	357,412	-	-	357,412	-	41,182,587	41,539,999
Acquisition of own shares	-	(4,944,915)	-	-	(4,944,915)	-	4,944,915	-	-	-	(4,944,915)
Delivery of own shares under the Medium Term Incentive Plans (notes 1.y) e 39)	-	2,723,096	-	-	1,095,626	(974,705)	(2,723,096)	(2,602,175)	-	-	120,921
Effect of the recognition of the Medium Term Incentive Plans (notes 1.y) e 39)	-	-	-	-	-	2,809,763	-	2,809,763	-	-	2,809,763
Balance at 31 December 2010	366,246,868	(15,030,834)	1,221,003	775,290,377	(214,095,384)	4,812,753	15,030,834	582,259,583	-	41,182,587	974,658,204
Non-controlling interests											
Balance at 31 December 2009	-	-	-	-	-	-	-	-	508,152	-	508,152
Non-controlling interests in comprehensive income	-	-	-	-	-	-	-	-	165,620	-	165,620
Dividend distribution	-	-	-	-	-	-	-	-	(161,850)	-	(161,850)
Increase in supplementary capital	-	-	-	-	-	-	-	-	71,500	-	71,500
Other changes	-	-	-	-	-	-	-	-	10,368	-	10,368
Balance at 31 December 2010	-	-	-	-	-	-	-	-	593,790	-	593,790
Total	366,246,868	(15,030,834)	1,221,003	775,290,377	(214,095,384)	4,812,753	15,030,834	582,259,583	593,790	41,182,587	975,251,994

The notes are an integral part of the consolidated financial statements at 31 December 2011 and 2010.

The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo
 Ângelo Gabriel Ribeiro Paupério
 António Bernardo Aranha da Gama Lobo Xavier
 Maria Cláudia Teixeira de Azevedo

Gervais Gilles Pellissier
 Jean-François René Pontal
 Nuno Manuel Moniz Trígoso Jordão

Consolidated cash flow statements

For the years ended at 31 December 2011 and 2010

(Amounts expressed in euro)	December 2011		December 2010	
Operating activities				
Receipts from trade debtors	840,349,858		933,786,081	
Payments to trade creditors	(554,308,582)		(642,098,176)	
Payments to employees	(104,851,358)		(112,456,173)	
Cash flows from operating activities	181,189,918		179,231,732	
Payments / receipts relating to income taxes, net	(3,000,749)		(4,636,408)	
Other payments / receipts relating to operating activities, net	(12,794,346)		(7,981,421)	
Cash flows from operating activities (1)	165,394,823	165,394,823	166,613,903	166,613,903
Investing activities				
Receipts from:				
Investments	-		3,171,510	
Tangible assets	14,751,545		2,246,064	
Intangible assets	47,343		7,797	
Interest and similar income	6,911,371		5,296,503	
Dividends	-	21,710,259	270,000	10,991,874
Payments for:				
Financial investments	(8,860,291)		(5,000)	
Tangible assets	(80,402,362)		(103,025,924)	
Intangible assets	(21,118,664)		(25,117,781)	
Loans granted	(3,570)	(110,384,887)	-	(128,148,705)
Cash flows from investing activities (2)		(88,674,628)		(117,156,831)
Financing activities				
Receipts from:				
Supplementary capital	-		71,500	
Loans obtained	104,750,000	104,750,000	70,000,000	70,071,500
Payments for:				
Leasing	(2,330,555)		(2,570,083)	
Interest and similar expenses	(15,680,882)		(13,545,181)	
Dividends	(17,983,903)		(161,850)	
Acquisition of own shares	(2,223,287)		(4,944,915)	
Loans obtained	(20,127,789)	(58,346,416)	(115,376,800)	(136,598,829)
Cash flows from financing activities (3)		46,403,584		(66,527,329)
Net cash flows (4)=(1)+(2)+(3)		123,123,779		(17,070,257)
Effect of the foreign exchanges		(116,220)		147,585
Cash and cash equivalents at the beginning of the year		66,024,199		82,946,871
Cash and cash equivalents at the end of the year		189,031,758		66,024,199

The notes are an integral part of the consolidated financial statements at 31 December 2011 and 2010.

Chief Accountant

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Notes to the consolidated cash flow statements

For the years ended at 31 December 2011 and 2010

1. Acquisition or sale of subsidiaries or other businesses

	December 2011	December 2010
a) Amounts paid of acquisitions of the year		
Sontária - Empreendimentos Imobiliários, S.A. (Nota 5)	8,860,291	-
Visapress - Gestão de Conteúdos dos média, CRL	-	5,000
	8,860,291	5,000
b) Amounts received of sales of the year		
Altitude, SGPS, S.A.	-	3,171,510
	-	3,171,510

2. Details of cash and cash equivalents

	December 2011	December 2010
Cash in hand	235,105	190,896
Cash at bank	6,699,981	6,709,461
Treasury applications	182,414,968	61,677,547
Overdrafts	(318,296)	(2,553,704)
Cash and cash equivalents	189,031,758	66,024,199
Overdrafts	318,296	2,553,704
Cash assets	189,350,054	68,577,903

3. Description of non-monetary financing activities

	December 2011	December 2010
a) Bank credit obtained and not used	106.017.128	150.750.000
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	189,763,416	(77,588,675)	(26,427,999)	85,746,742
Multimedia	(2,013,854)	(909,839)	(178,367)	(3,102,060)
Information Systems	(24,952,488)	(3,854,016)	(257,462)	(29,063,966)
Holding	2,667,094	(6,306,001)	73,267,452	69,628,545
Others	(69,345)	(16,097)	(40)	(85,482)
	165,394,823	(88,674,628)	46,403,584	123,123,779

The notes are an integral part of the consolidated financial statements at 31 December 2011 and 2010.

Chief Accountant

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6.2. Notes to the consolidated financial statements

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

Pargeste, SGPS, 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, SGPS, 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 redenominated 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, SGPS, 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 10 euros.

In addition, in this year, 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 181,000,000 euros to 226,250,000 euros 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 2.25 euros per share.

On 30 April 2003, the Company's name was changed by public deed to SONAECON, SGPS, S.A..

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

By decision of the Shareholders General Meeting held on 18 September 2006, Sonaecom's share capital was increased by 69,720,000 euros, from 296,526,868 euros to 366,246,868 euros, by the issuance of 69,720,000 new shares of 1 euro each and with a share premium of 275,657,217 euros, subscribed by O93X – 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 and 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 about 13 countries.

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 and 3) 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 some 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.

The following standards, interpretations, amendments and revisions approved (endorsed) by the European Union have mandatory application to financial years beginning on or after 1 January 2011 and were first adopted in the year ended at 31 December 2011:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 1 - Amendments (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters)	1-Jul-10
The amendment ensures that first-time adopters benefit from the same transition provisions that the Amendment to IFRS 7 introduced in March 2009 (Improving Disclosures about Financial Instruments) provides to current IFRS preparers.	
Revised IAS 24 (Related Parties Disclosures) and Amendments to IFRS 8 (Operating Segments)	1-Jan-11
The revised standard addresses concerns that the previous disclosure requirements and definition of a 'related party' were too complex and difficult to apply in practice, particularly in environments where government control is pervasive, by: (1) providing a partial exemption for government-related entities; (2) providing a revised definition of a related party. The amendment to IFRS 8 result from those changes in IAS 24.	
IAS 32 - Amendments (Clarification of issuing rights)	1-Feb-10 *
The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.	
IFRIC 14 - Amendments (Voluntary pre-paid contributions)	1-Jan-11
The amendments correct an unintended consequence of IFRIC 14. Without the amendments, in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions.	
IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments) and amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards)	1-Jul-10 *
Clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to fully or partially settle the financial liability. The companies that adopt IFRS for the first-time may apply transitional provisions of IFRIC 19.	
Improvements to IFRSs: IFRS 1, IFRS 3 and IFRS 7, IAS 1, 32, 34, 39 and IFRIC 13	30-Jun-10 and 31-Dec-10*
Improvements in International Financial Reporting Standards, to simplify and clarify the International Accounting Standards.	
* The effective date in accordance with the adoption by the EU was subsequent to the effective date originally established by the standard.	

The application of these standards had no significant impacts on the consolidated financial statements of the Group.

Until the date of approval of these financial statements, there are no standards, interpretations, amendments and revisions that have been approved (endorsed) by the European Union, whose application is mandatory in future financial years.

The following standards, interpretations, amendments and revisions have not yet been approved (endorsed) by the European Union, at the date of approval of these financial statements.

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 1 - Amendments (Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters)	1-Jul-11
The amendments: 1) replace the fixed dates in the derecognition exception and the exemption related to the initial fair value measurement of financial instruments; and 2) add a deemed cost exemption to IFRS 1 that an entity can apply at the date of transaction to IFRSs after being subject to severe hyperinflation.	
IFRS 7 - Financial Instruments: Disclosures - Amendments (issued 7 October 2010)	1-Jul-11
The amendment requires disclosures to improve the understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain after the transfer. It also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.	
IFRS 9 (Financial Instruments)	1-Jan-13
This standard is the first step in the project to replace IAS 39, and it introduces new requirements for classifying and measuring financial assets.	
IFRS 10 (Consolidated Financial Statements)	1-Jan-13
Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.	
IFRS 11 (Joint Arrangements)	1-Jan-13
Provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.	
IFRS 12 (Disclosures of Interests in Other Entities)	1-Jan-13
New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	
IFRS 13 (Fair Value Measurement)	1-Jan-13
It will improve consistency and reduce complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.	

Standard / Interpretation	Effective date (annual periods beginning on or after)
IAS 1 - Amendments (Presentation of Items of Other Comprehensive Income)	1-Jul-12
The amendments to IAS 1 require companies preparing financial statements in accordance with IFRSs to group together items within OCI that may be reclassified to the profit or loss section of the income statement.	
IAS 12 - Amendments (Deferred tax: Recovery of Underlying Assets)	1-Jan-12
The amendment introduces, in the case of investment properties measured using the fair value model, the presumption that recovery of the carrying amount will normally be through sale, in order to determine their tax impact. As a result of the amendments, SIC 21 - 'Income Taxes—Recovery of Revalued Non-Depreciable Assets' would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.	
IAS 19 - Amendments (Employee Benefits)	1-Jan-13
The amendments make important improvements by eliminating an option to defer the recognition of gains and losses, known as the 'corridor method', improving comparability and faithfulness of presentation, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and enhancing the disclosure requirements for defined benefit plans.	
IAS 27 (Separate Financial Statements)	1-Jan-13
Consolidation requirements previously forming part of IAS 27 have been revised and are now contained in IFRS 10 'Consolidated Financial Statements'.	
IAS 28 (Investments in Associates and Joint Ventures)	1-Jan-13
The objective of IAS 28 (as amended in 2011) is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	
IFRIC 20 Interpretation (Stripping Costs in the Production Phase of a Surface Mine)	1-Jan-13
The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.	

The application of these standards and interpretations, when applicable, will have no material effect on future consolidated financial statements.

The accounting policies and measurement criteria adopted by the Group at 31 December 2011 are comparable with those used in the preparation of the consolidated financial statements at 31 December 2010.

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 'Non-controlling interests'.

Total comprehensive income is attributed to the owners of the Shareholders of parent company and the non-controlling interests even if this results in a deficit balance of non-controlling interests.

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 recorded as cost when they are incurred.

The fully consolidated companies are listed in note 2.

b) Investments in associated companies

Investments in associated companies correspond to investments in which the Group has significant influence (generally investments representing between 20% and 50% of a company's share capital) and 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 under 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, a situation when a provision is recorded under the caption 'Provisions for other liabilities and charges'.

Investments in associated companies are listed in note 4.

c) Companies jointly controlled

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

The excess of cost in relation to the fair value of identifiable assets and liabilities of the jointly controlled companies at the time of their acquisition 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 under 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 under 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	10-40
Networks	10-40
Other plant and machinery	8-16
Vehicles	4
Fixtures and fittings	3-10
Tools	4-8
Other tangible assets	4-8

During the years ended at 31 December 2011 and 2010, the Board of Directors of the Group proceeded with prospective effect to the revision of the estimated useful life of a set of assets related to the telecommunications networks and mobile telephones, based on evaluation reports produced by specialised independent agencies.

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

The estimated costs related with the mandatory dismantling and removal of tangible assets, incurred by the Group, are capitalised and amortised in accordance with the estimated useful life of the corresponding assets.

Work in progress corresponds to fixed assets still in the construction/development stage which are recorded at their acquisition cost. These assets

are depreciated as from the moment they are in condition to be used and when they are ready to 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, UMTS and Spectrum for 4th generation services) 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 of intangible assets are calculated on a straight-line monthly basis, over the estimated useful life of the assets (one 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, so, the UMTS license is being amortised until 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 (six 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

The differences between the price of investments in subsidiaries and associated companies added the value of non-controlling interests, and the amount attributed to the fair value of the identifiable assets and liabilities at the time of their acquisition, when positive, are recorded under the caption 'Goodwill', and, when negative, after a reappraisal of its calculation, are recorded directly in the profit and loss statement. The Group will choose, on an acquisition-by-acquisition basis, to measure non-controlling interests either at their proportionate interest on the fair value of the assets and liabilities acquired, or at the fair value of the non-controlling interests themselves. Until 1 January 2010, non-controlling interests were always measured at their proportionate interest on the fair value of the acquired assets and liabilities.

Contingent consideration is recognised as a liability, at the acquisition-date, according to its fair value, and any changes to its value are recorded as a change in the 'Goodwill', but only as long as they occur during the 'measurement period' (until 12 months after the acquisition-date) and as long as they relate to facts and circumstances that existed at the acquisition date, otherwise these changes must be recognised in profit or loss.

Transactions regarding the acquisition of additional interests in a subsidiary after control is obtained, or the partial disposal of an investment in a subsidiary while control is retained, are accounted for as equity transactions impacting the shareholders funds captions, and without giving rise to any additional 'Goodwill' and without any gain or loss recognised.

The moment a sales transaction to generate a loss of control, should be derecognised assets and liabilities of the entity and any interest retained in the entity sold should be remeasured at fair value and any gain or loss calculated on the sale is recorded in results.

Until 1 January 2004, 'Goodwill' was amortised over the estimated period of recovery of the investments, usually 10 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'.

h) Financial instruments

The Group classifies its financial instruments 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 mainly 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 12 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 12 months from the balance sheet date, a 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 12 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 is based on current bid prices. If the market for a financial asset

is not active (and for unlisted securities), the Group establishes fair value by using 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 losses. 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 – 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 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.

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, and are registered in profit and loss statement, in 'Cost of sales'.

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

The amounts of these captions are presented net of any impairment losses and are registered in profit and loss statement in heading 'Provisions and accumulated 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, under 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 subsidiary companies, as well as 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 loan, 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:

- a) 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 reserve' in Shareholders' funds.
- b) Forward's exchange rate for hedging foreign exchange risk, particularly from receipts from customers of subsidiary Wedo Consulting. The values and times periods involved are identical to the amounts invoiced and their maturities.

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.

At 31 December 2011, the Group did not have any derivative, in addition to those mentioned in note 1.y).

p) Provisions and contingencies

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

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

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

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

q) Income tax

'Income tax' expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in accordance with IAS 12 - 'Income Taxes'.

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 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 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 under the 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 under the caption 'Other operating revenues'.

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 period to which they relate, regardless of their date of payment or receipt. Estimated amounts are used when actual amounts are not known.

The captions of 'Other non-current assets', 'Other current assets', 'Other non-current liabilities' and 'Other current liabilities' include expenses and income relating to the current period, where payment and receipt will occur in future periods, as well as payments and receipts in the current period but which relate to future periods. The latter shall be included by the corresponding amounts in the results of the periods that they relate to.

The costs attributable to current year and whose expenses will only occur in future years are estimated and recorded under the caption 'Other current liabilities' and 'Other non-current liabilities', when it is possible to estimate reliably the amount and the timing of occurrence of the expense. If there is uncertainty regarding both the date of disbursement of funds, and the amount of the obligation, the value is classified as Provisions (note 1.p)).

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 Optimus – 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 under 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 captions '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 22).

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', ie, 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 – 'Share-based Payment', 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 reserve.

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 2011, Sonaecon, SGPS, S.A., have

reserves which by their nature are considered distributable, amounted around 98.5 million euros.

v) Own shares

Own shares are recorded as a deduction of Shareholders' funds. Gains or losses arising 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 exchange rates in force at the balance sheet date, while expenses and income in such financial statements are translated into euro using the average exchange rate for the period. The resulting exchange differences are recorded under 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 and the balances in foreign currency:

	2011		2010	
	31		31	
	December	Average	December	Average
Pounds Sterling	1.1972	1.1526	1.1618	1.1667
Brazilian Real	0.4139	0.4306	0.4509	0.4298
American Dollar	0.7729	0.7189	0.7484	0.7559
Polish Zloti	0.2243	0.2436	0.2516	0.2504
Australian Dollar	0.7860	0.7420	0.7613	0.6947
Mexican Peso	0.0554	0.0580	0.0604	0.0599
Egyptian Pound	0.1281	0.1263	0.1342	0.1343
Malaysian Ringgit	0.2436	0.2351	0.2442	0.2352
Chilean Peso	0.0015	0.0015	0.0016	0.0015
Singapore Dollar	0.5946	0.5719	0.5836	0.5551
Swiss Franc	0.8226	0.8126	0.7997	0.7260
Swedish Krona	0.1122	0.1108	-	-
South African Rand	0.0954	0.0995	-	-
Angolan Kwanza	0.0082	0.0077	-	-
Moroccan Dirham	0.0900	0.0889	-	-

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 in 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 in use is the present value of the estimated future cash flows expected to result from the continued use of the asset and of its sale at the end of its useful life. The recoverable amount is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

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

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

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

For Goodwill and Financial investments, the recoverable amount, calculated in terms of value in use, is determined based on the most recent business plans duly approved by the Group's Board of Directors. For Accounts receivables, the Group uses historical and statistical 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 'Medium Term Incentive Plans Reserve', 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, ie, 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 under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under 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 under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under 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.

At 31 December 2011, all Sonaecom share plans were covered through the detention of own shares. The impacts associated to such plans as the Medium Term Incentive Plans are registered, in the balance sheet, under the caption 'Medium Term Incentive Plans Reserve'. The cost is recognised under the profit and loss statement caption 'Staff expenses'.

At 31 December 2011, all equity-settled plans to be liquidated through the delivery of shares of the parent company were covered by contracts with an external entity under which the acquisition price of those shares was fixed. Therefore, 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, under the captions 'Other non-current liabilities' and 'Other current liabilities'. The cost is recognised on the income statement under the 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 2011 and 2010, 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 – 'Accounting Policies, Changes in Accounting Estimates and Errors', using a prospective methodology.

The main estimates and assumptions in relation to future events included in the preparation of these consolidated financial statements are disclosed in the 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 countries with a different currency than Euro namely Brazil, United Kingdom, Poland, United States of America, Mexico, Australia, Egypt, Chile, Panama, Singapore 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 (note 1.o)).

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, making the risk of operational activity immaterial.

The Group's assets and liabilities (in Euro) recorded in currency other than euro may be summarised as follows:

	Assets		Liabilities	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
American Dollar	8,891,201	4,595,594	4,398,216	1,254,661
Australian Dollar	1,569,805	257,906	406,030	69,703
Egyptian Pound	14,137	336,106	-	149,741
Pounds Sterling	5,339,568	616,393	5,736,105	470,423
Mexican Peso	3,197,009	3,590,768	3,645,207	1,862,197
Brazilian Real	10,505,679	7,539,938	7,626,387	2,923,005
Malaysian Ringgit	500,091	503,179	346,743	599,003
Polish Zloti	728,793	177,452	1,165,962	1,175,852
Singapore Dollar	276,712	63,400	729,483	39,999
Chilean Peso	9,346	48,786	198,409	13,447
Swiss Franc	-	-	183	11,267

The Group's sensibility, in Euro, to changes in exchange rates can be summarised as follows (increases / (decreases)):

	Change in exchange rates	2011		2010	
		Income	Share- holders' funds	Income	Share- holders' funds
American Dollar	5%	251,770	(27,121)	176,037	198,161
Australian Dollar	5%	57,984	205	(688)	6,327
Swiss Franc	5%	(9)	-	(511)	(511)
Egyptian Pound	5%	707	-	4,592	13,918
Pounds Sterling	5%	103,825	(123,652)	57,905	55,451
Mexican Peso	5%	(28,171)	5,761	(35,980)	65,388
Brazilian Real	5%	(3,651)	147,616	24,326	244,370
Malaysian Ringgit	5%	7,963	-	(4,664)	(4,274)
Polish Zloti	5%	(27,210)	5,351	(59,307)	(55,514)
Singapore Dollar	5%	(6,895)	(15,743)	10,571	11,309
Euro	5%	(254,408)	-	-	-
Chilean Peso	5%	-	(9,453)	1,801	3,435
		101,904	(17,036)	174,082	538,062

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 20) are at variable rates, interest rate swaps and other derivatives are used, when it is deemed necessary, 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 Group agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

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

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

The fair value of the derivatives contracted, that are considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions established in IAS 39), are recognised under borrowings captions and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the 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 20.

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, ie, 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, ie to minimise the probability of default in any reimbursement of application of funds; and (iii) Financial Efficiency, ie, to ensure that the Group maximises 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 reduce 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 note 20.

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, in respect to telecommunications operators, 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, as well as credit insurances, which all contribute to the mitigation of credit risk.

The amounts included in the financial statements related to trade debtors and other debtors, net of impairment losses, represent the maximum exposure of the Group to credit risk.

2. Companies included in the consolidation

Group companies included in the consolidation through full consolidation method, their head offices, main activities, Shareholders and percentage of share capital held at 31 December 2011 and 2010, are as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2011		2010	
				Direct	Effective*	Direct	Effective*
Parent company							
SONAECON, SGPS, S.A. ('Sonaecom')	Maia	Management of shareholdings.		-	-	-	-
Subsidiaries							
Be Artis – Conceção, Construção e Gestão de Redes de Comunicações, S.A. ('Artis')	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 – Gestão de Torres de Telecomunicações, S.A. ('Be Towering')	Maia	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment.	Optimus	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%
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.	Sonaecom SI	75.10%	75.10%	75.10%	75.10%
Lugares Virtuais, S.A. ('Lugares Virtuais')	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%	100%	100%
Mainroad – Serviços em Tecnologias de Informação, S.A. ('Mainroad')	Maia	Rendering of consultancy services in IT areas.	Sonaecom SI	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') ^(a)	Maia	Digital publishing, electronic publishing and production of Internet contents.	Público	Dissolved		100%	100%
Optimus – Comunicações, S.A. ('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 Sonaecom Telecom Sonaecom BV	64.14% 35.86% -	64.14% 35.86% -	53.54% 35.86% 10.60%	53.54% 35.86% 10.60%
Per-Mar – Sociedade de Construções, S.A. ('Per-Mar')	Maia	Purchase, sale, renting and operation of property and commercial establishments.	Optimus	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%
PCJ – Público, Comunicação e Jornalismo, S.A. ('PCI')	Maia	Editing, composition and publication of periodical and non-periodical material and the exploration of radio and TV stations and studios.	Sonaecom	100%	100%	100%	100%
Público – Comunicação Social, S.A. ('Público')	Oporto	Editing, composition and publication of periodical and non-periodical material.	Sonaecom Sonaetelecom BV	100% -	100% -	- 100%	- 100%

*Sonaecom effective participation.

^(a) Company dissolved in October 2011.

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2011		2010	
				Direct	Effective*	Direct	Effective*
Saphety Level – Trusted Services, S.A. ('Saphety')	Maia	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; trade, development and representation of software.	Sonaecom SI	86.995%	86.995%	86.995%	86.995%
Sonae com - Sistemas de Informação, SGPS, S.A. ('Sonae com SI')	Maia	Management of shareholdings in the area of corporate ventures and joint ventures.	Sonaecom	100%	100%	100%	100%
Sonaecom - Sistemas de Información España, S.L. ('SSI España')	Madrid	Rendering of consultancy services in the area of information systems.	Sonaecom SI	100%	100%	100%	100%
Sonaecom BV	Amsterdam	Management of shareholdings.	Sonaecom	100%	100%	100%	100%
Sonae Telecom, SGPS, S.A. ('Sonae Telecom')	Maia	Management of shareholdings in the area of telecommunications.	Sonaecom	100%	100%	100%	100%
Sonaetelecom BV	Amsterdam	Management of shareholdings.	Sonaecom	100%	100%	100%	100%
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')	Maia	Realisation of urbanisation and building construction, planning, urban management, studies, construction and property management, buy and sale of properties and resale of purchased for that purpose.	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%
We Do Consulting – Sistemas de Informação, S.A. ('We Do')	Maia	Rendering of consultancy services in the area of information systems.	Sonaecom SI	100%	100%	100%	100%
Wedo do Brasil Soluções Informáticas, Ltda. ('We Do Brasil')	Rio de Janeiro	Commercialisation of software and hardware; rendering of consultancy and technical assistance related to information technology and data processing.	We Do	99.91%	99.83%	99.91%	99.83%
We Do Poland Sp. Z o.o. ('We Do Poland')	Poznan	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Technologies Americas, Inc ('We Do US')	Wilmington	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Technologies Australia PTY Limited ('We Do Asia')	Sidney	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Technologies BV ('We Do BV')	Amsterdam	Management of shareholdings.	We Do	100%	100%	100%	100%
We Do Technologies BV – Branch Malásia ('We Do Malásia')	Kuala Lumpur	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	100%	100%
We Do Technologies Chile SpA ('We Do Chile')	Chile	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	100%	100%
We Do Technologies Egypt LLC ('We Do Egypt')	Cairo	Rendering of consultancy services in the area of information systems.	We Do BV Sonaecom BV Sonaetelecom BV	90% 5% 5%	90% 5% 5%	90% 5% 5%	90% 5% 5%
We Do Technologies (UK) Limited ('We Do UK')	Berkshire	Management of shareholdings.	We Do	100%	100%	100%	100%
We Do Technologies Mexico, S de R.L. ('We Do Mexico')	Mexico City	Rendering of consultancy services in the area of information systems.	Sonaecom BV We Do BV	5% 95%	5% 95%	5% 95%	5% 95%
We Do Technologies Panamá S.A. ('We Do Panamá')	Panama City	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	100%	100%
We Do Technologies Singapore PTE. LTD. ('We Do Singapura')	Singapore	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	100%	100%

* Sonaecom effective participation.

All the above companies were included in the consolidation in accordance with the full consolidation method under the terms of IAS 27 – 'Consolidated and Separate Financial Statements' (majority of voting rights, through the ownership of shares in the companies).

3. Companies jointly controlled

At 31 December 2011 and 2010, 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			
				2011		2010	
				Direct	Effective*	Direct	Effective*
Unipress – Centro Gráfico, Lda. ('Unipress')	V.N. Gaia	Trade and industry of graphic design and publishing.	Público	50%	50%	50%	50%
Sociedade Independente de Radiodifusão Sonora, S.A. ('S.I.R.S.' – using the brand name 'Rádio Nova') ^(a)	Oporto	Sound broadcasting. Radio station.	Público	45%	45%	-	-

*Sonaecom effective participation.

^(a) Company included in the consolidated financial statements in accordance with the equity method, in 2010.

During the year ended at 31 December 2011, the consolidation of SIRS was changed from equity method to proportional method, considering the rights of governance attributed to Sonaecom under the company's shareholders agreements. This change did not have a significant impact on the consolidated financial statements.

At 31 December 2011 and 2010, the main impacts arising from the consolidation by the proportional method of the above mentioned entities, are as follows (debit / (credit)):

	2011	2010
Non-current assets	2,192,258	2,661,901
Current assets	1,229,270	775,843
Non-current liabilities	(1,988,158)	(2,676,339)
Current liabilities	(867,537)	(307,148)
Net result	50,885	7668
Total revenues	2,093,858	1,758,555
Total costs	(2,042,973)	(1,750,887)

4. Investments in associated companies

At 31 December 2010, this caption included an investment in an associated company, of which the head office, main activity, shareholder, percentage of share capital held and book value were as follows:

								Percentage of share capital held	
Company (Commercial brand)	Head office	Main activity	Shareholder	2011		2010		Book Value	
				Direct	Effective*	Direct	Effective*	2011	2010
Associated companies:									
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%	(b)	(a)

*Sonaecom effective participation.

^(a) Investment recorded at a nil book value.

^(b) Company jointly controlled in 2011 (note 3).

At 31 December 2010 the associated company was included in the consolidated financial statements in accordance with the equity method, as referred in note 1. b). It was not necessary to make any adjustments between the accounting policies of the associated company and the Group accounting policies, since there were no significant differences.

At 31 December 2010, the assets, liabilities, total revenues and net results of associated company were as follows:

Company	Assets	Liabilities	Total revenues	Net results
2010				
Sociedade Independente de Radiodifusão Sonora, S.A.	591,344	621,778	1,109,511	230

5. Changes in the Group

During the years ended at 31 December 2011 and 2010, the following changes occurred in the composition of the Group:

a) Acquisitions

Purchaser	Subsidiary	Date	% acquired	Current % shareholding
2010				
Sonaecom	Sontária	Dec-2010	100%	100%

The acquisition did not generate any Goodwill.

The allocation of acquisition price was made as follows:

	Values before acquisition	Adjustments	Fair value
Acquired assets			
Tangible and intangible assets	3,613,563	5,486,437	9,100,000
Other current debtors	10,113	-	10,113
Other current assets	65	-	65
Cash and cash equivalents	544	-	544
	3,624,285	5,486,437	9,110,722
Acquired liabilities			
Medium and long-term loans – net of short-term portion	2,676,637	-	2,676,637
Short-term loans and other loans	63,415	-	63,415
Other creditors	213,370	-	213,370
Other current liabilities	37,062	-	37,062
	2,990,484	-	2,990,484
Net assets and liabilities	633,801	5,486,437	6,120,238
Acquisition price			6,120,238
Goodwill			-

The adjustment for the fair value was made based on building evaluation. The acquisition was made in December 2010, for an amount of 8,860,291 euros (6,120,239 euros related to financial investment, 2,676,637 euros related to loans granted and 63,415 euros related to others), which is outstanding at 31 December 2010 (note 27). Therefore, the acquisition of Sontária has no impacts in cash flow statement of 2010. This amount was paid in 2011, impacting the cash flow statement of 2011.

b) Constitutions

Shareholder	Subsidiary	Date	Share capital	Current % shareholding
2010				
We Do BV	SSI España	Jan-10	3,010 EUR	100.00%
We Do BV	We Do Singapore	Jan-10	1 SGD	100.00%
We Do BV	We Do Panamá	Feb-10	1,000 USD	100.00%
We Do BV	We Do Chile	Apr-10	500,000 CLP	100.00%
Sonaecom	PCJ	Dec-10	50,000 EUR	100.00%

c) Liquidations

Shareholder	Subsidiary	Date	% shareholding
2011			
Público	M3G	Oct-11	100%

These liquidations did not have a significant impact on the accompanying consolidated financial statements.

6. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended at 31 December 2011 and 2010 was as follows:

2011								
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Tools	Other tangible assets	Work in progress	Total
Gross assets								
Balance at 31 December 2010	293,165,987	1,035,279,721	185,510	191,447,203	1,164,237	5,543,321	40,982,832	1,567,768,811
Additions	96,122	6,121,410	-	14,773,020	9,615	2,279	70,863,358	91,865,804
Disposals	(431,770)	(57,247,716)	(514)	(3,220,681)	(4,192)	-	-	(60,904,873)
Transfers and write-offs	9,586,015	54,886,158	-	(1,538,337)	11,594	131,921	(75,576,843)	(12,499,492)
Balance at 31 December 2011	302,416,354	1,039,039,573	184,996	201,461,205	1,181,254	5,677,521	36,269,347	1,586,230,250
Accumulated depreciation and impairment losses								
Balance at 31 December 2010	153,589,162	647,567,969	103,516	169,023,979	1,124,067	3,990,377	-	975,399,070
Depreciation for the year	8,822,851	58,559,056	32,868	18,113,624	14,010	754,374	-	86,296,783
Disposals	(173,753)	(45,668,884)	(268)	(3,190,121)	(1,824)	-	-	(49,034,850)
Transfers and write-offs	(972,968)	(4,625,846)	-	(4,274,473)	1,212	27,767	-	(9,844,308)
Balance at 31 December 2011	161,265,292	655,832,295	136,116	179,673,009	1,137,465	4,772,518	-	1,002,816,695
Net value	141,151,062	383,207,278	48,880	21,788,196	43,789	905,003	36,269,347	583,413,555

2010								
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Tools	Other tangible assets	Work in progress	Total
Gross assets								
Balance at 31 December 2009	270,667,325	955,961,416	331,913	172,948,905	1,192,268	5,302,033	99,788,541	1,506,192,401
New Companies (note 5)	10,000,089	3,354,473	-	-	-	-	-	13,354,562
Additions	174,791	5,520,784	57,419	15,443,604	321	90,892	81,149,647	102,437,458
Disposals	(547,551)	(39,664,665)	(203,822)	(955,408)	(43,497)	-	-	(41,414,943)
Transfers and write-offs	12,871,333	110,107,713	-	4,010,102	15,145	150,396	(139,955,356)	(12,800,667)
Balance at 31 December 2010	293,165,987	1,035,279,721	185,510	191,447,203	1,164,237	5,543,321	40,982,832	1,567,768,811
Accumulated depreciation and impairment losses								
Balance at 31 December 2009	141,241,132	627,788,784	100,943	148,814,944	1,151,389	3,675,719	-	922,772,911
New Companies (note 5)	900,089	3,354,473	-	-	-	-	-	4,254,562
Depreciation for the year	11,656,615	57,711,598	49,487	20,178,554	16,175	668,319	-	90,280,748
Disposals	(235,854)	(34,931,927)	(46,914)	(610,588)	(43,497)	-	-	(35,868,780)
Transfers and write-offs	27,180	(6,354,959)	-	641,069	-	(353,661)	-	(6,040,371)
Balance at 31 December 2010	153,589,162	647,567,969	103,516	169,023,979	1,124,067	3,990,377	-	975,399,070
Net value	139,576,825	387,711,752	81,994	22,423,224	40,170	1,552,944	40,982,832	592,369,741

The additions that occurred during the year ended at 2011 included: assets associated with the UMTS operation (Universal Mobile Telecommunications Service), HSDPA (Kanguru Express), GSM (Global Standard for Mobile Communications), GPRS (General Packet Radio Service) and FTTH (Fibre-to-the-Home), some of which are associated with ongoing projects, so it remains registered in 'Work in progress'.

During the year 2011 and 2010, disposals include the sale of a set of assets related with 2G network (note 30).

The acquisition cost of 'Tangible assets' held by the Group under finance lease contracts, amounted to 31,582,929 euros and 30,541,539 euros as of 31 December 2011 and 2010, and their net book value as of those dates amounted to 17,715,740 euros and 17,147,392 euros, respectively.

At 31 December 2011, the heading 'Tangible assets' included an amount of 23.3 million euros (2010: 19 million euros) that relates to the net book value of the telecommunications equipment delivered to customers, under free lease agreements with a pre-defined period, which are being amortised over the duration of their contracts.

At 31 December 2011 and 2010, 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.

During the year ended at 31 December 2011, the Board of Directors of the Group proceeded with prospective effect, to the revision of estimated useful life of, essentially, a set of tangible assets and software, related to the mobile and fixed telecommunications networks, which were then recorded prospectively since 1 January 2011. This impact was that the depreciation in the year ended at 31 December 2011 was approximately 10.3 million euros lower, than in the year ended at 31 December 2010.

The transfers of the period include the transfer for 'Intangible Assets' of a set of assets that were hitherto classified as 'Tangible assets in progress' (note 7).

'Tangible assets in progress' at 31 December 2011 and 2010 were made up as follows:

	2011	2010
Development of mobile and fixed network	27,787,877	37,546,065
Information systems	1,326,769	153,510
Other projects in progress	7,154,701	3,283,257
	36,269,347	40,982,832

At 31 December 2011 and 2010, the amounts of commitments to third parties relating to investments to be made were as follows:

	2011	2010
Network	26,716,979	20,444,493
Information systems	1,272,257	2,291,541
	27,989,236	22,736,034

7. Intangible assets

In the years ended at 31 December 2011 and 2010, the movement occurred in Intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

	2011			
	Brands and patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2010	310,619,467	264,381,328	16,085,854	591,086,649
Additions	3,698,888	2,115,899	128,874,615	134,689,402
Disposals	(9,977)	(63,288)	-	(73,265)
Transfers and write-offs	(9,523)	29,934,845	(27,147,662)	2,777,660
Balance at 31 December 2011	314,298,855	296,368,784	117,812,807	728,480,446
Accumulated amortisation and impairment losses				
Balance at 31 December 2010	106,547,783	211,641,924	-	318,189,707
Amortisation for the year	17,115,274	22,083,510	-	39,198,784
Disposals	(97)	(33,677)	-	(33,774)
Transfers and write-offs	(168,913)	(134,618)	-	(303,531)
Balance at 31 December 2011	123,494,047	233,557,139	-	357,051,186
Net value	190,804,808	62,811,645	117,812,807	371,429,260

	2010			
	Brands and patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2009	304,081,633	229,169,691	19,212,155	552,463,479
New Companies	-	2,145	-	2,145
Additions	6,959,102	2,138,467	24,099,525	33,197,094
Disposals	(115,130)	-	-	(115,130)
Transfers and write-offs	(306,138)	33,071,025	(27,225,826)	5,539,061
Balance at 31 December 2010	310,619,467	264,381,328	16,085,854	591,086,649
Accumulated amortisation and impairment losses				
Balance at 31 December 2009	86,606,233	192,163,071	-	278,769,304
New Companies	-	2,145	-	2,145
Amortisation for the year	19,986,262	19,275,650	-	39,261,912
Disposals	(44,773)	-	-	(44,773)
Transfers and write-offs	61	201,058	-	201,119
Balance at 31 December 2010	106,547,783	211,641,924	-	318,189,707
Net value	204,071,684	52,739,404	16,085,854	272,896,942

2011 additions include an amount of approximately 110 million euros, corresponding to the current value of future payments related with the acquisition of rights of use for frequency (spectrum) bands of 800 MHz, 1800 MHz and 2600 MHz, which will be used to develop 4th generation services (LTE - Long Term Evolution). The payable amount totals 113 million euros. In January 2012, an amount of 83 million euros was already paid. The remaining amount can be paid in five annual instalments of 6 million euros, having the company, at each annual payment, the option to anticipate the payment of the amount in debt. The allocation of frequencies resulted from an auction process, whose bidding phase occurred in November 2011, the preliminary report was issued in December 2011 and the final report and conferring act were released on 6 January 2012, confirming the attribution of frequencies for other telecommunications operators, as well as the respective payments.

Under the agreed terms resulting from the grant of the UMTS License, Optimus – Comunicações, S.A., committed to contribute to the promotion and development of an 'Information Society' in Portugal. The total amount of the obligations assumed arose to 274 million euros 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 159 million euros, would be realised through own projects eligible as contributions to the 'Information Society' which will be incurred under the normal course of Optimus – 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 specifically for this purpose. At 31 December 2011, the total amount was already incurred and validated by the above referred entities, so, at this date, there are no additional responsibilities related to these commitments. These charges were recorded in the attached financial statements at the moment the projects were carried out and the estimated costs became known.

The remaining commitments, up to 116 million euros, will be realised, as agreed between Optimus – Comunicações S.A. and MOPTC, through contributions to the 'Iniciativas 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 the 'Fund for the Information Society', now known as the 'Fundação para as Comunicações Móveis' (Foundation for Mobile Communications), established by the three mobile operators with businesses in Portugal. All responsibility is recognised as an additional cost of UMTS license, against an entry in the captions 'Other non-current liabilities' and 'Other current liabilities'. Thus, at 31 December 2011, all the responsibilities with such commitments are fully recorded in the attached consolidated financial statements.

At 31 December 2011, the caption 'Brands and patents and other rights' includes the amount of 110,8 million euros (2010: 111,5 million euros) that correspond at the present value of the estimate responsibility with 'Initiatives E' project, recorded in June 2008 and updated in September 2009 and in December 2011.

At 31 December 2011 and 2010, the Group kept recorded under the heading 'Intangible assets' the amounts of 180,271,530 euros and 191,238,132 euros, respectively, that correspond to the investments net of depreciations made in the development of the UMTS network, including: (i) 57,005,474 euros (2010: 60,005,762 euros) related to the license; (ii) 19,047,619 euros (2010: 20,050,125 euros) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal; (iii) 5,850,099 euros (2010: 6,157,999 euros) related to a contribution to the 'Fundação para as Comunicações Móveis', established in 2007, under an agreement entered with 'MOPTC' and the three mobile telecommunication operators in Portugal; and (iv) 93,497,759 euros (2010: 99,897,320 euros) related with the programme 'Initiatives E', these last two associated to the commitments assumed by the Group in relation to the 'Information Society'.

The intangible assets in progress, at 31 December 2011, were mainly composed of the present value of the cost of acquiring the spectrum for 4th generation.

The assessment of impairment for the main tangible and 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 analysed separately.

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 2011 and 2010, the total net amount of financial expenses capitalization amounted to 10,491,010 euros and 10,179,026 euros, respectively. The amounts capitalised in the years ended at 31 December 2011 and 2010 were 1,135,035 euros and 984,099 euros, respectively. An interest capitalisation rate of 2.42% was used in 2011 (1.64% in 2010), which corresponds to the average interest rate supported by the Group.

8. Breakdown of financial instruments

At 31 December 2011 and 2010, the breakdown of financial instruments was as follows:

					2011
	Loans and receivables	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
Non-current assets					
Investments available for sale (note 10)	-	212,323	212,323	-	212,323
	-	212,323	212,323	-	212,323
Current assets					
Trade debtors (note 13)	146,137,974	-	146,137,974	-	146,137,974
Other current debtors (note 14)	16,169,639	-	16,169,639	9,763,823	25,933,462
Cash and cash equivalents (note 16)	189,350,054	-	189,350,054	-	189,350,054
	351,657,667	-	351,657,667	9,763,823	361,421,490
					2010
	Loans and receivables	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
Non-current assets					
Investments available for sale (note 10)	-	212,323	212,323	-	212,323
	-	212,323	212,323	-	212,323
Current assets					
Trade debtors (note 13)	143,294,200	-	143,294,200	-	143,294,200
Other current debtors (note 14)	23,036,517	-	23,036,517	38,266,181	61,302,698
Cash and cash equivalents (note 16)	68,577,903	-	68,577,903	-	68,577,903
	234,908,620	-	234,908,620	38,266,181	273,174,801

2011

	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IFRS 7	Total
Non-current liabilities					
Medium and long-term loans net of short-term portion (note 20)	320,176,857	-	320,176,857	-	320,176,857
Other non-current financial liabilities (note 21)	-	17,990,531	17,990,531	-	17,990,531
Securitisation of receivables (note 23)	19,951,846	-	19,951,846	-	19,951,846
	340,128,703	17,990,531	358,119,234	-	358,119,234
Current liabilities					
Short-term loans and other loans (note 20)	118,405,031	-	118,405,031	-	118,405,031
Trade creditors (note 25)	-	172,622,586	172,622,586	-	172,622,586
Other current financial liabilities (note 26)	-	2,645,498	2,645,498	-	2,645,498
Securitisation of receivables (note 23)	19,802,596	-	19,802,596	-	19,802,596
Other creditors (note 27)	-	5,686,734	5,686,734	18,145,938	23,832,672
	138,207,627	180,954,818	319,162,445	18,145,938	337,308,383

2010

	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IFRS 7	Total
Non-current liabilities					
Medium and long-term loans net of short-term portion (note 20)	305,038,006	-	305,038,006	-	305,038,006
Other non-current financial liabilities (note 21)	-	19,253,869	19,253,869	-	19,253,869
Securitisation of receivables (note 23)	39,740,412	-	39,740,412	-	39,740,412
	344,778,418	19,253,869	364,032,287	-	364,032,287
Current liabilities					
Short-term loans and other loans (note 20)	30,942,240	-	30,942,240	-	30,942,240
Trade creditors (note 25)	-	178,732,746	178,732,746	-	178,732,746
Other current financial liabilities (note 26)	-	2,171,140	2,171,140	-	2,171,140
Securitisation of receivables (note 23)	19,634,161	-	19,634,161	-	19,634,161
Other creditors (note 27)	-	12,090,269	12,090,269	44,661,886	56,752,155
	50,576,401	192,994,155	243,570,556	44,661,886	288,232,442

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', 'Other non-current assets', 'Other current liabilities' and 'Other non-current liabilities' and were not included in this note, as the nature of such balances are not within the scope of IFRS 7.

9. Goodwill

For the years ended at 31 December 2011 and 2010, the movements occurred in Goodwill were as follows:

	2011	2010
Opening balance	526,141,552	526,106,175
Movements of the year	(37,829)	35,377
Impairment	(5,000,000)	-
Closing balance	521,103,723	526,141,552

For the years ended at 31 December 2011 and 2010, the caption 'Others' includes, mainly, the exchange rate update of the Goodwill.

Due to the worsening financial crisis, which has caused a sharp macroeconomic deterioration in Portugal in 2011, the advertising market suffered a sharp decline. This last, coupled with the pessimistic predictions for the following years, has aggravated our expectations for the future. Additionally, the sale of newspapers and associated products has also worsened, affecting negatively our cash flow projections for the multimedia segment. Given this, the implemented impairment tests led to the record of an impairment loss of 5 million euros on the Income Statement, under the caption 'Depreciation and amortisation', in accordance with the policy described on note 1.x).

For the remaining segments, the revision of the projections and the impairment tests carried out did not lead to any impairment loss.

Goodwill at 31 December 2011 and 2010 was made up as follows:

	2011	2010
Optimus	485,092,375	485,092,375
Público	15,000,000	20,000,000
Cape Technologies	17,476,354	17,476,354
We Do	1,971,668	1,971,668
Praesidium Services	1,183,662	1,148,671
Unipress	321,698	321,698
Per-Mar	47,253	47,253
Be Towering	10,713	10,713
SIRS	-	72,820
	521,103,723	526,141,552

The evaluation of the existence of impairment losses in Goodwill is made by taking into account the cash-generating units, based on the most recent business plans duly approved by the Group's Board of Directors, which are prepared attending to cash flow projections 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, as indicated in the table below. In perpetuity, the Group considered a growth rate of around 3% and others considered more conservative. In situations where the measurement of the existence, or not, of impairment is made based on the net selling price, values of similar transactions and other proposals made are used.

	Discount rate
Telecommunications	9.50%
Multimedia	10.00%
Information Systems	11.50%

10. Investments available for sale

At 31 December 2011 and 2010, this caption included investments classified as available-for-sale and was made up as follows:

	%	2011	2010
Lusa – Agência de Notícias de Portugal, S.A.	1.38%	197,344	197,344
VISAPRESS - Gestão de Conteúdos dos Média, CRL	10.00%	5,000	5,000
Others	-	9,979	9,979
		212,323	212,323

During the year ended at 31 December 2011, the heading 'Investments available for sale' did not present any movements. On last quarter of 2010, the Group sold the investment on Altitude, SGPS, S.A., and generated a capital gain of 2,091,120 euros, registered in 'Other financial income' (note 33).

At 31 December 2011, these investments correspond to shareholdings 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 comparisons with the value of the percentage of share capital detained by the Group and with multiples of sales and EBITDA of companies of the same sector.

The financial information regarding these investments is detailed below (in thousands of euro):

	Assets	Shareholder's Funds	Gross Debt	Turnover	Operational Results	Net Income
Lusa – Agência de Notícias de Portugal, S.A. ⁽¹⁾	18,603	8,624	5,017	19,213	1,093	654
VISAPRESS - Gestão de Conteúdos dos Média, CRL ⁽¹⁾	15	(49)	-	-	(113)	(114)

⁽¹⁾ Amounts expressed in thousands euro at 31 December 2010.

11. Deferred taxes

Deferred tax assets at 31 December 2011 and 2010, amounted to 103,853,881 euros and 109,587,224 euros, respectively, and arose, mainly, from tax losses carried forward, temporary 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 2011 and 2010 were as follows:

	2011	2010
Opening balance	109,587,224	121,894,677
Impact on results:		
Movements of Deferred tax assets related with tax losses of previous years	327,124	(4,281,588)
Adjustments in the conversion to IAS/IFRS	(6,015,328)	(6,350,717)
Movements in provisions not accepted for tax purposes and tax benefits	5,732,106	5,220,299
Temporary differences resultant of UMTS license	(365,029)	5,573,220
Temporary net differences between the tax and the accounting amount of certain fixed assets	(2,163,128)	(9,269,078)
Temporary differences arising from the securitisation of receivables (Optimus)	(3,220,000)	(3,220,000)
Sub-total effect on results (note 34)	(5,704,255)	(12,327,864)
Others	(29,088)	20,411
Closing balance	103,853,881	109,587,224

At 31 December 2008, deferred tax assets were recognised in the amount of 16.1 million euros with regard to the securitisation of future receivables completed in December 2008 (note 23). As a result of that operation, and in accordance with the provisions of *Decreto-Lei* nº 219/2001 (Decree-Law) of 4 August, an amount of 100 million euros 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 31 December 2011, an amount of 9.9 million euros was reversed corresponding to the reversal of the above referred temporary difference.

Deferred taxes related to the IAS / IFRS adjustments correspond to the temporary differences generated in the companies included in consolidation and result from the fact that IAS / IFRS conversion adjustments, recorded in these companies at 31 December 2009, already considered in consolidated financial statements under IAS / IFRS, from previous years, only be considered for tax purposes, linearly, for a period of five years between 2010 and 2014.

Deferred taxes related to the UMTS license refers to temporary differences related to the value of the UMTS license, of the subsidiary Optimus. In consolidated financial statements and in accordance with IAS / IFRS, the license was amortised linearly, by the estimated period of useful life. For tax purposes, until the year 2009, the UMTS license was amortised using, on the first five years of commercial operation, from 2004 to 2008, incremental monthly basis depending of the capacity of the network installed, which would be applied after the straight-line monthly basis until the term of the license. Thus, the group recorded deferred tax assets relating to the temporary differences between the value of the license for tax purposes and the value recorded in the consolidated financial statements.

At 31 December 2011 and 2010, assessments of the deferred tax assets 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 2011 and 2010, in Portuguese companies, to calculate the deferred tax assets relating to tax losses carried forward was 25%. The rate used to calculate the temporary differences, including provisions not accepted and impairment losses, was 26.5%. Tax benefits, related to deductions from taxable income, are considered at 100%, and in some cases, their full acceptance is dependent on the approval of the authorities that concede such tax benefits. It wasn't considered the state surcharge, as it was understood to be unlikely the taxation of temporary differences during the estimated period when the referred rate will be applicable. For foreign companies was used the rate in force in each country.

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 2011 was as follows:

Nature	Companies included in the tax group	Companies excluded of the tax group							Total Sonaecom Group
		Digitmarket	Cape Technologies	We Do Brasil	We Do USA	Sonecom Sistemas de Informação Espanha	We Do Mexico	Total	
Tax losses:									
To be used until 2015	6,199,247	-	-	-	-	-	-	-	6,199,247
To be used until 2021	-	-	-	-	-	-	113,907	113,907	113,907
To be used until 2025	-	-	-	-	-	158,938	-	158,938	158,938
To be used until 2030	-	-	-	-	142,929	-	-	142,929	142,929
Unlimited utilisation	-	-	134,506	403,242	-	-	-	537,748	537,748
Tax losses	6,199,247	-	134,506	403,242	142,929	158,938	113,907	953,522	7,152,769
Tax provisions not accepted and other temporary differences	26,435,251	31,920	-	-	-	-	124,091	156,011	26,591,262
Tax benefits (SIFIDE)	3,519,525	-	-	-	-	-	-	-	3,519,525
Adjustments in the conversion to IAS/IFRS	20,202,723	632	-	-	-	-	-	632	20,203,355
Temporary differences arising from the securitisation of receivables	6,440,000	-	-	-	-	-	-	-	6,440,000
Differences between the tax and accounting amount of certain fixed assets and others	-	-	-	-	-	-	-	-	39,975,219
Others	-	-	-	(28,229)	10,727	-	(10,747)	(28,249)	(28,249)
Total	62,796,746	32,552	134,506	375,013	153,656	158,938	227,251	1,081,916	103,853,881

At 31 December 2011 and 2010, 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:

	2011	2010
Tax losses	31,472,868	49,139,693
Temporary differences (provisions not accepted for tax purposes and other temporary differences)	43,764,377	36,576,315
Others	13,144,536	11,123,352
	88,381,781	96,839,360

At 31 December 2011 and 2010, tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2011	2010
2011	-	4,456,587
2012	5,140,870	13,625,849
2013	13,848,361	14,930,200
2014	694,052	1,782,263
2015	5,795,826	7,394,686
2016	1,190,261	1,204,308
2017	1,710,943	1,771,661
2018	56,555	409,870
2019	53,209	1,453,372
2020	10,202	-
Unlimited	2,972,589	2,110,897
	31,472,868	49,139,693

The years 2016 and following are applicable to the subsidiaries incorporated in countries in which the reporting period of tax losses is greater than four years.

The deferred tax liabilities at 31 December 2011 and 2010 amounting to 498,166 euros and 786,549 euros, respectively, result mainly from consolidation adjustments and IAS/IFRS conversion adjustments of the subsidiary WeDo Brasil.

The movements that occurred in deferred tax liabilities in the years ended at 31 December 2011 and 2010 were as follows:

	2011	2010
Opening balance	(786,549)	(106,929)
Impact on results:		
Temporary differences between tax and accounting results	233,166	-
Adjustments in the conversion to IAS / IFRS	-	(679,620)
Total impact on results (note 34)	233,166	(679,620)
Others	55,217	-
Closing balance	(498,166)	(786,549)

The reconciliation between the earnings before taxes and the taxes recorded for the years ended at 31 December 2011 and 2010 is as follows:

	2011	2010
Earnings before taxes	73,598,106	58,097,553
Income tax rate (25%)	(18,399,527)	(14,524,388)
Deferred tax assets not recognised in the individual accounts and / or resulting from consolidation adjustments and other adjustments to taxable income	(5,074,717)	(8,529,227)
Record/(reverse) of deferred tax assets related to previous years	5,390,414	(4,281,588)
Use of tax losses and tax benefits without record of deferred tax asset in previous years	11,293,781	-
Temporary differences for the year without record of deferred tax assets	(4,323,952)	-
Record of deferred tax liabilities	233,166	(679,620)
Temporary differences arising from the securitisation of receivables	1,800,000	1,800,000
Record/(reverse) of deferred taxes related to tax benefits (SIFIDE)	(1,593,851)	3,396,977
Movements in the temporary differences between the tax and accounting amounts of the UMTS license	(365,029)	6,068,500
Income taxation recorded in the year (note 34)	(11,039,716)	(16,749,346)

Portuguese Tax Authorities can review the income tax returns of the Company and of its subsidiaries with head office in Portugal for a period of four years (five years for Social Security), 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 2008 (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.

For the year ended 31 December 2010, the subsidiary Optimus was notified of the Report of Tax Inspection, where it considers that it is inappropriate the increase, when calculating the taxable profit for the year 2008, of the amount of 100 million euros, with respect to initial price of future credits transferred to securitization. The Settlement Note, was receipt on April 2011, and Optimus will challenge that decision and is confidence of the Board of Directors of the Optimus and the Group that there are strong arguments to obtain a favorable decision for Optimus. For this reason, Optimus kept the recording of deferred tax assets associated with this operation.

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 2011.

12. Inventories

At 31 December 2011 and 2010, this caption was made up as follows:

	2011	2010
Raw materials	824,340	947,502
Merchandise	19,342,283	31,456,854
	20,166,623	32,404,356
Accumulated impairment losses on inventories (note 22)	(12,801,233)	(14,930,606)
	7,365,390	17,473,750

The cost of goods sold in the years ended at 31 December 2011 and 2010 amounted to 85,401,524 euros and 127,913,977 euros respectively and was determined as follows:

	2011	2010
Opening inventories	32,404,356	26,724,850
Purchases	95,924,140	153,505,688
Increase of accumulated impairment losses on inventories (note 22)	153,004	3,923,887
Inventory adjustments	(22,913,354)	(23,836,093)
Closing inventories	(20,166,622)	(32,404,356)
	85,401,524	127,913,977

The amounts recorded under the caption 'Inventory adjustments' at 31 December 2011 and 2010 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 Optimus - Comunicações S.A. (note 6).

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. The accumulated impairment losses are registered in the caption 'Cost of sales' (note 1.j)).

13. Trade debtors

At 31 December 2011 and 2010, this caption was made up as follows:

	2011	2010
Trade debtors:		
Telecommunications	120,746,430	113,218,382
Information Systems	21,459,716	25,322,246
Multimedia and others	3,931,828	4,753,572
	146,137,974	143,294,200
Doubtful debtors	78,045,001	69,882,223
	224,182,975	213,176,423
Impairment losses in accounts receivable (note 22)	(78,045,001)	(69,882,223)
	146,137,974	143,294,200

At 31 December 2011 and 2010, the accumulated impairment losses by segment were made up as follows:

	2011	2010
Impairment losses in accounts receivable:		
Telecommunications	73,205,349	65,609,712
Information Systems	1,563,139	1,330,035
Multimedia and others	3,276,513	2,942,476
	78,045,001	69,882,223

The Group's exposure to credit risk is mainly related to accounts receivable arising from its operational activity. The amounts included in the balance sheet are net of cumulative doubtful debtors impairment losses that were estimated by the Group, taking into consideration its past experience and an assessment of the current macroeconomic environment. The Board of Directors believes that the book value of the accounts receivable does not differ significantly from its fair value.

Trade debtors by age at 31 December 2011 and 2010 were as follows:

	Due without impairment					Due with impairment			
	Total	Not due	Until 30 days	From 30 to 90 days	More than 90 days	Until 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
2011									
Trade debtors	224,182,975	59,611,862	19,081,078	7,527,518	29,673,763	4,018,913	6,526,889	2,177,564	95,565,388
2010									
Trade debtors	213,176,422	51,571,775	17,506,632	11,680,213	34,712,640	5,985,244	5,859,106	6,197,103	79,663,709

At 31 December 2011, 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 90% were covered by impairment adjustments.

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 and the information of the financial situation of the debtor.

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

14. Other current debtors

At 31 December 2011 and 2010, this caption was made up as follows:

	2011	2010
Information Society	12,626,005	17,390,276
Other debtors	3,003,700	3,544,925
Advances to suppliers	1,195,842	2,629,722
State and other public entities	9,763,823	38,266,184
Accumulated impairment losses in accounts receivable (note 22)	(655,908)	(528,408)
	25,933,462	61,302,698

At 31 December 2011, the net position of the Sonaecom Group with the 'Fundação para as Comunicações Móveis', under the 'e-iniciativas' programme, amounts to a receivable of 12,626,005 euros (17,390,276 euros in 31 December 2010).

At 31 December 2011, the caption 'State and other public entities' includes VAT reimbursement requests of Be Artis and Be Towering, in an amount of 8,868,043 euros (2010 (Be Artis): 31.281.446 euros), due essentially to the purchase of assets of Optimus – Comunicações S.A., at the end of that year (note 27).

At 31 December 2011 and 2010, the caption 'Other debtors' refers essentially to accounts receivables from the subsidiary Optimus - Comunicações, S.A..

Other debtors and advances to suppliers by age at 31 December 2011 and 2010 are as follows:

	Total	Due without impairment				Due with impairment			
		Not due	Until 30 days	From 30 to 90 days	More than 90 days	Until 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
2011									
Other debtors	15,629,705	598,855	305,936	155,609	13,989,237	338,420	396	8,559	232,693
Advances to suppliers	1,195,842	176,566	459,879	131,879	341,443	244	-	21	85,810
	16,825,547	775,421	765,815	287,488	14,330,680	338,664	396	8,580	318,503
2010									
Other debtors	20,935,204	2,258,167	641,962	2,233,492	15,568,690	-	-	-	232,893
Advances to suppliers	2,629,722	250,639	867,132	274,779	1,237,172	-	-	-	-
	23,564,926	2,508,806	1,509,094	2,508,271	16,805,862	-	-	-	232,893

The amounts due and without impairment correspond, mostly, to Sonae Group companies and other entities, without credit risk.

15. Other current assets

At 31 December 2011 and 2010, this caption was made up as follows:

	2011	2010
Invoices to be issued to clients for services rendered	39,850,808	38,486,597
Invoices to be issued to operators	17,455,886	18,421,496
Specialised work paid in advance	9,854,599	9,389,330
Other accrued income	1,523,941	1,212,637
Rappel discounts (annual quantity discounts)	577,401	820,998
Prepaid rents	989,459	946,377
Other costs paid in advance	471,481	561,695
	70,723,575	69,839,130

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 2011 and 2010, projects in progress could be summarised as follows:

	2011	2010
Number of projects in progress	418	407
Total costs recognised	16,608,033	17,294,331
Total revenues recognised	26,612,772	24,410,691
Total deferred revenues	5,908,503	5,369,221
Total accrued revenues	5,603,369	3,719,521

16. Cash and cash equivalents

At 31 December 2011 and 2010, the detail of cash and cash equivalents was as follows:

	2011	2010
Cash	235,105	190,896
Bank deposits repayable on demand	6,699,981	6,709,461
Treasury applications	182,414,968	61,677,547
Cash and cash equivalents	189,350,054	68,577,903
Bank overdrafts (note 20)	(318,296)	(2,553,704)
	189,031,758	66,024,199

At 31 December 2011 and 2010, the 'Treasury applications' had the following breakdown:

	2011	2010
Sonae Investments BV	36,810,000	56,810,000
Bank applications	145,604,968	4,867,547
	182,414,968	61,677,547

During the year ended at 31 December 2011, the above mentioned treasury applications bear interests at an average rate of 3.009% (2.132% in 2010).

17. Share capital

At 31 December 2011 and 2010, the share capital of Sonaecom was comprised by 366,246,868 ordinary registered shares of 1 euro each. At those dates, the Shareholder structure was as follows:

	2011		2010	
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	52.99%	183,374,470	50.07%
Shares traded on the Portuguese Stock Exchange ('Free float')	76,737,177	20.95%	69,117,232	18.87%
Atlas Service Belgium	73,249,374	20.00%	73,249,374	20.00%
Millenium BCP	12,500,998	3.41%	12,500,998	3.41%
Own shares (note 18)	9,045,200	2.47%	9,256,357	2.53%
Sonae SGPS	650,000	0.18%	838,649	0.23%
Efanor Investimentos, SGPS, S.A.	1,000	0.00%	1,000	0.00%
Sonae Investments BV	-	-	10,500,000	2.87%
Santander Asset Management*	-	-	7,408,788	2.02%
	366,246,868	100.00%	366,246,868	100.00%

* As it is not considered a qualified holding, the number of shares held by Santander Asset Management, based on the information disclosed on 16 February 2011, was include in the Free Float.

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.

18. Own shares

During the year ended at 31 December 2011, Sonaecom delivered to its employees 1,764,157 own shares under its Medium Term Incentive Plan (1,040,605 own shares during the year ended at 31 December 2010).

Additionally, during the year, Sonaecom acquired 1,553,000 shares (at an average price of 1.432 euros), holding at 31 December 2011 9,045,200 own shares, representative of 2.47% of its share capital at the average acquisition cost of 1.503 euros.

19. Non-controlling interests

Non-controlling interests at 31 December 2011 and 2010 are made up as follows:

	2011	2010
Digitmarket	460,541	507,442
Saphety	53,157	83,495
Others	1,956	2,853
	515,654	593,790

20. Loans

At 31 December 2011 and 2010, the caption Loans had the following breakdown:

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

					Amount outstanding	
Company	Issue denomination	Limit	Maturity	Type of reimbursement	2011	2010
Sonaecom	'Obrigações Sonaecom SGPS 2005'	150,000,000	Jun-13	Final	150,000,000	150,000,000
SGPS	'Obrigações Sonaecom SGPS 2011'	100,000,000	Mar-15	Final	100,000,000	-
	'Obrigações Sonaecom SGPS 2010'	40,000,000	Mar-15	Final	40,000,000	40,000,000
	'Obrigações Sonaecom SGPS 2010'	30,000,000	Feb-13	Final	30,000,000	30,000,000
	Costs associated with financing set-up	-	-	-	(2,885,931)	(1,883,453)
	Interests incurred but not yet due	-	-	-	2,371,796	800,356
					319,485,865	218,916,903
Sonaecom	Commercial paper	150,000,000	Jul-12	-	-	85,000,000
SGPS	Costs associated with financing set-up	-	-	-	-	(114,339)
	Interests incurred but not yet due	-	-	-	-	416,833
					-	85,302,494
			Jun/Aug-13			
Unipress	Bank loan	-	and Jul-17	-	303,271	431,059
Saphety	Minority shareholder loans	-	-	-	387,721	387,550
					320,176,857	305,038,006

b) Short-term loans and other loans

					Amount outstanding	
Company	Issue denomination	Limit	Maturity	Type of reimbursement	2011	2010
Sonaecom	Commercial paper	150,000,000	Jul-12	-	118,000,000	-
SGPS	Commercial paper	40,000,000	May-11	-	-	15,000,000
	Commercial paper	30,000,000	Apr-12	-	-	4,000,000
	Commercial paper	15,000,000	Jun-12	-	-	9,250,000
	Costs associated with financing set-up	-	-	-	(76,886)	-
	Interests incurred but not yet due	-	-	-	163,621	138,536
					118,086,735	28,388,536
Several	Bank overdrafts (note 16)	-	-	-	318,296	2,553,704
					318,296	2,553,704
					118,405,031	30,942,240

Bond Loan

In June 2005, Sonaecom signed a Bond Loan, privately placed, amounting to 150 million euros without guarantees and with a maturity of eight years. The bonds bear interest at floating rate, indexed to Euribor and paid semiannually. This issue was organised and mounted by Millennium BCP Investimento.

In February and March 2010, Sonaecom signed two other Bond Loan, both privately placed, in the amount of 30 and 40 million euros, without guarantees and maturities of 3 and 5 years respectively. Both loans bear interest at floating rate indexed to Euribor, and paid semiannually. The issues were organised if mounted by, respectively, Banco Espírito Santo de Investimento and Caixa - Banco de Investimento. These bond issues were traded on Euronext Lisbon market.

In September 2011, Sonaecom signed a Bond Loan, privately placed, amounting to 100 million euros without guarantees and with a maturity of three and half years. The bonds bear interest at floating rate, indexed to Euribor and paid semiannually. This issue was organised and mounted by BNP Paribas, ING Belgium SA/NV and WestLB AG.

All the loans above are unsecured and the fulfillment of the obligations under these loans is exclusively guaranteed by the underlying activities and the indebted company cash flows generation capacity.

The average interest rate of the bond loans, in the period, was 2.98% (2.01% in 2010).

Commercial Paper

In July 2007, Sonaecom contracted a Commercial Paper Programme Issuance with a maximum amount of 250 million euros with subscription grant and maturity of five years, organised by Banco Santander de Negócios Portugal and by Caixa - Banco de Investimento. According to the original terms, this programme was reduced to the amount of 150 million euros in July 2010.

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).

Additionally, Sonaecom has three other Commercial Paper Programmes, with subscription guarantee, with the following characteristics:

Amount	Hire date	Subscription guarantee	Maturity
30 million euros	April 2010	Bankia (representation in Portugal) and Banco BPI	one year, possibly renewable
15 million euros	June 2010	Caixa Económica Montepio Geral	one year, possibly renewable
10 million euros*	November 2010	Banco Popular	one year, possibly renewable

* It can also be used as current account or overdraft.

All the loans above are unsecured and the fulfilment of the obligations under these loans is exclusively guaranteed by the underlying activities and the indebted company cash flows generation capacity.

On 31 December 2011, the main financial constraints (covenants) included in debt contracts are related with the bond issue completed by Sonaecom during September 2011, totaling 100 million euros and establishing: (i) the requirement for Sonaecom, Optimus, Artis and Sonae Telecom, as well as the group companies whose both assets and EBITDA are equal or greater than 15% of the consolidated assets and the consolidated EBITDA (material subsidiaries) represent, as a whole, at least 80% of Sonaecom consolidated assets and consolidated EBITDA, and: (ii) the obligation to ensure that consolidated net debt does not exceed three times the consolidated EBITDA.

Additionally, both this loan, as well as other loans are covered by Sonaecom negative pledge clauses, which impose certain restrictions on the mortgaging or pledging of the material subsidiaries' tangible assets and require the upholding of control over Optimus. The penalties applicable in the event of default in these covenants are generally the early payment of the loans obtained.

On 31 December, Sonaecom was fully compliant with all the financial constraints above mentioned.

Bank credit lines of short-term portion

Sonaecom has also short term bank credit lines, in the form of current or overdraft account commitments, in the amount of 19 million euros. These credit lines have maturities up to one year, automatically renewable, except in case of termination by either party, with some periods of notice.

All these loans and bank credit lines bear interest at market rates, indexed to the Euribor for the respective term, and were all contracted in euro.

At 31 December 2011 and 2010, the repayment schedule of medium and long-term loans and of interests (nominal values), for both bonds and commercial paper were 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
2011					
Bond loan:					
Reimbursements	-	180,000,000	-	140,000,000	-
Interests	11,410,100	8,367,566	6,479,600	1,450,215	-
Commercial paper:					
Reimbursements	-	-	-	-	-
Interests	-	-	-	-	-
	11,410,100	188,367,566	6,479,600	141,450,215	-
2010					
Bond loan:					
Reimbursements	-	-	180,000,000	-	40,000,000
Interests	5,361,400	5,376,089	2,833,123	1,254,400	288,684
Commercial paper:					
Reimbursements	-	85,000,000	-	-	-
Interests	1,098,810	547,900	-	-	-
	6,460,210	90,923,989	182,833,123	1,254,400	40,288,684

Although the maturity of commercial paper issuance is between one week to six months, the counterparties assumed the placement and the maintenance of those limits for a period of five years. As so, such liabilities are recorded in the medium and long term at 31 December 2010.

Minority Shareholder loan's have no maturity defined.

At 31 December 2011 and 2010, the available credit lines of the Group were as follows:

					Maturity	
Company	Credit	Limit	Amount outstanding	Amount available	Until 12 months	More than 12 months
2011						
Sonaecom	Commercial paper	150,000,000	118,000,000	32,000,000	x	
Sonaecom	Commercial paper	30,000,000	-	30,000,000	x	
Sonaecom	Commercial paper	15,000,000	-	15,000,000	x	
Sonaecom	Commercial paper	10,000,000	-	10,000,000	x	
Sonaecom	Bond loan	150,000,000	150,000,000	-		x
Sonaecom	Bond loan	100,000,000	100,000,000	-		x
Sonaecom	Bond loan	40,000,000	40,000,000	-		x
Sonaecom	Bond loan	30,000,000	30,000,000	-		x
Sonaecom	Overdraft facilities	16,500,000	-	16,500,000	x	
Sonaecom	Authorised overdrafts	2,500,000	-	2,500,000	x	
Saphety	Authorised overdrafts	280,000	262,872	17,128	x	
SIRS	Authorised overdrafts	150,000	-	-	x	
Others	Several	-	55,424	-	x	
		544,430,000	438,318,296	106,017,128		
2010						
Sonaecom	Commercial paper	150,000,000	85,000,000	65,000,000		x
Sonaecom	Commercial paper	40,000,000	15,000,000	25,000,000	x	
Sonaecom	Commercial paper	30,000,000	4,000,000	26,000,000	x	
Sonaecom	Commercial paper	15,000,000	9,250,000	5,750,000	x	
Sonaecom	Commercial paper	10,000,000	-	10,000,000	x	
Sonaecom	Bond loan	150,000,000	150,000,000	-		x
Sonaecom	Bond loan	40,000,000	40,000,000	-		x
Sonaecom	Bond loan	30,000,000	30,000,000	-		x
Sonaecom	Overdraft facilities	16,500,000	-	16,500,000	x	
Sonaecom	Authorised overdrafts	2,500,000	-	2,500,000	x	
Others	Several	-	2,553,704	-	x	
		484,000,000	335,803,704	150,750,000		

At 31 December 2011 and 2010, there are no interest rate hedging instruments therefore the total gross debit is exposed to changes in market interest rates.

Based on the debt exposed to variable rates at the end of 2011, including the debt on finance lease, and considering the applications and bank balances at the same date, if market interest rates rise (fall), in average, 75bp during the year 2011, the interest paid that year would be increased (decreased) in an amount of approximately 2,400,000 euros.

21. Other non-current financial liabilities

At 31 December 2011 and 2010, 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 17,990,531 euros and 19,253,869 euros, respectively.

At 31 December 2011 and 2010, the payment of these amounts was due as follows:

	2011		2010	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
2011	-	-	3,299,843	2,171,140
2012	3,619,304	2,645,498	3,118,469	2,265,391
2013	3,267,476	2,485,394	2,861,485	2,106,910
2014	2,277,174	1,557,725	2,535,270	1,348,567
2015	2,208,055	1,557,807	2,047,842	1,423,760
2016 onwards	15,140,481	12,389,605	14,707,841	12,109,241
	26,512,490	20,636,029	28,570,750	21,425,009
Interests	(5,876,461)	-	(7145,741)	-
	20,636,029	20,636,029	21,425,009	21,425,009
Short-term liability (note 26)	-	(2,645,498)	-	(2,171,140)
	20,636,029	17,990,531	21,425,009	19,253,869

The medium and long-term agreements made with suppliers of optical fibre 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.

22. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2011 and 2010 were as follows:

	Opening balance	Increases	Utilisations	Decreases	Transfers	Closing balance
2011						
Accumulated impairment losses on accounts receivables (notes 13 and 14)	70,410,631	21,420,143	(14,836,555)	(515,886)	2,222,576	78,700,909
Accumulated impairment losses on inventories (note 12)	14,930,606	153,004	(2,282,377)	-	-	12,801,233
Provisions for other liabilities and charges	33,150,028	4,901,837	(1,883,718)	(32,996)	12,414,805	48,549,956
	118,491,265	26,474,984	(19,002,650)	(548,882)	14,637,381	140,052,098
2010						
Accumulated impairment losses on accounts receivables (notes 13 and 14)	67,838,678	15,166,366	(12,577,739)	(16,674)	-	70,410,631
Accumulated impairment losses on inventories (note 12)	12,690,082	3,923,887	(1,683,363)	-	-	14,930,606
Provisions for other liabilities and charges	32,175,824	1,547,629	(71,924)	(501,501)	-	33,150,028
	112,704,584	20,637,882	(14,333,026)	(518,175)	-	118,491,265

The increase of 'Provisions for other liabilities and charges' includes the amount of 1,365,080 euros (520,360 euros in 2010) related to the dismantling of sites, as foreseen in IAS 16 (note 1.d.)), and the amount of 1,258,253 euros (163,566 euros in 2010) recorded in the profit and loss statement, under the caption 'Income taxation' (note 34).

The reinforcement on 'Accumulated Impairment losses on Inventories' is recorded, on the profit and loss

statement under the caption 'Cost of Sales' (Note 1.j). Therefore, the total amount recorded in the profit and loss statement corresponding to the increase in the heading 'Provisions and impairment losses', corresponds to 23,698,647 euros (2010: 16,030,069 euros).

The heading 'Utilisations' refers, essentially, to the utilisation of provisions registered against entries in customers current accounts of the subsidiary Optimus – Comunicações S.A., fully subject to impairment losses already recognised in the profit and loss statement.

The decreases are recorded in the profit and loss statement, under the caption 'Other operating revenues', in the amount of 523,219 euros (note 30) and under the caption 'Income taxation', in the amount of 25,663 euros (note 34).

The heading 'Transfers' refers to a reclassification of liabilities that were recorded under the caption 'Other current liabilities' (note 28), because it can't be reliably estimated the time of occurrence of the expense (note 1. s)).

At 31 December 2011 and 2010, the breakdown of the provisions for other liabilities and charges is as follows:

	2011	2010
Dismantling of sites	22,864,201	22,729,081
Several contingencies	3,337,770	2,598,683
Legal processes in progress	3,101,417	2,485,534
Indemnities	889,124	617,779
Other responsibilities	18,357,444	4,718,951
	48,549,956	33,150,028

The heading '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 and therefore no financial actualisation was carried out.

The heading 'Other responsibilities' corresponds to the value of costs charged to the current year or previous years, for which it is not possible to estimate reliably the time of occurrence of the expense (note 1.s)), in the amount of circa 14 million euros, which includes the amount of 6.8 million euros related to the dispute concerning the vagueness of the interconnection tariffs of 2011 (note 4.3).

23. Securitisation of receivables

On 30 December 2008, the subsidiary Optimus – Comunicação, S.A., carried out a securitisation operation of future receivables amounting to 100 million euros (98,569,400 euros, 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 (Decree-Law), of 5 November (note 11).

This operation was coordinated by Deutsche Bank, the future credits having 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 as all the other payments due to the other creditors of this transaction, shall be allocated by Optimus - Comunicação, S.A. throughout calendar years 2009/2013, up to a maximum of 213,840,362 euros. Under the terms of this transaction, the amount to be allocated in the next 12 months (19,802,596 euros) was registered in current liabilities and the remainder, amounting to 19,951,846 euros, 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 2011 and 2010, the amount recorded in 'Securitisation of receivables' has the following maturity:

	N+1	N+2	N+3	N+4	N+5	Total
2011						
Securitisation of receivables	19,802,596	19,951,846	-	-	-	39,754,442
2010						
Securitisation of receivables	19,634,161	19,792,061	19,948,351	-	-	59,374,573

24. Other non-current liabilities

At 31 December 2011 and 2010, the caption 'Other non-current liabilities' is as follows:

	2011	2010
Spectrum for 4th Generation	27,423,410	-
Information Society	2,253,107	2,253,107
Medium Term Incentive Plan (note 39)	360,580	444,303
Others	4,682	42,207
	30,041,779	2,739,617

The heading 'Spectrum for 4th Generation' refers to the current value of the amount to be paid in future years resulting from the allocation, to the subsidiary Optimus, of the frequency of services necessary for the development of 4th Generation (note 7).

The heading 'Information Society' refers to the medium and long-term portion of the estimate for the Company's commitments under the 'e-iniciativas' programme (notes 7 and 14) not yet realised.

25. Trade creditors

At 31 December 2011 and 2010, this caption had the following composition and maturity plans:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
2011				
Suppliers – current account	128,480,991	98,567,383	-	29,913,608
Fixed assets suppliers	38,253,595	37,253,595	-	1,000,000
Suppliers – invoices pending approval	5,888,000	5,888,000	-	-
	172,622,586	141,708,978	-	30,913,608
2010				
Suppliers – current account	127,714,078	94,668,318	3,307,222	29,738,538
Fixed assets suppliers	43,117,660	37,548,290	847,624	4,721,746
Suppliers – invoices pending approval	7,901,008	7,901,008	-	-
	178,732,746	140,117,616	4,154,846	34,460,284

At 31 December 2011 and 2010, 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.

26. Other current financial liabilities

At 31 December 2011, this caption includes the amount of 2,645,498 euros (2010: 2,171,140 euros) related to the short term portion of lease contracts (note 21).

27. Other creditors

At 31 December 2011 and 2010, this caption was made up as follows:

	2011	2010
Other creditors	5,686,734	12,090,269
State and other public entities	18,145,938	44,661,886
	23,832,672	56,752,155

At 31 December 2010, the heading 'Other creditors' included the amount of 8,860,291 euros related to the acquisition of Sontária (note 5).

The liability to other creditors matures as follows:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
2011				
Other creditors	5,686,734	5,686,734	-	-
2010				
Other creditors	12,090,269	12,090,269	-	-

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 2011 and 2010, the caption 'State and other public entities' related essentially to taxes payable (Value Added Tax, Corporate Income Tax, Social Security contributions and withholdings of Personal Income Tax) from the following subsidiaries:

	2011	2010
Optimus	13,314,812	33,929,861
Sonaecom	3,399,619	319,771
WeDo Brasil	1,073,747	1,694,830
Digitmarket	793,411	927,284
WeDo	725,160	954,065
Be Artis	679,716	693,484
Mainroad	540,244	471,202
Público	397,917	4,596,900
Be Towering	116,302	315,357
Others	604,703	759,132
	21,645,631	44,661,886

At 31 December 2011, the caption 'State and other public entities' of the subsidiary Optimus – Comunicações S.A. includes the amount of 8,868,043 euros (2010: 31,281,446 euros) of VAT related to the sale of tangible assets to Be Artis and Be Towering which occurred at the end of the year (note 14).

28. Other current liabilities

At 31 December 2011 and 2010, this caption was made up as follows:

	2011	2010
Costs:		
Tangible and intangible assets	87,109,212	8,803,023
Invoices to be issued by operators	33,764,156	43,994,936
Personnel costs	24,585,184	27,266,801
Information Society	15,793,539	33,219,196
Advertising and promotion	7,088,870	12,052,377
Specialised works	5,100,557	6,050,563
Commissions	4,204,014	5,656,915
Rappel discounts (annual quantity discounts)	1,133,174	3,890,940
Maintenance and repairs	398,410	1,122,412
Medium Term Incentive Plans (note 39)	281,169	214,096
Other costs	2,721,004	5,689,930
Other external suppliers and services	11,393,714	16,743,419
	193,573,003	155,901,585
Deferred income:		
Customer advance payments	27,465,209	31,133,380
Other deferred income	2,835,549	1,838,921
	30,300,758	32,972,301
	223,873,761	188,873,886

At 31 December 2011, the heading 'Tangible and intangible assets' includes 83 million euros related to the amount payable in the short term, resulting from the allocation, to the subsidiary Optimus, of the frequencies necessary for the development of services from 4th Generation (note 7).

At 31 December 2011, the heading 'Information Society' in the amount of 15,793,539 euros (33,219,196 euros in 2010) relates to the short-term portion, not yet realised, of the estimate Company's commitments under the 'Iniciativas E' programme (notes 6 and 14).

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 Optimus – Comunicações S.A..

29. Sales and services rendered

At 31 December 2011 and 2010, the caption 'Sales and services rendered' was made up as follows:

	2011	2010
Telecommunications	753,584,939	779,252,625
Information Systems	84,155,644	111,858,284
Multimedia	25,870,032	29,604,556
Others	23,800	3,523
	863,634,415	920,718,988

The decline in the level of equipment sales is mainly due to the end of the 'e-iniciativas' programme.

30. Other operating revenues

At 31 December 2011 and 2010, the caption 'Other operating revenues' was made up as follows:

	2011	2010
Supplementary income	3,873,033	2,680,618
Reversal of provisions (note 22)	523,219	518,175
Others	4,413,033	5,026,191
	8,809,285	8,224,984

At 31 December 2011, the caption 'Others' includes the amount of 1.570.028 euros (2010: 2.035.017 euros) related to the capital gain obtained from the sale of a set of assets related with 2G network (note 6).

31. External supplies and services

'External supplies and services' for the years ended at 31 December 2011 and 2010 had the following composition:

	2011	2010
Interconnection costs	188,141,719	204,086,050
Specialised works	48,371,726	57,217,261
Commissions	43,640,177	42,743,208
Rents	33,571,032	34,118,298
Advertising and promotion	31,871,879	34,929,381
Other subcontracts	30,062,630	29,849,483
Leased lines	18,184,398	21,973,260
Energy	9,349,685	10,478,603
Travelling costs	5,482,738	5,533,926
Communications	5,479,917	5,984,616
Maintenance and repairs	5,061,148	6,677,721
Fees	3,283,231	4,210,566
Others	19,750,632	21,971,798
	442,250,912	479,774,171

The commitments assumed by the Group at 31 December 2011 and 2010 related to operational leases are as follows:

	2011	2010
Minimum payments of operational leases:		
2011	-	45,447,226
2012	42,839,962	42,369,869
2013	40,095,819	40,754,278
2014	37,436,967	36,101,605
2015	33,194,388	33,286,152
2016	30,878,165	32,407,017
2017 onwards	33,015,458	-
Renewable by periods of one year	3,032,699	3,980,102
	220,493,458	234,346,249

During the year ended at 31 December 2011, an amount of 46,043,036 euros (2010: 49,915,160 euros) was recorded in the heading 'External supplies and services' related with operational leasing rents, divided between the lines 'Rents' and 'Leased lines'.

The rents associated to the rental of facilities are mainly justified by the lease, established in 2007, of the Sonaecom building in Lisbon which has a five 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).

32. Other operating costs

At 31 December 2011 and 2010, the caption 'Other operating costs' was made up as follows:

	2011	2010
Taxes	14,869,479	14,012,737
Others	794,070	650,745
	15,663,549	14,663,482

The caption 'Taxes' at 31 December 2011 and 2010 includes, essentially, the fees paid by the subsidiary Optimus – Comunicações to ANACOM, calculated based on the number of its active customers. This obligation was included in the terms of the GSM and UMTS operator license granted to that subsidiary.

33. Financial results

Net financial results for the years ended at 31 December 2011 and 2010 were made up as follows:

	2011	2010
Financial results in group and associated companies:		
Losses in group and associated companies	(54,422)	-
	(54,422)	-
Financial expenses:		
Interest expenses:	(15,366,263)	(13,455,875)
Bank loans	(10,306,109)	(7,513,862)
Securitisation interests (note 23)	(2,895,623)	(3,615,502)
Leasing	(1,007,214)	(984,631)
Other interests	(1,157,317)	(1,341,879)
Foreign exchange losses	(1,344,613)	(528,343)
Other financial expenses	(702,301)	(546,879)
	(17,413,177)	(14,531,097)
Financial income:		
Interest income	6,966,038	5,278,324
Foreign exchange gains	1,596,801	501,818
Others financial gains	12,693	2,379,628
	8,575,532	8,159,770

During the years ended at 31 December 2011 and 2010, the caption 'Financial income: Interest income' includes, mainly, interests earned on treasury applications and interests arising from late collections associated with cases in litigation.

At 31 December 2010, the caption 'Financial Income: Others financial gains' includes the gain on disposal of Altitude by Sonaecom SI, amounted 2,091,120 euros (note 10).

34. Income taxation

Income taxes recognised during the years ended at 31 December 2011 and 2010 were made up as follows ((costs) / gains):

	2011	2010
Current tax	(4,336,037)	(3,578,296)
Tax provision net of reduction (note 22)	(1,232,590)	(163,566)
Deferred tax assets (note 11)	(5,704,255)	(12,327,864)
Deferred tax liabilities (note 11)	233,166	(679,620)
	(11,039,716)	(16,749,346)

35. Related parties

During the years ended at 31 December 2011 and 2010, 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 obtainment of loans.

The most significant balances and transactions with related parties, which are listed in the appendix to this report, during the years ended at 31 December 2011 and 2010 were as follows:

	Balances at 31 December 2011			
	Accounts receivable	Accounts payable	Treasury applications (note 16)	Other assets / (liabilities)
Sonae SGPS	41,795	(25,722)	-	(71,211)
Modelo Continente Hipermercados, S.A.	604,433	435,505	-	(390,750)
Worten	3,177,091	(67,007)	-	(746,452)
Sonaecenter II	1,095,731	82,601	-	(64,671)
Sierra Portugal	980,915	9,912	-	(215,700)
Raso Viagens	66,980	65,052	-	(61,660)
Sonae Investments BV	-	-	36,810,000	7,166
France Télécom	1,664,010	1,745,346	-	(3,476,185)
	7,630,955	2,245,687	36,810,000	(5,019,463)

	Balances at 31 December 2010			
	Accounts receivable	Accounts payable	Treasury applications (note 16)	Other assets / (liabilities)
Sonae SGPS	47,030	3,552	-	5,737
Modelo Continente Hipermercados, S.A.	1,987,059	2,079,983	-	(996,504)
Worten	3,763,754	5,042	-	(1,073,063)
Sonaecenter II	2,277,512	269,649	-	(347,359)
Sierra Portugal	642,612	33,291	-	(83,192)
Raso Viagens	291,107	208,954	-	(177,221)
Sonae Investimentos, SGPS, S.A.	9,411	8,860,291	-	253
Sonae Investments BV	-	-	56,810,000	9,342
France Télécom	2,376,029	1,469,802	-	(5,928,334)
	11,394,514	12,930,564	56,810,000	(8,590,341)

Transactions at 31 December 2011				
	Sales and services rendered	Supplies and services received	Interest and similar income / (expense)	Supplementary income
Sonae SGPS	104,723	127,090	(11,039)	-
Modelo Continente Hipermercados, S.A.	2,875,812	1,658,955	-	312,569
Worten	4,563,977	2,596,214	-	4,078
Sonaecenter II	9,253,114	530,772	-	-
Sierra Portugal	6,806,855	1,819,929	-	12,532
Raso Viagens	528,563	2,471,643	-	-
Sonae Investments BV	-	-	1,622,984	-
France Télécom	15,052,372	12,983,794	-	-
	39,185,416	22,188,397	1,611,945	329,179

Transactions at 31 December 2010				
	Sales and services rendered	Supplies and services received	Interest and similar income / (expense)	Supplementary income
Sonae SGPS	92,699	(77,128)	320,747	-
Modelo Continente Hipermercados, S.A.	4,142,814	1,805,522	-	285,610
Worten	7,195,673	3,164,762	-	-
Sonaecenter II	7,409,178	623,015	-	11,572
Sierra Portugal	3,367,512	1,201,718	-	27,826
Raso Viagens	635,752	1,962,146	-	-
Sonae Investimentos, SGPS, S.A.	9,501	-	-	-
Sonae Investments BV	-	-	1,888,461	-
France Télécom	14,475,308	11,671,570	-	-
	37,328,437	20,351,605	2,209,208	325,008

Additionally, during the year ended at 31 December 2010, Sonaecom acquired Sontária from Sonae Investimentos, SGPS, S.A., for an amount of 8,860,291 euros (notes 5 and 27).

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 2011 and 2010, no impairment losses referring to related entities were recognised.

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

36. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 2011 and 2010 were as follows:

Company	Beneficiary	Description	2011	2010
Optimus	ICP - ANACOM	Acquisition of Spectrum for 4th generation	15,000,000	-
Optimus and Sonaecom	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT Reimbursements	9,311,818	9,350,818
Optimus	Direcção de Contribuições e Impostos (Portuguese tax authorities)	IRC – Tax assessment	4,039,639	1,711,220
WeDo, WeDo Egipto and WeDo México	AD Makedonski, Digi Telecommunications, Emirates Telecom. Corp., Pak Telecom, Scotiabank De Costa Rica, Sirilanka Telecom, Telcel and Oman Telecommunications	Completion of work to be done	910,553	1,159,405
Sonaecom	Direcção de Contribuições e Impostos (Portuguese tax authorities)	Tax audit 2005	754,368	754,368
Optimus and Público	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT – Impugnation process	18,000	598,000
WeDo, Saphety and Digitmarket	IAPMEI (Institute of Support to Small and Medium Enterprises and Investment)	'HERMES' project – QREN	417,797	619,528
Optimus	Direcção Geral do Tesouro (Portuguese tax authorities)	IRC – Withholding tax on payments to non-residents	306,954	306,954
Público	Tribunal de Trabalho de Lisboa (Lisbon Labour Court)	Execution action n. 199A/92	271,511	271,511
Optimus	Câmara Municipal de Coimbra, Lisboa, Braga, Elvas, Caldas da Rainha, Guarda, Mealhada, Barcelos e Faro (Coimbra, Lisbon, Braga, Elvas, Caldas da Rainha, Guarda, Mealhada, Barcelos and Faro Municipalities)	Performance bond – works	246,270	274,551
Optimus	Governo Civil de Lisboa (Lisbon Government Civil)	Guarantee the sweepstakes plan complete fulfilment	104,650	22,180
Several	Others		1,182,487	1,112,712
			32,564,047	16,181,247

In addition to these guarantees were set up two sureties for the current fiscal processes. The Sonae SGPS consisted of Sonaecom SGPS surety to the amount of 2,844,270 euros and Sonaecom SGPS consisted of Optimus surety for the amount of 9,264,267 euros.

At 31 December 2011 and 2010, 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.

37. Information by business segment

The following business segments were identified for the years ended at 31 December 2011 and 2010:

- Telecommunications;
- Multimedia;
- Information systems;
- Holding activities.

The segment 'Holding activities' includes the operations of the Group companies that have as their main activity the management of shareholdings.

Excluding the ones mentioned above, the remaining activities of the Group have been classified as unallocated.

Inter-segment transactions during the years ended at 31 December 2011 and 2010 were eliminated in the consolidation process. All these transactions were made at market prices.

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 interest on treasury applications and management fees.

Overall information by business segment at 31 December 2011 and 2010, prepared in accordance with the same accounting policies and measurement criteria adopted in the preparation of the consolidated financial statements, can be summarised as follows:

	Telecommunications				Multimedia				Information Systems				Holding Activities				Other				Subtotal				Eliminations				Total	
	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010
Revenues:																														
Sales and services rendered	754,733,286	780,358,120	25,912,825	29,735,815	108,485,874	142,537,694	3,879,652	6,277,673	227,844	220,800	895,239,481	959,130,101	(29,605,066)	(38,411,113)	863,634,415	920,718,988														
Other operating revenues	11,425,582	10,064,880	64,1802	583,938	724,508	512,080	896	14,585	-	-	12,792,788	11,175,483	(3,983,503)	(2,950,499)	8,809,285	8,224,984														
Total revenues	766,158,868	790,423,000	26,554,627	30,319,753	109,210,382	143,049,774	3,880,548	6,292,258	227,844	220,800	906,032,269	970,305,584	(33,588,569)	(41,361,612)	872,443,700	928,943,972														
Depreciation and amortisation	(119,996,966)	(124,662,671)	(6,163,467)	(1,416,257)	(5,161,242)	(4,394,344)	(75,411)	(111,539)	(31,181)	(29,910)	(131,428,267)	(130,614,718)	932,700	1,072,058	(130,495,567)	(129,542,660)														
Net operating income / (loss) for the segment	89,190,578	64,331,382	(4,251,720)	(2,684,337)	3,511,450	4,064,239	(1,045,192)	(117,155)	(984)	59,455	87,404,132	64,599,184	(4,913,960)	(130,305)	82,490,172	64,468,880														
Net interests	(8,821,736)	(9,232,272)	(237,380)	(915,96)	(902,433)	(660,185)	1,621,349	2,613,269	(11,361)	(52,032)	(8,351,561)	(742,816)	(4,665)	(754,735)	(8,400,226)	(8,177,551)														
Gains and losses in associated companies	-	-	(54,422)	-	-	-	-	-	-	-	(54,422)	-	-	-	(54,422)	-														
Other financial results	(249,890)	(368,882)	(5,076)	(9,374)	53,660	2,438,546	(4,693,649)	86,233,459	(40)	(40)	(4,894,995)	88,293,709	4,457,576	(86,487,485)	(437,419)	1,806,224														
Consolidated EBT for the year	80,118,952	54,730,228	(4,548,598)	(2,785,307)	2,662,617	5,842,600	(4,117,492)	87,875,173	(12,384)	7,383	74,103,095	145,470,077	(504,989)	(87,372,525)	73,598,106	58,097,553														
Assets:																														
Tangible and intangible assets and goodwill	950,837,294	859,423,449	4,125,705	4,333,706	68,219,146	69,556,922	363,332	437,294	30,295	1,569,841	1,023,575,772	935,321,212	452,370,766	456,087,023	1,475,946,538	1,391,408,235														
Inventories	6,067,184	16,034,959	814,340	937,502	483,866	501,289	-	-	-	-	7365,390	174,73,750	-	-	7,365,390	174,73,750														
Financial investments	1,282,025	1,282,025	209,829	441,509	2,494	2,494	1,127,492,297	11,31,467,477	-	-	1,128,986,645	1,133,193,505	(1,128,774,322)	(1,132,981,182)	212,323	212,323														
Other non-current assets	98,935,791	111,180,671	3,570	-	8,375,287	1,254,958	486,935,257	414,018,652	1,539,784	-	595,789,689	526,454,281	(491,670,835)	(417,296,965)	104,118,854	109,157,316														
Other current assets of the segment	307,205,273	243,980,319	764,5124	10,546,272	49,241,595	60,287,588	106,925,335	107,866,898	70,720	91,257	471,088,047	422,772,334	(35,599,428)	(83,297,266)	435,688,619	339,475,068														
Liabilities:																														
Liabilities of the segment	723,190,659	765,338,900	175,664,429	14,455,730	71,376,567	77,538,379	460,587,714	370,021,458	285,029	1,505,666	1,273,006,398	1,228,860,133	(271,071,565)	(346,385,435)	1,001,934,833	882,474,698														
CAPEX	212,177,000	127,134,582	587,517	584,226	3,895,291	10,060,109	168,896,696	14,024,581	31,418	25,046	385,587,922	151,828,544	(159,032,717)	(73,881,116)	226,555,205	144,440,428														

Despite the merger that 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 2011	December 2010	December 2011	December 2010	December 2011	December 2010	December 2011	December 2010
Income:								
Sales and services rendered	570,721,343	592,757,616	220,396,630	237,645,533	(36,384,687)	(50,045,029)	754,733,286	780,358,120
Other operating revenues	32,214,612	33,418,687	1,002,469	1,792,040	(21,791,499)	(25,145,847)	11,425,582	10,064,880
Total revenues	602,935,955	626,176,303	221,399,099	239,437,573	(58,176,186)	(75,190,876)	766,158,868	790,423,000
Depreciation and amortisation	(89,334,998)	(91,478,384)	(30,417,196)	(33,024,526)	(244,772)	(159,761)	(119,996,966)	(124,662,671)
Operational results of the segments	110,218,422	94,024,816	(20,827,450)	(29,543,482)	(200,394)	(149,952)	89,190,578	64,331,382
Assets:								
Tangible assets and goodwill	807,533,410	695,939,434	143,303,884	163,484,015	-	-	950,837,294	859,423,449
Inventories	5,747,066	13,444,518	320,118	2,590,440	-	-	6,067,184	16,034,958
Financial investments	1,282,025	1,282,025	-	-	-	-	1,282,025	1,282,025
CAPEX	191,596,000	110,437,851	20,026,000	16,696,731	555,000	-	212,177,000	127,134,582

In 2011, the caption Capex include an amount of approximately 110 million euros, corresponding to the current value of future payments related with the acquisition of rights of use for frequency (spectrum), which will be used to develop 4th generation services (LTE - Long Term Evolution).

During the years ended at 31 December 2011 and 2010, the inter-segments sales and services were as follows:

	Telecommunications	Multimedia	Information Systems	Holding Activities	Others
2011					
Telecommunications	-	-	22,688,207	3,332,236	227,844
Multimedia	1,239,352	-	127,242	171,270	-
Information Systems	1,349,208	44,635	-	352,347	-
Holding Activities	63,560	4,091	3,667	-	-
Sonaecom others	1,408	-	-	-	-
Others	752,079,758	25,864,099	85,666,758	23,799	-
	754,733,286	25,912,825	108,485,874	3,879,652	227,844
2010					
Telecommunications	-	37,005	29,081,130	5,894,238	220,800
Multimedia	1,397,533	-	198,622	164,391	-
Information Systems	992,808	88,640	-	202,700	-
Holding Activities	66,461	4,091	60,221	-	-
Sonaecom others	1,408	-	-	1,066	-
Others	777,899,910	29,606,079	113,197,721	15,278	-
	780,358,120	29,735,815	142,537,694	6,277,673	220,800

38. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (61,716,308 euros in 2011 and 41,182,587 euros in 2010) by the average number of shares outstanding during the years ended at 31 December 2011 and 2010, net of own shares (357,163,073 in 2011 and 358,008,787 in 2010).

39. 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 SGPS, 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 2011 can be summarised as follows:

	Vesting period			31 December 2011	
	Share price at award date*	Award date	Vesting date	Aggregate number of participations	Number of options / shares
Sonaecom shares					
2007 Plan	2.447	10 Mar 2008	09 Mar 2011	-	-
2008 Plan	1.117	10 Mar 2009	09 Mar 2012	381	3,469,227
2009 Plan	1.685	10 Mar 2010	08 Mar 2013	390	2,485,188
2010 Plan	1.399	10 Mar 2011	10 Mar 2014	384	2,938,055
Sonae SGPS shares					
2007 Plan	1.160	10 Mar 2008	09 Mar 2011	-	-
2008 Plan	0.526	10 Mar 2009	09 Mar 2012	4	405,776
2009 Plan	0.761	10 Mar 2010	08 Mar 2013	4	314,954
2010 Plan	0.811	10 Mar 2011	10 Mar 2014	8	379,903

* 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.

During the year ended at 31 December 2011, 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 2010:				
Unvested	1,176	7,576,178	12	877,623
Total	1,176	7,576,178	12	877,623
Movements in the year:				
Awarded	393	2,927,010	8	364,438
Vested	(377)	(1,764,157)	(4)	(186,234)
Cancelled / elapsed/transfers ⁽¹⁾	(37)	153,439	-	44,806
Outstanding at 31 December 2011:				
Unvested	1,155	8,892,470	16	1,100,633
Total	1,155	8,892,470	16	1,100,633

⁽¹⁾ The adjustments are made for dividends paid and for share capital changes and others adjustments, namely, resulting from a change in the vesting of the MTIP, which may now be made through the purchase of shares with discount.

For Sonaecom's share plans, the total responsibility is calculated taking into consideration the share price at award date of each plan. The responsibility for the mentioned plans is 7,119,989 euros and was recorded under the heading 'Medium Term Incentive Plans Reserve'. 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 in those contracts. The responsibility of these plans is recorded under the headings of 'Other current liabilities' (note 28) and 'Other non-current liabilities' (note 24).

Share plan costs are recognised in the accounts over the year between the award and the vesting date of those shares. The costs recognised in previous years and in the year ended at 31 December 2011, were as follows:

	Amount
Costs recognised in previous years	26,916,525
Costs recognised in the year	4,158,602
Costs of plans vested in previous year	(21,445,373)
Costs of plans vested in the year	(1,868,016)
Total cost of the plans	7,761,738
Recorded in 'Other current liabilities' (note 28)	281,169
Recorded in 'Other non-current liabilities' (note 24)	360,580
Recorded in reserves	7,119,989

40. Remuneration attributed to the key management personnel

During 2011 and 2010, the remunerations paid to Directors and other members of key management in functions at the years ended 31 December 2011 and 2010 (20 managers in 2011 and 2010) were as follows:

	2011	2010
Short-term employee benefits	3,324,526	3,305,557
Share-based payments	876,286	902,011
	4,200,812	4,207,568

The short-term employee benefits, which include the salary and performance bonus, were calculated on an accruals basis. The share-based payments for 2011 and 2010 correspond to the value of the Medium Term Incentive Plan and will be awarded in 2012, in respect of performance during 2011 (and the Medium Term Incentive Plan awarded in 2011 in respect of performance during 2010, for the 2010 amounts), whose shares, or the cash equivalent, will be delivered in March 2015 and March 2014, respectively.

Full details on the Sonaecom Group remuneration policy are disclosed in the Corporate Governance Report.

41. Fees of Statutory Auditor

In 2011 and 2010, the Group paid, in respect of fees, to the Statutory Auditor of the Group, Deloitte, and its network of companies, the following amounts:

	2011	2010
Statutory audit	145,022	232,762
Other guarantee and reliability services	43,637	42,756
Tax Advice	19,081	13,283
Other consulting	20,000	-
Total	227,740	288,801

42. Average number of employees

During the years ended at 31 December 2011 and 2010, the companies included in the consolidation employed an average number of 2,152 and 2,120, respectively. At 31 December 2011, the number of employees was 2,125.

43. Other matters

At 31 December 2011, accounts receivable from customers and accounts payable to suppliers include 37,139,253 euros and 29,913,608 euros, respectively, as well the captions 'Other current assets' and 'Provisions and accumulated impairment losses' include 411,649 euros and 6,817,553 euros, respectively, resulting from a dispute between the subsidiary Optimus – Comunicação, S.A. and, essentially, the operator TMN – Telecomunicações Móveis Nacionais, S.A., in relation to the vagueness of 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), for final and permanent decision, who upheld the decision of the 'Tribunal da Relação' (Court of Appeal), thus concluding that the interconnection prices for 2001 were not defined. The settlement of outstanding amounts will depend on the price that will be established.

These consolidated financial statements were approved by the Board of Directors on 7 March 2012, being its conviction that these will be approved at Shareholders General Meeting 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) as adopted by the European Union 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

Key management personnel - Sonaecom

Ana Cristina Dinis da Silva Fanha Vicente Soares	Gervais Gilles Pellissier
Ana Paula Garrido Pina Marques	Jean-François René Pontal
Ângelo Gabriel Ribeirinho dos Santos Paupério	José Manuel Pinto Correia
António Bernardo Aranha da Gama Lobo Xavier	Manuel António Neto Portugal Ramalho Eanes
António de Sampaio e Mello	Maria Cláudia Teixeira de Azevedo
David Charles Denholm Hobley	Miguel Nuno Santos Almeida
David Graham Shenton Bain	Nuno Manuel Moniz Trigo Jordão
David Pedro Oliveira Parente Ferreira Alves	Paulo Joaquim dos Santos Plácido
Duarte Paulo Teixeira de Azevedo	Pedro Rafael de Sousa Nunes Pedro
Franck Emmanuel Dangeard	Rui José Silva Gonçalves Paiva

Key management personnel - Sonae SGPS

Álvaro Carmona e Costa Portela	Christine Cross
Álvaro Cuervo Garcia	José Manuel Neves Adelino
Belmiro de Azevedo	Michel Marie Bon
Bernd Hubert Joachim Bothe	

Sonae/Efanor Group Companies

3DO Holding GmbH	Beralands BV
3DO Shopping Centre GmbH	Bertimóvel – Sociedade Imobiliária, S.A.
3shoppings – Holding,SGPS, S.A.	BHW Beeskow Holzwerkstoffe
8ª Avenida Centro Comercial, SA	Bloco Q – Sociedade Imobiliária, S.A.
ADD Avaliações Engenharia de Avaliações e Perícias Ltda	Bloco W – Sociedade Imobiliária, S.A.
ADDmakler Administração e Corretagem de Seguros Ltda	Boavista Shopping Centre BV
ADDmakler Administradora, Corretora de Seguros Partic. Ltda	BOM MOMENTO – Comércio Retalhista, SA
Adlands B.V.	Canasta – Empreendimentos Imobiliários, S.A.
Aegean Park, S.A.	Carnes do Continente – Ind.Distr.Carnes, S.A.
Agepan Eiweiler Management GmbH	Casa Agrícola de Ambrães, S.A.
Agepan Flooring Products, S.A.RL	Casa da Ribeira – Hotelaria e Turismo, S.A.
Agloma Investimentos, Sgps, S.A.	Cascaishopping – Centro Comercial, S.A.
Agloma-Soc.Ind.Madeiras e Aglom., S.A.	Cascaishopping Holding I, SGPS, S.A.
Águas Furtadas Sociedade Agrícola, SA	CCCCB Caldas da Rainha - Centro Comercial,SA
Airone – Shopping Center, Srl	Centro Colombo – Centro Comercial, S.A.
ALBCC Albufeirashopping C.Comercial SA	Centro Residencial da Maia,Urban., S.A.
ALEXA Administration GmbH	Centro Vasco da Gama – Centro Comercial, S.A.
ALEXA Asset GmbH & Co KG	Change, SGPS, S.A.
ALEXA Holding GmbH	Chão Verde – Soc.Gestora Imobiliária, S.A.
ALEXA Shopping Centre GmbH	Cinclus Imobiliária, S.A.
Algarveshopping – Centro Comercial, S.A.	Citorres – Sociedade Imobiliária, S.A.
Alpêssego – Soc. Agrícola, S.A	Coimbrashopping – Centro Comercial, S.A.
Andar – Sociedade Imobiliária, S.A.	Colombo Towers Holding, BV
Aqualuz – Turismo e Lazer, Lda	Contacto Concessões, SGPS, S.A.
Arat inmebles, S.A.	Contibomba – Comérc.Distr.Combustíveis, S.A.
ARP Alverca Retail Park,SA	Contimobe – Imobil.Castelo Paiva, S.A.
Arrábidashopping – Centro Comercial, S.A.	Continente Hipermercados, S.A.
Aserraderos de Cuellar, S.A.	Contry Club da Maia-Imobiliária, S.A.
Atlantic Ferries – Tráf.Loc,Flu.e Marít, S.A.	Cooper Gay Swett & Crawford Lt
Avenida M – 40 B.V.	Craiova Mall BV
Avenida M – 40, S.A.	Cronosaúde – Gestão Hospitalar, S.A.
Azulino Imobiliária, S.A.	Cumulativa – Sociedade Imobiliária, S.A.
BA Business Angels, SGPS, SA	Darbo S.A.S
BA Capital, SGPS, SA	Deutsche Industrieholz GmbH
BB Food Service, S.A.	Discovery Sports, SA

Sonae/Efanor Group Companies (cont.)

Dortmund Tower GmbH	Imoponte – Soc.Imobiliária, S.A.
Dos Mares – Shopping Centre B.V.	Imoresort – Sociedade Imobiliária, S.A.
Dos Mares – Shopping Centre, S.A.	Imoresultado – Soc.Imobiliária, S.A.
Ecociclo – Energia e Ambiente, S.A.	Imosedas – Imobiliária e Serviços, S.A.
Ecociclo II	Imosistema – Sociedade Imobiliária, S.A.
Edições Book.it, S.A.	Imosona II
Edifícios Saudáveis Consultores, S.A.	Impaper Europe GmbH & Co. KG
Efanor Investimentos, SGPS, S.A.	Implantação – Imobiliária, S.A.
Efanor Serviços de Apoio à Gestão, S.A.	Infofield – Informática, S.A.
El Rosal Shopping, S.A.	Infratroia, EM
Emfísico Boavista	Inparsi – Gestão Galeria Comercial, S.A.
Empreend.Imob.Quinta da Azenha, S.A.	Inparvi SGPS, S.A.
Equador & Mendes, Lda	Integrum – Energia, SA
Espimaia – Sociedade Imobiliária, S.A.	Integrum Colombo Energia, S.A.
Estação Viana – Centro Comercial, S.A.	Interlog – SGPS, S.A.
Estêvão Neves – Hipermercados Madeira, S.A.	Investalentejo, SGPS, S.A.
Euroresinas – Indústrias Químicas, S.A.	Invsauade – Gestão Hospitalar, S.A.
Farmácia Seleção, S.A.	Ioannina Development of Shopping Centres, SA
Fashion Division Canárias, SL	Isoroy SAS
Fashion Division, S.A.	La Farga – Shopping Center, SL
Fontana Corretora de Seguros Ltda	Laminat Park GmbH Co. KG
Fozimo – Sociedade Imobiliária, S.A.	Larim Corretora de Resseguros Ltda
Fozmassimo – Sociedade Imobiliária, S.A.	Larissa Develop. Of Shopping Centers, S.A.
Freccia Rossa – Shopping Centre S.r.l.	Lazam – MDS Corretora e Administradora de Seguros, S.A.
Frieengineering International Ltda	LCC LeiriaShopping Centro Comercial SA
Fundo de Invest. Imobiliário Imosede	Le Terrazze - Shopping Centre 1 Srl
Fundo I.I. Parque Dom Pedro Shop.Center	Libra Serviços, Lda.
Fundo Invest.Imob.Shopp. Parque D.Pedro	Lidergraf – Artes Gráficas, Lda.
Gaiashopping I – Centro Comercial, S.A.	Loop5 Shopping Centre GmbH
Gaiashopping II – Centro Comercial, S.A.	Loureshopping – Centro Comercial, S.A.
GHP GmbH	Luz del Tajo – Centro Comercial S.A.
Gli Orsi Shopping Centre 1 Srl	Luz del Tajo B.V.
Glinz AG	Madeirashopping – Centro Comercial, S.A.
Glinz Service GmbH	Maiashopping – Centro Comercial, S.A.
Glinz UK Holdings Ltd	Maiequipa – Gestão Florestal, S.A.
Glinz Uka GmbH	Marcas do Mundo – Viag. e Turismo Unip, Lda
GMET, ACE	Marcas MC, ZRT
Golf Time – Golfe e Invest. Turísticos, S.A.	Marina de Tróia S.A.
Guimarãeshopping – Centro Comercial, S.A.	Marinamagic – Expl.Cent.Lúdicos Marít, Lda
Harvey Dos Iberica, S.L.	Marmagno – Expl.Hoteleira Imob., S.A.
Herco Consultoria de Riscos e Corretora de Seguros Ltda	Martimope – Sociedade Imobiliária, S.A.
HighDome PCC Limited	Marvero – Expl.Hoteleira Imob., S.A.
Iberian Assets, S.A.	MDS Affinity - Sociedade de Mediação, Lda
Igimo – Sociedade Imobiliária, S.A.	MDS Consultores, S.A.
Iginha – Sociedade Imobiliária, S.A.	MDS Corretor de Seguros, S.A.
Imoarea – Invest. Turísticos, SGPS, S.A.	MDS Malta Holding Limited
Imobiliária da Cacula, S.A.	MDS SGPS, SA
Imoclub – Serviços Imobiliários, S.A.	MDSAUTO - Mediação de Seguros, SA
Imoconti – Soc.Imobiliária, S.A.	Megantic BV
Imodivor – Sociedade Imobiliária, S.A.	Miral Administração e Corretagem de Seguros Ltda
Imoestrutura – Soc.Imobiliária, S.A.	MJLF – Empreendimentos Imobiliários, S.A.
Imoferro – Soc.Imobiliária, S.A.	Mlearning - Mds Knowledge Centre, Unip, Lda
Imohotel – Emp.Turist.Imobiliários, S.A.	Modalfa – Comércio e Serviços, S.A.
Imomuro – Sociedade Imobiliária, S.A.	MODALLOOP – Vestuário e Calçado, S.A.
Imopenínsula – Sociedade Imobiliária, S.A.	Modelo – Dist.de Mat. de Construção, S.A.
Imoplamac Gestão de Imóveis, S.A.	Modelo Continente Hipermercados, S.A.

Sonaef/Efanor Group Companies (cont.)

Modelo Continente Intenational Trade, SA	Proj. Sierra Germany 4 (four) – Sh.C.GmbH
Modelo Hiper Imobiliária, S.A.	Proj.Sierra Germany 2 (two) – Sh.C.GmbH
Modelo.com – Vendas p/Correspond., S.A.	Proj.Sierra Germany 3 (three) – Sh.C.GmbH
Modus Faciendi - Gestão e Serviços, S.A.	Proj.Sierra Italy 1 – Shop.Centre Srl
Movelpartes – Comp.para Ind.Mobiliária, S.A.	Proj.Sierra Italy 2 – Dev. Of Sh.C.Srl
Movimento Viagens – Viag. e Turismo U.Lda	Proj.Sierra Italy 3 – Shop. Centre Srl
Mundo Vip – Operadores Turísticos, S.A.	Proj.Sierra Italy 5 – Dev. Of Sh.C.Srl
Munster Arkaden, BV	Proj.Sierra Portugal VIII – C.Comerc., S.A.
Norscut – Concessionária de Scut Interior Norte, S.A.	Project 4, Srl
Norteshopping – Centro Comercial, S.A.	Project SC 1 BV
Norteshopping Retail and Leisure Centre, BV	Project SC 2 BV
Nova Equador Internacional,Ag.Viag.T, Ld	Project Sierra 2 B.V.
Nova Equador P.C.O. e Eventos	Project Sierra 6 BV
Operscut – Operação e Manutenção de Auto-estradas, S.A.	Project Sierra 7 BV
OSB Deustchland GmbH	Project Sierra 8 BV
PantheonPlaza BV	Project Sierra 9 BV
Paracentro – Gest.de Galerias Com., S.A.	Project Sierra Brazil 1 B.V.
Pareuro, BV	Project Sierra Charagionis 1 S.A.
Park Avenue Develop. of Shop. Centers S.A.	Project Sierra Four, SA
Parque Atlântico Shopping – C.C., S.A.	Project Sierra Germany Shop. Center 1 BV
Parque D. Pedro 1 B.V.	Project Sierra Germany Shop. Center 2 BV
Parque D. Pedro 2 B.V.	Project Sierra Spain 1 B.V.
Parque de Famalicão – Empr. Imob., S.A.	Project Sierra Spain 2 – Centro Comer. S.A.
Parque Principado SL	Project Sierra Spain 2 B.V.
Pátio Boavista Shopping Ltda.	Project Sierra Spain 3 – Centro Comer. S.A.
Pátio Campinas Shopping Ltda	Project Sierra Spain 3 B.V.
Pátio Goiânia Shopping Ltda	Project Sierra Spain 6 B.V.
Pátio Londrina Empreend. e Particip. Ltda	Project Sierra Spain 7 – Centro Comer. S.A.
Pátio Penha Shopping Ltda.	Project Sierra Spain 7 B.V.
Pátio São Bernardo Shopping Ltda	Project Sierra Three Srl
Pátio Sertório Shopping Ltda	Project Sierra Two Srl
Pátio Uberlândia Shopping Ltda	Promessa Sociedade Imobiliária, S.A.
Peixes do Continente – Ind.Dist.Peixes, S.A.	Prosa – Produtos e serviços agrícolas, S.A.
Pharmaconcept – Actividades em Saúde, S.A.	Puravida – Viagens e Turismo, S.A.
PHARMACONTINENTE – Saúde e Higiene, S.A.	Quorum Corretora de seguros LT
PJP – Equipamento de Refrigeração, Lda	Racionaliz. y Manufact.Florestales, S.A.
Plaza Éboli B.V.	RASO - Viagens e Turismo, S.A.
Plaza Éboli – Centro Comercial S.A.	RASO, SGPS, S.A.
Plaza Mayor Holding, SGPS, SA	Rio Sul – Centro Comercial, S.A.
Plaza Mayor Parque de Ócio BV	River Plaza Mall, Srl
Plaza Mayor Parque de Ocio, SA	River Plaza, BV
Plaza Mayor Shopping BV	Rochester Real Estate, Limited
Plaza Mayor Shopping, SA	RSI Corretora de Seguros Ltda
Ploi Mall BV	S.C. Microcom Doi Srl
Plysol, BV	Saúde Atlântica – Gestão Hospitalar, S.A.
Poliface North America	SC – Consultadoria, S.A.
POLINSUR – Mediação de seguros, LDA	SC – Eng. e promoção imobiliária,SGPS, S.A.
PORTCC - Portimãoshopping Centro Comercial, SA	SC Aegean B.V.
Porturbe – Edifícios e Urbanizações, S.A.	SC Assets SGPS, S.A.
Praedium – Serviços, S.A.	SC Finance BV
Praedium II – Imobiliária, S.A.	SC Mediterranean Cosmos B.V.
Praedium SGPS, S.A.	SC, SGPS, SA
Predicomercial – Promoção Imobiliária, S.A.	SCS Beheer, BV
Prédios Privados Imobiliária, S.A.	Selfrio,SGPS, S.A.
Predisedas – Predial das Sedas, S.A.	Selifa – Empreendimentos Imobiliários, S.A.
Pridelease Investments, Ltd	Sempre à Mão – Sociedade Imobiliária, S.A.

Sonae/Efanor Group Companies (cont.)

Sempre a Postos – Produtos Alimentares e Utilidades, Lda	Solinca - Eventos e Catering, SA
SERENITAS-SOC.MEDIAÇÃO SEG.LDA	Solinca - Health and Fitness, SA
Serra Shopping – Centro Comercial, S.A.	Solinca – Investimentos Turísticos, S.A.
Sesagest – Proj.Gestão Imobiliária, S.A.	Solinfitness – Club Malaga, S.L.
Sete e Meio – Invest. Consultadoria, S.A.	Solingen Shopping Center GmbH
Sete e Meio Herdades – Inv. Agr. e Tur., S.A.	Soltroia – Imob.de Urb.Turismo de Tróia, S.A.
Shopping Centre Parque Principado B.V.	Somit Imobiliária
Shopping Penha B.V.	SONAE - Specialized Retail, SGPS, SA
Siaf – Soc.Iniciat.Aprov.Florestais - Energia, S.A.	Sonae Capital Brasil, Lda
SIAL Participações Ltda	Sonae Capital,SGPS, S.A.
Sierra Asset Management – Gest. Activos, S.A.	Sonae Center II S.A.
Sierra Berlin Holding BV	Sonae Center Serviços, S.A.
Sierra Central S.A.S	Sonae Ind., Prod. e Com.Deriv.Madeira, S.A.
Sierra Charagionis Develop.Sh. Centre S.A.	Sonae Indústria – SGPS, S.A.
Sierra Charagionis Propert.Management S.A.	Sonae Industria de Revestimentos, S.A.
Sierra Corporate Services – Ap.Gestão, S.A.	Sonae Indústria Manag. Serv, SA
Sierra Corporate Services Holland, BV	Sonae Investimentos, SGPS, SA
Sierra Develop.Iberia 1, Prom.Imob., S.A.	Sonae Investments, BV
Sierra Development of Shopping Centres Greece, S.A.	Sonae Novobord (PTY) Ltd
Sierra Developments – Serv. Prom.Imob., S.A.	Sonae RE, S.A.
Sierra Developments Germany GmbH	Sonae Retalho Espana – Servicios Gen., S.A.
Sierra Developments Holding B.V.	Sonae SGPS, S.A.
Sierra Developments Italy S.r.l.	Sonae Sierra Brasil S.A.
Sierra Developments Romania, Srl	Sonae Sierra Brazil B.V.
Sierra Developments Spain – Prom.C.Com.SL	Sonae Sierra, SGPS, S.A.
Sierra Developments, SGPS, S.A.	Sonae Táfira Benelux, BV
Sierra Enplanta Ltda	Sonae Turismo – SGPS, S.A.
Sierra European R.R.E. Assets Hold. B.V.	Sonae UK, Ltd.
Sierra GP Limited	Sonaegest – Soc.Gest.Fundos Investimentos
Sierra Investimentos Brasil Ltda	SONAEMC - Modelo Continente, SGPS, S.A.
Sierra Investments (Holland) 1 B.V.	Sondis Imobiliária, S.A.
Sierra Investments (Holland) 2 B.V.	Sontel BV
Sierra Investments Holding B.V.	Sontur BV
Sierra Investments SGPS, S.A.	Sonvecap BV
Sierra Italy Holding B.V.	Sopair, S.A.
Sierra Management Germany GmbH	Sotáqua – Soc. de Empreendimentos Turist
Sierra Management Greece S.A.	Spanboard Products, Ltd
Sierra Management Italy S.r.l.	SPF – Sierra Portugal Real Estate, Sarl
Sierra Management Portugal – Gest. CC, S.A.	Spinarg - Engenharia, Energia e Ambiente, SA
Sierra Management Romania, Srl	Spinveste – Gestão Imobiliária SGI, S.A.
Sierra Management Spain – Gestión C.Com.S.A.	Spinveste – Promoção Imobiliária, S.A.
Sierra Management, SGPS, S.A.	Sport Retalho España – Servicios Gen., S.A.
SII – Soberana Invest. Imobiliários, S.A.	Sport Zone – Comércio Art.Desporto, S.A.
SIRS – Sociedade Independente de Radiodifusão Sonora, S.A.	Sport Zone – Turquia
Sistavac – Sist.Aquecimento,V.Ar C., S.A.	Sport Zone Canárias, SL
SKK – Central de Distr., S.A.	Sport Zone España-Com.Art.de Deporte,SA
SKK SRL	Spred, SGPS, SA
SKKFOR – Ser. For. e Desen. de Recursos	Stinnes Holz GmbH
Sociedade de Construções do Chile, S.A.	Tableros Tradema, S.L.
Société de Tranchage Isoroy S.A.S.	Tafiber,Tableros de Fibras Ibéricas, SL
Socijofra – Sociedade Imobiliária, S.A.	Tafibra Polska Sp.z.o.o.
Sociloures – Soc.Imobiliária, S.A.	Tafibra South Africa
Soconstrução BV	Tafibra Suisse, SA
Sodesa, S.A.	Tafisa – Tableros de Fibras, S.A.
Soflorin, BV	Tafisa Canadá Societé en Commandite
Soira – Soc. Imobiliária de Ramalde, S.A.	Tafisa France, S.A.

Sonae/Efanor Group Companies (cont.)

Tafisa UK, Ltd	Urbisedas – Imobiliária das Sedas, S.A.
Taiber, Tableros Aglomerados Ibéricos, SL	Valecenter Srl
Tarkett Agepan Laminate Flooring SCS	Valor N, S.A.
Tecmasa Reciclados de Andalucía, SL	Vastgoed One – Sociedade Imobiliária, S.A.
Terra Nossa Corretora de Seguros Ltda	Vastgoed Sun – Sociedade Imobiliária, S.A.
Têxtil do Marco, S.A.	Via Catarina – Centro Comercial, S.A.
Tlantic Portugal – Sist. de Informação, S.A.	Viajens y Turismo de Geotur España, S.L.
Tlantic Sistemas de Informação Ltdª	Vistas do Freixo, SA
Todos os Dias – Com.Ret.Expl.C.Comer., S.A.	Vuelta Omega, S.L.
Tool GmbH	Weierstadt Shopping BV
Torre Ocidente Imobiliária, S.A.	World Trade Center Porto, S.A.
Torre São Gabriel – Imobiliária, S.A.	Worten – Equipamento para o Lar, S.A.
TP – Sociedade Térmica, S.A.	Worten Canárias, SL
Troia Market, S.A.	Worten España, S.A.
Tróia Natura, S.A.	ZIPPY - Comércio e Distribuição, SA
Troiareport – Investimentos Turísticos, S.A.	ZIPPY - Comercio y Distribución, S.A.
Troiaverde – Expl.Hoteleira Imob., S.A.	Zippy Turquia
Tulipamar – Expl.Hoteleira Imob., S.A.	Zubiarte Inversiones Inmobiliarias, S.A.
Unishopping Administradora Ltda.	ZYEVOLUTION-Invest.Desenv.,SA.
Unishopping Consultoria Imob. Ltda.	

FT Group Companies

Atlas Services Belgium, S.A.	France Télécom, S.A.
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6.3. Sonaecom individual financial statements

Balance sheets

At 31 December 2011 and 2012

	Notes	December 2011	December 2010
Assets			
Non-current assets			
Tangible assets	1.a), 1.e) and 2	361,047	428,818
Intangible assets	1.b) and 3	2,285	8,476
Investments in Group companies	1.c) and 5	1,097,478,929	996,797,029
Other non-current assets	1.c), 1.m), 1.n), 4 and 6	542,879,752	560,706,652
Total non-current assets		1,640,722,013	1,557,940,975
Current assets			
Other current debtors	1.d), 1.f), 4 and 8	5,250,772	9,668,483
Other current assets	1.m), 1.n) and 9	1,249,804	1,638,580
Cash and cash equivalents	1.g), 4 and 10	61,289,703	75,631,256
Total current assets		67,790,279	86,938,319
Total assets		1,708,512,292	1,644,879,294
Shareholder' funds and liabilities			
Shareholders' funds			
Share capital	11	366,246,868	366,246,868
Own shares	1.p) and 12	(13,594,518)	(15,030,834)
Reserves	1.o)	904,095,590	788,244,305
Net income / (loss) for the year		(7960,682)	135,403,787
Total Shareholders' funds		1,248,787,258	1,274,864,126
Liabilities			
Non-current liabilities			
Medium and long-term loans – net of short-term portion	1.h), 4 and 13.a)	319,485,865	304,333,736
Provisions for other liabilities and charges	1.k), 1.n) and 14	68,654	56,487
Other non-current liabilities	1.m), 1.n), 1.s) and 15	271,207	374,091
Total non-current liabilities		319,825,726	304,764,314
Current liabilities			
Short-term loans and other loans	1.g), 1.h), 4, and 13.b)	137,109,904	53,472,759
Other creditors	4 and 16	1,579,811	10,367,886
Other current liabilities	1.m), 1.n), 1.s) and 17	1,209,593	1,410,209
Total current liabilities		139,899,308	65,250,854
Total Shareholders' funds and liabilities		1,708,512,292	1,644,879,294

The notes are an integral part of the financial statements at 31 December 2011 and 2010.

The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo
 Ângelo Gabriel Ribeirinho Paupério
 António Bernardo Aranha da Gama Lobo Xavier
 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 Manuel Moniz Trigos Jordão

Profit and Loss account by nature

For the year ended at 31 December 2011 and 2010

	Notes	December 2011	September to December 2011 (Not audit)	December 2010	September to December 2010 (Not audit)
Services rendered	18 and 22	3,879,652	923,030	6,278,651	1,454,415
Other operating revenues	1.f) and 22	896	-	14,584	9,512
		3,880,548	923,030	6,293,235	1,463,927
External supplies and services	1.e), 19 and 22	(1,986,852)	(431,132)	(2,781,738)	(514,500)
Staff expenses	1.s), 25, 26 and 27	(2,655,517)	(679,966)	(4,358,462)	(1,084,081)
Depreciation and amortisation	1.a), 1.b), 1.q), 2 and 3	(75,411)	(18,529)	(111,539)	(24,028)
Other operating costs		(100,022)	(22,935)	(137,269)	(10,517)
		(4,817,802)	(1,152,562)	(7,389,008)	(1,633,126)
Gains and losses on Group companies	20	(9,880,000)	(6,644,000)	129,026,996	126,460,673
Other financial expenses	1.c), 1.h), 1.i), 1.r), 13, 20 and 22	(12,043,254)	(4,063,979)	(7,949,668)	(2,148,197)
Other financial income	1.c), 10, 20 and 22	15,312,037	775,022	16,671,281	2,120,062
Current income / (loss)		(7,548,471)	(10,162,489)	136,652,836	126,263,339
Income taxation	1.l), 7 and 21	(412,211)	1,603,411	(1,249,049)	276,732
Net income / (loss) for the year		(7,960,682)	(8,559,078)	135,403,787	126,540,071
Earnings per share	24				
Including discontinued operations:					
Basic		(0.02)	(0.02)	0.38	0.35
Diluted		(0.02)	(0.02)	0.38	0.35
Excluding discontinued operations:					
Basic		(0.02)	(0.02)	0.38	0.35
Diluted		(0.02)	(0.02)	0.38	0.35

The notes are an integral part of the financial statements at 31 December 2011 and 2010.

The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo
 Ângelo Gabriel Ribeirinho Paupério
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Gervais Gilles Pellissier
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 Nuno Manuel Moniz Trigos Jordão

Statement comprehensive income

For the year ended at 31 December 2011 and 2010

	Notes	December 2011	December 2010
Net income / (loss) for the year		(7,960,682)	135,403,787
Components of other comprehensive income, net of tax		-	-
Statement comprehensive income for the year		(7,960,682)	135,403,787

The notes are an integral part of the financial statements at 31 December 2011 and 2010.

The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

The Board of Directors

Duarte Paulo Teixeira de Azevedo
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228 Movements in Shareholders' funds

For the year ended at 31 December 2011 and 2010

2011	366,246,868	(15,030,834)	775,290,377	1,221,003	551,381	15,030,834	(3,849,290)	788,244,305	135,403,787	1,274,864,126
Balance at 31 December 2010										
Appropriation of result of 2010										
Transfer to legal reserves and other reserves	-	-	-	6,770,189	-	-	128,633,598	135,403,787	(135,403,787)	-
Dividends distribution	-	-	-	-	-	-	(17,859,403)	(17,859,403)	-	(17,859,403)
Comprehensive income for the year ended at 31 December 2011	-	-	-	-	-	-	-	-	(7,960,682)	(7,960,682)
Delivery of own shares under the Medium Term Incentive Plans	-	3,659,603	-	-	(86,538)	(3,659,603)	1,775,360	(2,070,781)	-	1,588,822
Effect of the recognition of the Medium Term Incentive Plans	-	-	-	-	377,682	-	-	377,682	-	377,682
Acquisition of own shares	-	(2,223,287)	-	-	-	2,223,287	(2,223,287)	-	-	(2,223,287)
Balance at 31 December 2011	366,246,868	(13,594,518)	775,290,377	7,991,192	742,525	13,594,518	106,476,978	904,095,590	(7,960,682)	1,248,787,258

The notes are an integral part of the financial statements at 31 December 2011 and 2010.

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Cash Flow statements

For the year ended at 31 December 2011 and 2010

	31 December 2011		31 December 2010	
Operating activities				
Payments to employees	(2,734,933)		(4,208,997)	
Cash flows from operating activities	(2,734,933)		(4,208,997)	
Payments / receipts relating to income taxes, net	(1,468,316)		(1,415,920)	
Other payments / receipts relating to operating activities, net	2,847,365		9,585,807	
Cash flows from operating activities (1)	(1,355,884)	(1,355,884)	3,960,890	3,960,890
Investing activities				
Receipts from:				
Investments	17,840,000		23,788,458	
Tangible assets	800		-	
Interest and similar income	21,139,843		15,390,097	
Loans granted	58,320,000		49,220,000	
Dividends	-	97,300,643	136,960,673	225,359,228
Payments for:				
Investments	(177,755,291)		(92,470,000)	
Tangible assets	(1,577)		(309)	
Intangible assets	-	(177,756,868)	(2,065)	(92,472,374)
Cash flows from investing activities (2)	(80,456,225)		132,886,854	
Financing activities				
Receipts from:				
Loans obtained	104,750,000	104,750,000	70,000,000	70,000,000
Payments for:				
Interest and similar expenses	(11,460,754)		(7,011,322)	
Dividends	(17,859,403)		-	
Acquisition of own shares	(2,223,287)		(4,944,915)	
Loans obtained	(5,736,000)	(37,279,444)	(122,450,000)	(134,406,237)
Cash flows from financing activities (3)		67,470,556		(64,406,237)
Net cash flows (4)=(1)+(2)+(3)		(14,341,553)		72,441,507
Effect of the foreign exchanges				
Cash and cash equivalents at the beginning of the year		75,631,256		3,189,749
Cash and cash equivalents at year end		61,289,703		75,631,256

The notes are an integral part of the financial statements at 31 December 2011 and 2010.

Chief Accountant

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Notes to the cash flow statements

For the year ended at 31 December 2011 and 2012

	2011	2010
1. Acquisition or sale of subsidiaries or other businesses		
a) Other business activities		
Reimburse of supplementary capital from Público- Comunicação Social, S.A.	17,840,000	-
Reimburse of supplementary capital from Sonae Telecom SGPS, S.A	-	15,788,458
Reimburse of supplementary capital from Sonaetelecom BV	-	8,000,000
	17,840,000	23,788,458
b) Other business activities		
Supplementary capital to PCJ - Público, Comunicação e Jornalismo, S.A.	12,990,000	-
Payment of Acquisition Sontária- Empreendimentos Imobiliários, S.A.	8,860,291	-
Payment of Acquisition Público - Comunicação Social, S.A.	20,000,000	-
Payment of Acquisition Optimus - Comunicações S.A.	133,700,000	-
Supplementary capital to Público - Comunicação Social, S.A.	1,900,000	-
Supplementary capital to Miauger - Organização e Gestão de Leilões Electrónicos, S.A.	305,000	-
Supplementary capital to Sonae Telecom SGPS, S.A	-	38,630,000
Supplementary capital to Sonaetelecom BV	-	27,300,000
Share Premium increase in Sonaecom BV	-	25,000,000
Share capital increase in Sonae Telecom SGPS, S.A	-	1,490,000
Establishment of PCJ - Público, Comunicação e Jornalismo, S.A.	-	50,000
	177,755,291	92,470,000
2. Details of cash and cash equivalents		
Cash in hand	10,291	10,318
Cash at bank	74,412	216,938
Treasury applications	61,205,000	75,404,000
Overdrafts	-	-
Cash and cash equivalents	61,289,703	75,631,256
Overdrafts	-	-
Cash assets	61,289,703	75,631,256
3. Description of non-monetary financing activities		
a) Bank credit obtained and not used	106,000,000	150,750,000
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 2011 and 2010.

Chief Accountant

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6.4. Notes to the individual financial statements

SONAECOM, SGPS, 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, SGPS, 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, SGPS, 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, SGPS, 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 10 euros.

In addition, Sonae sold, in that year, 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 181,000,000 euros to 226,250,000 euros 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 2.25 euros per share.

On 30 April 2003, the company's name was changed by public deed to SONAECOM, SGPS, S.A..

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

By decision of the Shareholders' General Meeting held on 18 September 2006, Sonaecom's share capital was increased by 69,720,000 euros, from 296,526,868 euros to 366,246,868 euros, by the issuance of 69,720,000 new shares of 1 euro each and with a share premium of 275,657,217 euros, subscribed by O93X – 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).

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

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

The following standards, interpretations, amendments and revisions approved (endorsed) by the European Union have mandatory application to financial years beginning on or after 1 January 2011 and were first adopted in the period ended at 31 December 2011:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 1 - Amendments (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters)	1-Jul-10
The amendment ensures that first-time adopters benefit from the same transition provisions that the Amendment to IFRS 7 introduced in March 2009 (Improving Disclosures about Financial Instruments) provides to current IFRS preparers.	
Revised IAS 24 (Related Parties Disclosures) and Amendments to IFRS 8 (Operating Segments)	1-Jan-11
The revised standard addresses concerns that the previous disclosure requirements and definition of a 'related party' were too complex and difficult to apply in practice, particularly in environments where government control is pervasive, by: (1) providing a partial exemption for government-related entities; (2) providing a revised definition of a related party. The amendment to IFRS 8 result from those changes in IAS 24.	
IAS 32 – Amendments (Clarification of issuing rights)	1-Feb-10 *
The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.	

* The effective date in accordance with the adoption by the EU was subsequent to the effective date originally established by the standard.

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRIC 14 – Amendments (Voluntary pre-paid contributions)	1-Jan-11
The amendments correct an unintended consequence of IFRIC 14. Without the amendments, in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions.	
IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments) and amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards)	1-Jul-10*
Clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to fully or partially settle the financial liability. The companies that adopt IFRS for the first-time may apply transitional provisions of IFRIC 19.	
Improvements to IFRSs: IFRS 1, IFRS 3 and IFRS 7, IAS 1, 32, 34, 39 and IFRIC 13	30-Jun-10 and 31-Dec-10*
Improvements in International Financial Reporting Standards, to simplify and clarify the International Accounting Standards.	
* The effective date in accordance with the adoption by the EU was subsequent to the effective date originally established by the standard.	

The application of these standards did not have significant impacts on the Company's financial statements.

Until the date of approval of these financial statements there are no standards, interpretations, amendments and revisions that have been approved (endorsed) by the European Union, whose application is mandatory only in future financial years.

The following standards, interpretations, amendments and revisions have not yet been approved (endorsed) by the European Union, at the date of approval of these financial statements:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 1 - Amendments (Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters)	1-Jul-11
The amendments: 1) replace the fixed dates in the derecognition exception and the exemption related to the initial fair value measurement of financial instruments; and 2) add a deemed cost exemption to IFRS 1 that an entity can apply at the date of transaction to IFRSs after being subject to severe hyperinflation.	

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 7 - Financial Instruments: Disclosures - Amendments (issued 7 October 2010)	1-Jul-11
The amendment requires disclosures to improve the understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain after the transfer. It also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.	
IFRS 9 (Financial Instruments)	1-Jan-13
This standard is the first step in the project to replace IAS 39, and it introduces new requirements for classifying and measuring financial assets.	
IFRS 10 (Consolidated Financial Statements)	1-Jan-13
Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.	
IFRS 11 (Joint Arrangements)	1-Jan-13
Provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.	
IFRS 12 (Disclosures of Interests in Other Entities)	1-Jan-13
New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	
IFRS 13 (Fair Value Measurement)	1-Jan-13
It will improve consistency and reduce complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.	
IAS 1 - Amendments (Presentation of Items of Other Comprehensive Income)	1-Jul-12
The amendments to IAS 1 require companies preparing financial statements in accordance with IFRSs to group together items within OCI that may be reclassified to the profit or loss section of the income statement.	
IAS 12 - Amendments (Deferred tax: Recovery of Underlying Assets)	1-Jan-12
The amendment introduces, in the case of investment properties measured using the fair value model, the presumption that recovery of the carrying amount will normally be through sale, in order to determine their tax impact. As a result of the amendments, SIC 21 - 'Income Taxes—Recovery of Revalued Non-Depreciable Assets' would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.	

Standard / Interpretation	Effective date (annual periods beginning on or after)
IAS 19 - Amendments (Employee Benefits)	1-Jan-13
The amendments make important improvements by eliminating an option to defer the recognition of gains and losses, known as the 'corridor method', improving comparability and faithfulness of presentation, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and enhancing the disclosure requirements for defined benefit plans.	
IAS 27 (Separate Financial Statements)	1-Jan-13
Consolidation requirements previously forming part of IAS 27 have been revised and are now contained in IFRS 10 'Consolidated Financial Statements'.	
IAS 28 (Investments in Associates and Joint Ventures)	1-Jan-13
The objective of IAS 28 (as amended in 2011) is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	
IFRIC 20 Interpretation (Stripping Costs in the Production Phase of a Surface Mine)	1-Jan-13
The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.	

The application of these standards and interpretations, as applicable to the Company will have no material effect on future financial statements of the Company.

The accounting policies and measurement criteria adopted by the Company at 31 December 2011 are comparable with those used in the preparation of the individual financial statements at 31 December 2010.

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	5-8
Fixtures and fittings	3-10
Tools	4-8
Other tangible assets	4

Current maintenance and repair costs of tangible 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 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 IAS / IFRS.

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

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

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

The expenses incurred with the acquisition of investments in Group companies are recorded as cost when they are incurred.

d) Financial instruments

The Company classifies its financial instruments 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 is acquired principally for the purpose of selling in the short term or if the adoption of this method allows reducing or eliminating an accounting mismatch. Derivatives are also registered as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to mature within 12 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 or services directly to a debtor with no intention of trading the receivable. Loans and receivables are carried at amortised cost using the effective interest method, deducted from any impairment losses. Loans and receivables are recorded as current assets, except when its maturity is greater than 12 months from the balance sheet date, a situation in which they are classified as non-current assets. Loans and receivables are included under 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 12 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 transferred, and consequently all substantial risks and rewards of their ownership have been transferred.

'Available-for-sale financial assets' and 'Financial assets at fair value through profit or loss' are subsequently carried at fair value.

'Loans and receivables' and 'Held-to-maturity investments' are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets classified at fair value through profit or loss are recognised in the income statement.

Realised and unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss statement as gains or losses from investment securities.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to similar instruments, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. 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 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 financial updated effect is not significant.

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

The amount relating to this caption is presented net of any impairment losses, which are recorded in the profit and loss statement under the caption 'Provisions and impairment losses'. Future reversals of impairment losses are recorded in the profit and loss statement under the caption 'Other operating revenues'.

g) Cash and cash equivalents

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

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

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

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

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

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

h) Loans

Loans are recorded as liabilities by the 'amortised cost'. Any expenses incurred in setting up loans are recorded as a deduction to the nominal debt and recognised during the period of the financing.

based on the effective interest rate method. The interests incurred but not yet due are added to the loans caption until their payment.

i) 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.

j) 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:

- a) 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.
- b) Forward's exchange rate for hedging foreign exchange risk. The values and times periods involved are identical to the amounts invoiced and their maturities.

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.

At 31 December 2011, the Company did not have any derivative, beyond those mentioned in note 1.s).

k) 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.

l) 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 - 'Income Tax'.

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 realised.

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

m) 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 'Other non-current assets', 'Other current assets', 'Other non-current liabilities' and 'Other current liabilities' include expenses and income relating to the current period, where payment and receipt will occur in future periods, as well as payments and receipts in the current period but which relate to future periods. The latter shall be included by the corresponding amount in the results of the periods to which they relate to.

The costs attributable to current year and whose expenses will only occur in future years are estimated and recorded under the caption 'Other current liabilities' and 'Other non-current liabilities', when it is possible to estimate reliably the amount and the timing of occurrence of the expense. If there is uncertainty regarding both the date of disbursement of funds, and the amount of the obligation, the value is classified as Provisions (note 1.k)).

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

Dividends are recognised when the Shareholders' rights to receive such amounts are appropriately established and communicated.

n) 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 14).

o) 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', ie, 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 - 'Share based payment', the responsibility related with the equity settled plans is registered, as a credit, under the caption 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.j)) 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 2011, Sonaecom, SGPS, S.A., have reserves which by their nature could be considered distributable, in the amount of around 98.5 million euros.

p) 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 caption 'Other reserves'.

q) Foreign currency

All assets and liabilities expressed in foreign currency were translated into euro using the exchange rates in force at the balance sheet.

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:

	2011		2010	
	31 December	Average	31 December	Average
Pounds Sterling	1.19717	1.15256	1.16178	1.16668
Swiss franc	0.82264	0.81258	0.79970	0.72600
Swedish krona	0.11220	0.11080	-	-
American Dollar	0.77286	0.71889	0.74839	0.75587

r) 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, 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, calculated in terms of value in use, is determined based on 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 possible that the debtor goes into liquidation or into a financial restructuring.

s) 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 caption '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 in 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, ie, 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 under 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 under 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 2011, all the Sonaecom share plans were covered through the detention of own shares. Therefore the impacts of the share plans of the Medium Term Incentive Plans are registered, in

the balance sheet, under the caption 'Medium term incentive plans reserve'. The cost is recognised under the income statement caption 'Staff expenses'.

All equity-settled plans to be liquidated through the delivery of shares of the parent company were covered by contracts with an external entity under which the acquisition price of those shares was fixed. Therefore, 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, under the captions 'Other non-current liabilities' and 'Other current liabilities'. The cost is recognised on the income statement under the caption 'Staff expenses'.

t) 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.

u) Judgements and estimates

The most significant accounting estimates reflected in the financial statements of the periods ended at 31 December 2011 and 2010 include mainly impairment analysis of assets, particularly financial investments in Group companies.

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

v) Financial risk management

The Company's activities expose it 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 to project cash flows and profits. The Company's financial risk management, subject to a long-term ongoing perspective, seeks to minimise potential adverse effects that derive from that uncertainty, using, every time it is possible and advisable, derivative financial instruments to hedge the exposure to such risks (note 1. j)).

Market risk

a) Foreign exchange risk

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

Whenever possible, the Company uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such procedure is not possible, the Company adopts derivative financial hedging instruments (note 1. j)).

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

b) Interest rate risk

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility in the Company results or in its Shareholders' funds is mitigated by the effect of the following factors: (i) relatively low level of financial leverage; (ii) possibility to use derivative instruments that hedge the interest rate risk, as mentioned below; (iii) possible correlation between the level of market interest rates and economic growth the latter having a positive effect in other lines of the Company's results, and in this way partially offsetting the increase of financial costs ('natural hedge'); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate.

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

- For each derivative or instrument used to hedge a specific loan, the interest payment dates on the loans subject to hedging must 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 Company's business plan.

As all Sonaecom's borrowings (note 13) are at variable rates, interest rate swaps and other derivatives are used to hedge future changes in cash flow relating to interest payments. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

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

In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

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

The fair value of the derivatives contracted, that are considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions established in IAS 39 - 'Financial Instruments'), are recognised under borrowings captions and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the period. The fair value of derivatives of cash flow hedge, that are considered effective according to IAS 39 - 'Financial Instruments', 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 Company, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed / variable). Under the policy defined above, the Executive Committee is responsible for the decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

The analysis of sensibility to interest rate risk is presented in note 13.

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 maximise the profitability and to minimise the opportunity costs related with that liquidity.

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

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

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

- (i) 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 reduce the use of bank debt at a consolidated level;
- (iii) Applications in the market.

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

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

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

The maturity analysis for each of the liabilities associated to financial instruments is presented in the note 13.

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 of impairment losses, represent the maximum exposure of the Company to credit risk.

2. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in years ended at 31 December 2011 and 2010 was as follows:

2011						
	Buildings and other constructions	Plant and machinery	Tools	Fixtures and fittings	Other tangible assets	Total
Gross assets						
Balance at 31 December 2010	721,165	46,325	171	332,060	619	1,100,340
Additions	-	-	-	1,697	-	1,697
Disposals	-	-	-	-	(515)	(515)
Balance at 31 December 2011	721,165	46,325	171	333,757	104	1,101,522
Accumulated depreciation and impairment losses						
Balance at 31 December 2010	403,292	25,891	170	241,851	318	671,522
Depreciation for the year	41,444	7,291	1	20,431	53	69,220
Disposals	-	-	-	-	(267)	(267)
Balance at 31 December 2011	444,736	33,182	171	262,282	104	740,475
Net value	276,429	13,143	-	71,475	-	361,047
2010						
	Buildings and other constructions	Plant and machinery	Tools	Fixtures and fittings	Other tangible assets	Total
Gross assets						
Balance at 31 December 2009	721,165	46,325	171	331,750	619	1,100,030
Additions	-	-	-	310	-	310
Balance at 31 December 2010	721,165	46,325	171	332,060	619	1,100,340
Accumulated depreciation and impairment losses						
Balance at 31 December 2009	347,862	17,977	170	216,945	189	583,143
Depreciation for the year	55,430	7,914	-	24,906	129	88,379
Balance at 31 December 2010	403,292	25,891	170	241,851	318	671,522
Net value	317,873	20,434	1	90,209	301	428,818

3. Intangible assets

The movement in intangible assets and in the corresponding accumulated amortisation and impairment losses in the years ended at 31 December 2011 and 2010, was as follows:

	2011			
	Brands, patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2010	9,719	183,247	376	193,342
Transfers	-	376	(376)	-
Balance at 31 December 2011	9,719	183,623	-	193,342
Accumulated depreciation and impairment losses				
Balance at 31 December 2010	7,281	177,585	-	184,866
Depreciation for the year	1,035	5,156	-	6,191
Balance at 31 December 2011	8,316	182,741	-	191,057
Net value	1,403	882	-	2,285

	2010			
	Brands, patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2009	6,650	182,283	376	189,309
Additions	3,069	964	-	4,033
Balance at 31 December 2010	9,719	183,247	376	193,342
Accumulated depreciation and impairment losses				
Balance at 31 December 2009	6,259	155,447	-	161,706
Depreciation for the year	1,022	22,138	-	23,160
Balance at 31 December 2010	7,281	177,585	-	184,866
Net value	2,438	5,662	376	8,476

4. Breakdown of financial instruments

At 31 December 2011 and 2010, the breakdown of financial instruments was as follows:

2011					
	Loans and receivables	Subtotal	Others not covered by IFRS 7	Total	
Non-current assets					
Other non-current assets (note 6)	542,879,752	542,879,752	-	542,879,752	
	542,879,752	542,879,752	-	542,879,752	
Current assets					
Other trade debtors (note 8)	5,250,772	5,250,772	-	5,250,772	
Cash and cash equivalents (note 10)	61,289,703	61,289,703	-	61,289,703	
	66,540,475	66,540,475	-	66,540,475	
2010					
	Loans and receivables	Subtotal	Others not covered by IFRS 7	Total	
Non-current assets					
Other non-current assets (note 6)	560,706,652	560,706,652	-	560,706,652	
	560,706,652	560,706,652	-	560,706,652	
Current assets					
Other trade debtors (note 8)	7,365,498	7,365,498	2,302,985	9,668,483	
Cash and cash equivalents (note 10)	75,631,256	75,631,256	-	75,631,256	
	82,996,754	82,996,754	2,302,985	85,299,739	
2011					
	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IFRS 7	Total
Non-current liabilities					
Medium and long-term loans – net of short-term portion (note 13)	319,485,865	-	319,485,865	-	319,485,865
	319,485,865	-	319,485,865	-	319,485,865
Current liabilities					
Short-term loans and other loans (note 13)	137,109,904	-	137,109,904	-	137,109,904
Other creditors (note 16)	-	840,372	840,372	739,439	1,579,811
	137,109,904	840,372	137,950,276	739,439	138,689,715
2010					
	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IFRS 7	Total
Non-current liabilities					
Medium and long-term loans – net of short-term portion (note 13)	304,333,736	-	304,333,736	-	304,333,736
	304,333,736	-	304,333,736	-	304,333,736
Current liabilities					
Short-term loans and other loans (note 13)	53,472,759	-	53,472,759	-	53,472,759
Other creditors (note 16)	-	10,048,115	10,048,115	319,771	10,367,886
	53,472,759	10,048,115	63,520,874	319,771	63,840,645

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 'Other current assets' and 'Other current liabilities' were not included in this note, as the nature of such amounts are not within the scope of IFRS 7.

5. Investments in Group companies

At 31 December 2011 and 2010, this caption included the following investments in Group companies:

Company	2011	2010
Optimus - Comunicações, S.A. ('Optimus')	898,576,231	764,876,231
Sonae Telecom, SGPS, S.A. ('Sonae Telecom')	107,289,987	107,289,987
Sonaetelecom BV	75,009,902	75,009,902
Sonae com - Sistemas de Informação, SGPS, S.A. ('Sonae com SI')	52,241,587	52,241,587
Sonaecom BV	25,020,000	25,020,000
Be Artis - Conceção, Construção e Gestão de Redes de Comunicações, S.A. ('Be Artis')	8,230,885	8,230,885
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')	6,120,239	6,120,239
Miauger - Organização e Gestão de Leilões Electrónicos, S.A. ('Miauger')	4,568,100	4,568,100
Público - Comunicação Social, S.A. ('Público')	494,495	-
PCJ - Público, Comunicação e Jornalismo, S.A. ('PCJ')	50,000	50,000
	1,177,601,426	1,043,406,931
Impairment losses (note 14)	(80,122,497)	(46,609,902)
Total investments in Group companies	1,097,478,929	996,797,029

The movements that occurred in investments in Group companies during the years ended at 31 December 2011 and 2010 were as follows:

Company	Balance at 31 December 2010	Additions	Disposals	Transfers and write-offs	Balance at 31 December 2011
Optimus	764,876,231	133,700,000	-	-	898,576,231
Sonae Telecom	107,289,987	-	-	-	107,289,987
Sonaetelecom BV	75,009,902	-	-	-	75,009,902
Sonae com SI	52,241,587	-	-	-	52,241,587
Miauger	4,568,100	-	-	-	4,568,100
Sonaecom BV	25,020,000	-	-	-	25,020,000
Be Artis	8,230,885	-	-	-	8,230,885
Sontária	6,120,239	-	-	-	6,120,239
PCJ	50,000	-	-	-	50,000
Público	-	494,495	-	-	494,495
	1,043,406,931	134,194,495	-	-	1,177,601,426
Impairment losses (note 14)	(46,609,902)	(3,628,595)	-	(29,884,000)	(80,122,497)
	996,797,029	130,565,900	-	(29,884,000)	1,097,478,929

Company	Balance at 31 December 2009	Additions	Disposals	Transfers and write-offs	Balance at 31 December 2010
Optimus	764,876,231	-	-	-	764,876,231
Sonae Telecom	105,799,987	1,490,000	-	-	107,289,987
Sonaetelecom BV	44,209,902	4,300,000	-	26,500,000	75,009,902
Sonae com SI	52,241,587	-	-	-	52,241,587
Miauger	4,568,100	-	-	-	4,568,100
Sonaecom BV	20,000	25,000,000	-	-	25,020,000
Be Artis	50,000	-	-	8,180,885	8,230,885
Sontária	-	6,120,239	-	-	6,120,239
PCJ	-	50,000	-	-	50,000
	971,765,807	36,960,239	-	34,680,885	1,043,406,931
Impairment losses (note 14)	(46,609,902)	-	-	-	(46,609,902)
	925,155,905	36,960,239	-	34,680,885	996,797,029

The amount of 133,700,000 euros under the caption 'Additions' at Optimus relates to the acquisition of 10.60% of share capital of this subsidiary to Sonaecom BV. Now, the company holds 64.14% of Optimus share capital.

The amount of 494,495 euros relates to the acquisition of the entire share capital of Público – Comunicação Social, S.A. to Sonaetelecom BV.

The variation in 'Impairment losses' result from the increase made in the amount of 3,628,595 euros and the transfer of 29,884,000 euros from the caption 'Other non-current assets' (note 6).

The amounts of 4,300,000 euros and 25,000,000 euros under the caption 'Additions' at Sonaetelecom BV and Sonaecom BV, in the year 2010, relates to the share capital increase through share premium realised in the year 2010 in these subsidiaries.

In the year 2010, the amount of 6,120,239 euros relates to the acquisition of the entire share capital of Sontária- Empreendimentos Imobiliários, S.A. to Sonae Investimentos SGPS, S.A. (note 16).

In the year ended at 31 December 2010, the amount of 8,180,885 euros under the caption 'Transfers' at Be Artis relates to cover losses of this company through the use of supplementary capital (note 6).

The amount of 26,500,000 euros under the caption 'Transfers' at Sonaetelecom BV, in the year 2010, relates to the share capital increase by incorporation of supplementary capital in this subsidiary (note 6).

The Company presents separate consolidated financial statements at 31 December 2011, in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union, which presents total consolidated assets of 2,019,788,170 euros, total consolidated liabilities of 998,391,279 euros, consolidated operational revenues of 872,443,700 euros and consolidated Shareholders' funds of 1,021,396,891 euros, including a consolidated net profit (attributable to the Shareholders of the parent company – Sonaecom, SGPS, S.A.) for the year ended at 31 December 2011 of 62,520,591 euros.

At 31 December 2011 and 2010, the main financial information regarding the subsidiaries directly owned by the Company is as follows (values in accordance with IAS / IFRS):

Company	Head office	2011			2010		
		% holding	Shareholders' funds	Net profit / (loss)	% holding	Shareholders' funds	Net profit / (loss)
Optimus	Maia	64.14%	507,715,000	58,513,128	53.54%	449,201,872	34,632,662
Sonae Telecom	Maia	100%	165,236,687	(15,347)	100%	165,252,034	35,195,035
Sonae com SI	Maia	100%	39,995,188	444,605	100%	39,550,583	2,920,527
Miauger	Maia	100%	27,366	(1,537,672)	100%	1,260,038	(1,060,804)
Sonaetelecom BV	Amsterdam	100%	1,612,627	1,368,186	100%	244,441	(10,385,882)
Sonaecom BV	Amsterdam	100%	14,663,920	1,167,672	100%	13,496,248	4,952,908
Be Artis	Maia	100%	251,001,145	(16,260,503)	100%	167,261,649	106,684
Sontária	Maia	100%	645,042	11,240	100%	633,803	431,644
PCJ	Maia	100%	9,538,228	(3,501,772)	100%	50,000	-
Público ^{a)}	Maia	100%	381,770	(3,299,734)	-	-	-

^{a)} Company acquired in January 2011.

At 31 December 2011, Sonaecom owned, indirectly, through Sonae Telecom SGPS, S.A. an additional shareholding in Optimus – Comunicações, S.A. of 35.86%, amounting to 100% of participation.

The evaluation of the existence of impairment losses for the main investments in the Group companies is made by taking into account the cash-generating units, based on 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% or others considered more conservative, for specific cases. In situations where the measurement of the existence, or not, of impairment is made based on the net selling price, values of similar transactions and other proposals made are used.

	Discount rate
Telecommunications	9.50%
Multimedia	10.00%
Information systems	11.50%

6. Other non-current assets

At 31 December 2011 and 2010, this caption was made up as follows:

	2011	2010
Financial assets		
Medium and long-term loans granted to Group companies:		
Be Artis	179,734,000	175,720,000
Sonaecom BV	21,785,000	168,158,000
Sonaecom SI	19,700,000	21,190,000
PCJ	5,160,000	-
Sontária	2,676,637	2,676,637
Sonaetelecom BV	200,000	18,141,000
Lugares Virtuais	-	1,170,000
Wedo Consulting	-	520,000
	229,255,637	387,575,637
Supplementary capital:		
Be Artis	265,889,115	165,889,115
Sonaecom SGPS	38,630,000	38,630,000
PCJ	12,990,000	-
Público	3,565,505	-
Miauger	1,105,000	800,000
	322,179,620	205,319,115
	551,435,257	592,894,752
Accumulated impairment losses (note 14)	(8,555,505)	(32,188,100)
	542,879,752	560,706,652

During the years ended at 31 December 2011 and 2010, the movements that occurred in 'Medium and long-term loans granted to Group companies' were as follows:

2011					
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
Be Artis	175,720,000	104,014,000	-	(100,000,000)	179,734,000
Sonaecom BV	168,158,000	-	(146,373,000)	-	21,785,000
Sonae com SI	21,190,000	-	(1,490,000)	-	19,700,000
Sonaetelecom BV	18,141,000	-	(17,941,000)	-	200,000
Sontária	2,676,637	-	-	-	2,676,637
Lugares Virtuais	1,170,000	-	(1,170,000)	-	-
Wedo Consulting	520,000	-	(520,000)	-	-
PCJ	-	5,160,000	-	-	5,160,000
	387,575,637	109,174,000	(167,494,000)	(100,000,000)	229,255,637

2010					
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
Be Artis	271,915,000	206,720,001	(220,640,001)	(82,275,000)	175,720,000
Sonaecom BV	199,088,000	23,590,000	(54,520,000)	-	168,158,000
Sonae com SI	7,350,000	14,240,000	(400,000)	-	21,190,000
Sonaetelecom BV	28,521,000	9,120,000	(19,500,000)	-	18,141,000
Sontária (note 16)	-	2,676,637	-	-	2,676,637
Lugares Virtuais	1,030,000	600,000	(460,000)	-	1,170,000
Wedo Consulting	8,490,000	-	(7,970,000)	-	520,000
	516,394,000	256,946,637	(303,490,001)	(82,275,000)	387,575,637

During the years ended at 31 December 2011 and 2010, the movements in 'Supplementary capital' were as follows:

2011					
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
Be Artis	165,889,115	-	-	100,000,000	265,889,115
Sonae Telecom SGPS	38,630,000	-	-	-	38,630,000
Miauger	800,000	305,000	-	-	1,105,000
PCJ	-	12,990,000	-	-	12,990,000
Público	-	21,405,505	(17,840,000)	-	3,565,505
	205,319,115	34,700,505	(17,840,000)	100,000,000	322,179,620

2010					
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
Be Artis	115,640,000	-	(23,845,000)	74,094,115	165,889,115
Sonae Telecom SGPS	15,788,458	38,630,000	(15,788,458)	-	38,630,000
Sonaetelecom BV	11,500,000	15,000,000	-	(26,500,000)	-
Miauger	800,000	-	-	-	800,000
	143,728,458	53,630,000	(39,633,458)	47,594,115	205,319,115

During the year ended at 31 December 2011, the amount of 100,000,000 euros under the caption Transfers of 'Medium and long-term loans granted to Group companies' at Be Artis, relates to the conversion of Shareholder loans in 'Supplementary capital'.

The amount of 21,405,505 euros and 17,840,000 euros, of Increases and Decreases in Público, respectively, correspond to the acquisition of Supplementary Capital (under the acquisition of entire share capital) and the use of Supplementary Capital to cover negative earnings.

During the year ended at 31 December 2010, the amount of 82,275,000 euros under the caption Transfers of 'Medium and long-term loans granted to Group companies' at Be Artis, relates to the conversion of

Shareholder loans in 'Supplementary capital'. The amount of 74,094,115 euros, under the caption Transfers of Supplementary capital at Be Artis, relates to this movement of conversion of Shareholder loans, net of movement to cover losses through the use of Supplementary capital (note 5).

During the years ended at 31 December 2011 and 2010, the loans granted to Group companies earned interest at market rates with an average interest rate of 4.00% and 3.60%, respectively. Supplementary capital is non-interest bearing.

The movement under the caption 'Accumulated impairment losses' results from the transfer in the amount of 29,884,000 euros to the caption 'Investments in Group companies' (note 5), as well as the reinforcements performed during the period, in the amount of 6,251,405 euros (note 14).

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).

7. Deferred taxes

The movement in deferred tax liabilities in the year ended at 31 December 2010 was as follows:

	2010
Opening balance	10,480
Impact on results	
IFRS adjustments	(10,480)
Closing balance	-

At 31 December 2011, the value of deferred tax assets not recorded where it is not expected that sufficient taxable profits will be generated in the future to cover those losses, have the following detail:

Year of origin	Tax losses	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	16,874,570	(149,858)	16,724,712	4,178,930
2007	54,563,604	(537,036)	54,026,568	13,498,586
2008	-	9,893,940	9,893,940	2,621,894
2009	-	9,903,475	9,903,475	2,624,421
2010	-	8,225,377	8,225,377	2,179,725
2011	-	10,005,009	10,005,009	2,651,327
	71,438,174	90,019,589	161,457,763	41,714,734

The rate used at 31 December 2011 to calculate the deferred tax assets/liabilities relating to tax losses carried forward was of 25%, and of 26.5% for remaining deferred tax assets and liabilities. It wasn't considered the state surcharge, as it was understood to be unlikely the taxation of temporary differences during the estimated period when the referred rate will be applicable.

The reconciliation between the earnings before tax and the tax recorded for the years ended at 31 December 2011 and 2010 is as follows:

	2011	2010
Earnings before tax	(7,548,471)	136,652,836
Income tax rate (25%)	1,887,118	(34,163,209)
Correction of the tax of the previous year and other related taxes	(412,226)	(340,348)
Deferred tax liabilities	-	10,480
Movements in provisions not accepted for tax purposes (note 14)	(2,524,661)	(1,983,419)
Adjustments to the taxable income	-	34,240,169
Use of losses carried forward, which deferred taxes were not recorded	637,558	987,278
Income taxation recorded in the year	(412,211)	(1,249,049)

The adjustments to the taxable income relates, mainly, to dividends received in 2010 (note 20), which do not contribute to the calculation of the taxable profit for the year.

Portuguese Tax Authorities can review the income tax returns of the Company for a period of four years (five years for Social Security), except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in progress, in which circumstances, the periods are extended or suspended. Consequently, tax returns of each year, since the year 2008 (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 liabilities not provisioned in the financial statements, associated to probable tax contingencies that should have been recorded or disclosed in the accompanying financial statements, at 31 December 2011.

8. Other current debtors

At 31 December 2011 and 2010, this caption was made up as follows:

	2011	2010
State and other public entities	-	2,302,985
Trade debtors	5,252,702	7,367,428
Accumulated impairment losses on accounts receivables (note 14)	(1,930)	(1,930)
	5,250,772	9,668,483

At 31 December 2011 and 2010, the caption 'Other current debtors' included amounts to be received from subsidiary Group companies, relating to interests receivable from subsidiaries on Shareholders' loans, interest on treasury applications and services rendered (note 22).

The caption 'State and other public entities', at 31 December 2010, includes the special advanced payment, retentions and taxes to be recovered.

At 31 December 2011 and 2010, the aging of Trade debtors was as follows:

	Due without impairment					Due and with impairment			
	Total	Not due	Until 30 days	From 30 to 90 days	More than 90 days	Until 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
2011									
Trade debtors	5,252,702	4,192,219	959,162	99,365	-	-	-	-	1,956
2010									
Trade debtors	7367428	1701597	-	2085,684	3,578,217	-	-	-	1,930

The balances related to 'State and other public entities' are not financial assets, and therefore such caption was not detailed in the table above.

9. Other current assets

At 31 December 2011 and 2010, this caption was made up as follows:

	2011	2010
Accrued income		
Interest receivable	995,626	1,492,476
Invoices to be issued	31,958	37,609
Other accrued income	-	450
	1,027,584	1,530,535
Pluriannual costs		
Insurance	31,031	31,375
Rents	10,795	12,258
Other pluriannual costs	180,394	64,412
	222,220	108,045
	1,249,804	1,638,580

10. Cash and cash equivalents

At 31 December 2011 and 2010, the breakdown of cash and cash equivalents was as follows:

	2011	2010
Cash	10,291	10,318
Bank deposits repayable on demand	74,412	216,938
Treasury applications	61,205,000	75,404,000
	61,289,703	75,631,256

At 31 December 2011 and 2010, the caption 'Treasury applications' had the following breakdown:

	2011	2010
Bank applications	60,000,000	4,800,000
Público	446,000	-
Saphety	315,000	-
Lugares Virtuais	285,000	-
Be Towering	155,000	-
Miauger	4,000	-
Optimus	-	70,240,000
Wedo	-	360,000
Sontária	-	4,000
	61,205,000	75,404,000

During the year ended at 31 December 2011, the above mentioned treasury applications bear interests at an average rate of 4.02% (2.25% in 2010).

11. Share capital

At 31 December 2011 and 2010, the share capital of Sonaecom was comprised by 366,246,868 ordinary registered shares of 1 euro each. At those dates, the Shareholder structure was as follows:

	2011		2010	
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	52.99%	183,374,470	50.07%
Atlas Service Belgium	73,249,374	20.00%	73,249,374	20.00%
Free Float	76,737,177	20.95%	69,117,232	18.87%
Millenium BCP	12,500,998	3.41%	12,500,998	3.41%
Own shares (Note 12)	9,045,200	2.47%	9,256,357	2.53%
Sonae SGPS	650,000	0.18%	838,649	0.23%
Efanor Investimentos, SGPS, S.A.	1,000	0.00%	1,000	0.00%
Sonae Investments BV	-	-	10,500,000	2.87%
Santander Asset Management*	-	-	7408,788	2.02%
	366,246,868	100.00%	366,246,868	100.00%

* As it is not considered a qualified holding, the number of shares held by Santander Asset Management, based on the information disclosed on 16 February 2011, was include in the Free Float.

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.

12. Own shares

During the year ended at 31 December 2011, Sonaecom delivered to its employees 1,764,157 own shares under its Medium Term Incentive Plans.

Additionally, during the year ended at 31 December 2011, Sonaecom acquired 1,553,000 shares (at an average price of 1.43 euros), holding at the end of the year 9,045,200 own shares, representative of 2.47% of its share capital, with an average price of 1.50 euros.

13. Loans

At 31 December 2011 and 2010, the caption '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	
				2011	2010
'Obrigações Sonaecom SGPS 2005'	150,000,000	Jun-13	Final	150,000,000	150,000,000
'Obrigações Sonaecom SGPS 2011'	100,000,000	Mar-15	Final	100,000,000	-
'Obrigações Sonaecom SGPS 2010'	40,000,000	Mar-15	Final	40,000,000	40,000,000
'Obrigações Sonaecom SGPS 2010'	30,000,000	Feb-13	Final	30,000,000	30,000,000
Costs associated with setting-up the financing	-	-	-	(2,885,931)	(1,883,453)
Interests incurred but not yet due	-	-	-	2,371,796	800,356
				319,485,865	218,916,903
Commercial paper	150,000,000	Jul-12	-	-	85,000,000
Interests incurred but not yet due	-	-	-	-	416,833
				-	85,416,833
				319,485,865	304,333,736

b) Short-term loans and other loans

Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
				2011	2010
Treasury applications	-	-	-	18,946,282	25,084,223
Commercial paper	150,000,000	Jul-12	-	118,000,000	-
Commercial paper	40,000,000	May 11	-	-	15,000,000
Commercial paper	30,000,000	Apr-12	-	-	4,000,000
Commercial paper	15,000,000	Jun-12	-	-	9,250,000
Interest incurred but not yet due	-	-	-	163,622	138,536
				118,163,622	28,388,536
				137,109,904	53,472,759

Bond Loan

In June 2005, Sonaecom signed a Bond Loan, privately placed, amounting to 150 million euros without guarantees and with a maturity of eight years. The bonds bear interest at floating rate, indexed to Euribor and paid semiannually. This issue was organised and mounted by Millennium BCP Investimento.

In February and March 2010, Sonaecom signed two other Bond Loan, both privately placed, in the amount of 30 and 40 million euros, without guarantees and maturities of 3 and 5 years respectively. Both loans bear interest at floating rate indexed to Euribor, and paid semiannually. The issues were organised if mounted by, respectively, Banco Espírito Santo de Investimento and Caixa - Banco de Investimento. These bond issues were traded on Euronext Lisbon market.

In September 2011, Sonaecom signed a Bond Loan, privately placed, amounting to 100 million euros without guarantees and with a maturity of three and half years. The bonds bear interest at floating rate indexed to Euribor and paid semiannually. This issue was organized and mounted by BNP Paribas, ING Belgium SA / NV and WestLB AG.

All the loans above are unsecured and the fulfillment of the obligations under these loans is exclusively guaranteed by the underlying activities and the indebted company cash flows generation capacity.

The average interest rate of the bond loans, in the period, was 2.98% (2.01% in 2010).

Commercial Paper

In July 2007, Sonaecom contracted a Commercial Paper Programme Issuance with a maximum amount of 250 million euros with subscription grant and maturity of five years, organised by Banco Santander de Negócios Portugal and by Caixa – Banco de Investimento. According to the original terms, this programme was reduced to the amount of 150 million euros in July 2010.

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).

Additionally, Sonaecom has three other Commercial Paper Programmes Issuance with subscription guarantee and the following characteristics:

Amount	Hire date	Subscription guarantee	Maturity
30 million euros	April 2010	Bankia (representation in Portugal) and Banco BPI	one year, possibly renewable
15 million euros	June 2010	Caixa Económica Montepio Geral	one year, possibly renewable
10 million euros*	November 2010	Banco Popular	one year, possibly renewable

* Can also be used as current account or overdraft.

All the loans above are unsecured and the fulfillment of the obligations under these loans is exclusively guaranteed by the underlying activities and the indebted company cash flows generation capacity.

On 31 December 2011, the main financial constraints (covenants) included in debt contracts are related with the bond issue completed by Sonaecom during September 2011, totaling 100 million euros and establishing: (i) the requirement for Sonaecom, Optimus, Artis and Sonae Telecom, as well as the group companies whose both assets and EBITDA are equal or greater than 15% of the consolidated assets and the consolidated EBITDA (material subsidiaries) represent, as a whole, at least 80% of Sonaecom consolidated assets and consolidated EBITDA, and: (ii) the obligation to ensure that consolidated net debt does not exceed three times the consolidated EBITDA. Additionally, both this loan, as well as other loans are covered by Sonaecom negative pledge clauses, which impose certain restrictions on the mortgaging or pledging of the material subsidiaries' tangible assets and require the upholding of control over Optimus. The penalties applicable in the event of default in these covenants are generally the early payment of the loans obtained.

On 31 December, Sonaecom was fully compliant with all the financial constraints above mentioned.

Bank credit lines of short-term portion

Sonaecom has also short term bank credit lines, in the form of current or overdraft account commitments, in the amount of 19 million euros. These credit lines have maturities up to one year, automatically renewable, except in case of termination by either party, with some periods of notice.

All these loans and bank credit lines bear interest at market rates, indexed to the Euribor for the respective term, and were all contracted in euro.

During the years ended at 31 December 2011 and 2010, the detail of 'Treasury applications' received from subsidiaries was as follows:

	2011	2010
Optimus	10,004,318	401,581
Digitmarket	4,146,497	3,759,125
Sonaetelecom BV	1,817,977	-
Mainroad	1,120,726	1,545,062
Wedo Consulting	940,060	5,946
Sontária	665,365	-
Miauger	160,037	1,026,643
Sonae com SI	70,011	3,240,480
Sonae Telecom	15,015	10,121
Público	6,264	2,144,963
Be Towering	12	12,703,410
Lugares Virtuais	-	140,273
Saphety	-	91,418
Be Artis	-	15,201
	18,946,282	25,084,223

The treasury applications received from Group companies are payable in less than one year and earn interests at market rates. During the periods ended at 31 December 2011 and 2010, the treasury applications earned an average interest rate of 1.13% and 0.50%, respectively.

At 31 December 2011 and 2010, the repayment schedule of medium and long-term loans and of interests (nominal values), for both bonds and commercial paper were 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
2011					
Bond loan					
Reimbursements	-	180,000,000	-	140,000,000	-
Interests	11,410,100	8,367,566	6,479,600	1,450,215	-
Commercial paper					
Reimbursements	-	-	-	-	-
Interests	-	-	-	-	-
	11,410,100	188,367,566	6,479,600	141,450,215	-
2010					
Bond loan					
Reimbursements	-	-	180,000,000	-	40,000,000
Interests	5,361,400	5,376,089	2,833,123	1,254,400	288,684
Commercial paper					
Reimbursements	-	85,000,000	-	-	-
Interests	1,098,810	547,900	-	-	-
	6,460,210	90,923,989	182,833,123	1,254,400	40,288,684

Although the maturity of commercial paper issuance is between one week to six months, the counterparties assumed the placement and the maintenance of those limits for a period of one to five years. As so, such liabilities are recorded in the medium and long term at 31 December 2010.

At 31 December 2011 and 2010, the available credit lines of the Company are as follows:

Credit	Limit	Amount outstanding	Amount available	Maturity	
				Until 12 months	More than 12 months
2011					
Commercial paper	150,000,000	118,000,000	32,000,000	x	
Commercial paper	30,000,000	-	30,000,000	x	
Commercial paper	15,000,000	-	15,000,000	x	
Commercial paper	10,000,000	-	10,000,000	x	
Bond loan	150,000,000	150,000,000	-		x
Bond loan	100,000,000	100,000,000	-		x
Bond loan	40,000,000	40,000,000	-		x
Bond loan	30,000,000	30,000,000	-		x
Overdraft facilities	16,500,000	-	16,500,000	x	
Authorised overdrafts	2,500,000	-	2,500,000	x	
	544,000,000	438,000,000	106,000,000		
2010					
Commercial paper	150,000,000	85,000,000	65,000,000		x
Commercial paper	40,000,000	15,000,000	25,000,000	x	
Commercial paper	30,000,000	4,000,000	26,000,000	x	
Commercial paper	15,000,000	9,250,000	5,750,000	x	
Bond loan	150,000,000	150,000,000	-		x
Bond loan	40,000,000	40,000,000	-		x
Bond loan	30,000,000	30,000,000	-		x
Overdraft facilities	16,500,000	-	16,500,000	x	
Overdraft facilities	10,000,000	-	10,000,000	x	
Authorised overdrafts	2,500,000	-	2,500,000	x	
	484,000,000	333,250,000	150,750,000		

At 31 December 2011 and 2010, there are no interest rate hedging instruments.

Based on the debt exposed to variable rates at the end of 2011 and considering the applications and bank balances at the same date, if market interest rates rise (fall), in average, 75bp during the year 2011, the interest paid that year would be increased (decreased) in an amount of approximately 1,240,000 euros.

14. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2011 and 2010 were as follows:

	Opening balance	Increases	Transfers	Decreases	Closing balance
2011					
Accumulated impairment losses on accounts receivables (note 8)	1,930	-	-	-	1,930
Accumulated impairment losses on investments in Group companies (notes 5 and 20)	46,609,902	3,628,595	29,884,000	-	80,122,497
Accumulates impairment losses on other non-current assets (notes 6 and 20)	32,188,100	6,251,405	(29,884,000)	-	8,555,505
Provisions for other liabilities and charges	56,487	12,167	-	-	68,654
	78,856,419	9,892,167	-	-	88,748,586
2010					
Accumulated impairment losses on accounts receivables (note 8)	1,930	-	-	-	1,930
Accumulated impairment losses on investments in Group companies (notes 5 and 20)	46,609,902	-	-	-	46,609,902
Accumulates impairment losses on other non-current assets (notes 6 and 20)	24,254,422	7,933,678	-	-	32,188,100
Provisions for other liabilities and charges	41,634	14,853	-	-	56,487
	70,907,888	7,948,531	-	-	78,856,419

The increases in provisions and impairment losses are recorded under the caption 'Provisions and impairment losses' in the profit and loss statement with the exception of the impairment losses in investments in Group companies and other non-current assets, which, due to their nature, are recorded as a financial expense under the caption 'Gains and losses on Group companies' (note 20).

At 31 December 2011 and 2010, the increase of 'Provisions for other liabilities and charges' includes the amount of 12,167 euros and 14,853 euros, respectively, registered in the financial statements, under the caption 'Income taxation', due to its' nature (note 21).

15. Other non-current liabilities

This caption, in the amounts of 271,207 euros and 374,091 euros, at 31 December 2011 and 2010, respectively, corresponds to the medium and long-term amounts associated with the Medium Term Incentive Plans (note 25).

16. Other creditors

At 31 December 2011 and 2010, this caption was made up as follows:

	2011	2010
Other creditors	838,286	10,046,147
State and other public entities	739,439	319,771
Fixed assets suppliers	2,086	1,968
	1,579,811	10,367,886

At 2010, the caption 'Other creditors' includes the amount of 8,860,291 euros, relating to the acquisition of Sontária – Empreendimentos Imobiliários, S.A., of which 6,120,239 euros relates to financial investment, 2,676,637 euros relates to loans granted and 63,415 euros relates to others.

The other creditors had the following maturity plan:

	Total	Until 90 days	From 90 to 180 days	More than 180 days
2011				
Fixed assets suppliers	2,086	2,086	-	-
Other creditors	838,286	838,286	-	-
	840,372	840,372	-	-
2010				
Fixed assets suppliers	1,968	1,968	-	-
Other creditors	10,046,147	10,046,147	-	-
	10,048,115	10,048,115	-	-

17. Other current liabilities

At 31 December 2011 and 2010, this caption was made up as follows:

	2011	2010
Accrued costs		
Staff expenses	763,501	1,144,864
Medium Term Incentive Plans (note 25)	209,119	160,357
Consultancy	56,830	26,228
Other accrued costs	168,905	66,353
	1,198,355	1,397,802
Deferred income		
Other deferred income	11,238	12,407
	11,238	12,407
	1,209,593	1,410,209

18. Services rendered

At 31 December 2011 and 2010, the caption 'Services rendered' was comprised by the charge of management fees to subsidiaries (note 22). The reduction in this caption compared to 2010, is explained by the transfer of services and employees to other group companies (note 27).

19. External supplies and services

At 31 December 2011 and 2010, this caption was made up as follows:

	2011	2010
Specialised work	1,577,024	1,802,835
Travel and accommodation	109,955	156,903
Rents and travelling expenses	100,599	359,272
Fees	22,664	164,641
Other external supplies and services	176,610	298,087
	1,986,852	2,781,738

The commitments assumed, at 31 December 2011 and 2010, related to operational leases are as follows:

	2011	2010
Minimum payments of operational leases:		
2011	-	112,976
2012	67,060	53,450
2013	46,593	28,184
2014	46,593	12,816
2015	46,593	-
2016	16,922	-
Renewable by periods of one year	132,381	135,695
	356,142	343,121

20. Financial results

Net financial results for the years ended 31 December 2011 and 2010 are made up as follows:

	2011	2010
Gains and losses on investments in Group companies		
Losses related to Group companies (notes 5, 6 and 14)	(9,880,000)	(7,933,677)
Gains related to Group companies	-	136,960,673
	(9,880,000)	129,026,996
Other financial expenses		
Interest expenses:		
Bank loans	(3,450,521)	(2,853,510)
Other loans	(8,351,008)	(4,895,718)
Overdrafts and others	(99)	(43,332)
	(11,801,628)	(7,792,560)
Foreign currency exchange losses	(213)	(4,489)
Other financial expenses	(241,413)	(152,619)
	(241,626)	(157,108)
	(12,043,254)	(7,949,668)
Other financial income		
Interest income	15,312,037	16,671,281
	15,312,037	16,671,281

At 31 December 2010, the caption 'Gains related to Group companies' relates to the dividends received from Optimus (52,597,475 euros) and Sonae Telecom (84,363,198 euros).

21. Income Taxation

Income taxes recognised during the years ended at 31 December 2011 and 2010 were made up as follows ((costs) / gains):

	2011	2010
Current tax	(400,044)	(1,244,676)
Tax provision (note 14)	(12,167)	(14,853)
Deferred tax liabilities	-	10,480
Closing balance	(412,211)	(1,249,049)

22. Related parties

The most significant balances and transactions with related parties (which are detailed in the appendix) at 31 December 2011 and 2010 were as follows:

	Balances at 31 December 2011				
	Accounts receivable	Accounts payable	Treasury applications	Other assets and liabilities	Loans granted / (obtained)
Optimus	1,248,088	1,009,348	-	152,899	(10,004,318)
Sonaecon BV	282,200	-	-	97,083	21,785,000
Be Artis	(283,924)	2,221,329	-	663,691	179,734,000
Sonae telecom BV	20,545	-	-	2,932	(1,617,977)
Be Towering	4,590	604,748	155,000	27,653	(12)
Lugares Virtuais	(184,268)	1,009	285,000	1,148	-
Público	46,030	1,117,813	446,000	3,271	(6,263)
Digitmarket	4,466	40,843	-	(500)	(4,146,496)
Wedo	7,689,985	29	-	-	940,060
PCJ	191,143	-	-	19,078	5,160,000
Sonae Investimentos SGPS	-	-	-	-	-
Sonae com SI	192,346	(40,890)	-	65,017	19,629,989
Sontária	24,608	8,928	-	85,970	2,011,271
Mainroad	64,504	16,947	-	(600)	(1,120,726)
Others	5,356	72,821	319,000	(96,608)	(175,052)
	9,305,670	5,052,925	1,205,000	1,021,034	212,189,476

	Balances at 31 December 2010				
	Accounts receivable	Accounts payable	Treasury applications	Other assets and liabilities	Loans granted / (obtained)
Optimus	694,103	107,905	70,240,000	(7,913)	(401,581)
Sonaecon BV	5,512,448	-	-	536,889	168,158,000
Be Artis	353,664	809	-	(780,569)	175,704,799
Sonae telecom BV	-	104,798	-	67,607	18,141,000
Be Towering	19,213	-	-	5,614	(12,703,410)
Lugares Virtuais	-	158,570	-	(110,320)	1,029,727
Público	23,063	-	-	58,227	(2,144,964)
Digitmarket	5,631	1,505	-	(771)	(3,759,125)
Wedo	673,148	-	360,000	939,831	514,054
PCJ	-	-	-	-	-
Sonae Investimentos SGPS	-	-	-	-	-
Sonae com SI	-	8,860,291	-	-	-
Sontária	187,725	6,304	-	44,415	17,949,520
Mainroad	-	-	4,000	59,415	2,676,637
Others	68,272	257,436	-	36,298	(2,673,244)
	7,537,267	9,497,618	70,604,000	848,723	362,491,413

	Transactions at 31 December 2011			
	Sales and services rendered	Supplies and services received	Interest and similar income / (expense)	Supplementary income
Optimus	3,332,236	431,699	(357,376)	-
Be Artis	-	(4,342)	9,110,001	-
Be Towering	-	(51,224)	(8,962)	-
Wedo	154,440	-	195,173	-
Sonaecom BV	-	-	3,265,965	-
Sonae SGPS	23,800	127,090	(11,039)	-
Others	369,176	206,111	1,296,211	-
	3,879,652	709,334	13,489,973	-

	Transactions at 31 December 2010			
	Sales and services rendered	Supplies and services received	Interest and similar income / (expense)	Supplementary income
Optimus	5,520,026	641,863	(180,308)	9,362
Be Artis	289,387	(76,619)	7,522,519	(42)
Be Towering	84,825	(56,505)	(22,516)	-
Wedo	133,861	(49)	266,815	-
Sonaecom BV	219	-	7,319,561	-
Sonae SGPS	-	-	320,747	-
Others	245,744	379,713	1,349,848	-
	6,274,062	888,403	16,576,666	9,320

All the above transactions were made at market prices.

23. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 2011 and 2010 were as follows:

Beneficiary	Description	2011	2010
Direção de Contribuições e Impostos (Portuguese tax authorities)	VAT reimbursements	7360,875	7360,875
Direção de Contribuições e Impostos (Portuguese tax authorities)	Tax audit 2005	754,368	754,368
		8,115,243	8,115,243

In addition to these guarantees were set up two sureties for the current fiscal processes. The Sonae SGPS consisted of Sonaecom SGPS surety to the amount of 2,844,270 euros and Sonaecom SGPS consisted of Optimus surety for the amount of 9,264,267 euros.

At 31 December 2011 and 2010, 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 (minus 7,960,682 euros in 2011 and 135,403,787 euros in 2010) by the average number of shares outstanding during the years ended at 31 December 2011 and 2010, net of own shares (357,163,073 euros in 2011 and 358,008,787 euros in 2010).

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 SGPS, S.A. shares. The vesting occurs three years after the award of each plan, assuming that the employees are still employed in the Company.

The Sonaecom plans outstanding at 31 December 2011 can be summarised as follows:

		Vesting period		31 December 2011	
	Share price at award date*	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonaecom shares					
2007 Plan	2.447	10 Mar 08	09 Mar 11	-	-
2008 Plan	1.117	10 Mar 09	09 Mar 12	4	325,098
2009 Plan	1.685	10 Mar 10	08 Mar 13	4	232,349
2010 Plan	1.399	10 Mar 11	10 Mar 14	3	241,773
Sonae SGPS shares					
2007 Plan	1.16	10 Mar 08	09 Mar 11	-	-
2008 Plan	0.526	10 Mar 09	09 Mar 12	4	405,776
2009 Plan	0.761	10 Mar 10	08 Mar 13	4	314,954
2010 Plan	0.811	10 Mar 11	10 Mar 14	3	260,365

* 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.

During the year ended at 31 December 2011, 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 2010:				
Unvested	55	867,246	9	772,873
Total	55	867,246	9	772,873
Movements in year:				
Awarded	3	234,053	3	249,766
Vested	(11)	(175,994)	(4)	(186,234)
Cancelled / lapsed*	(36)	(126,085)	3	144,690
Outstanding at 31 December 2011:				
Unvested	11	799,220	11	981,095
Total	11	799,220	11	981,095

* The adjustments are made for dividends paid and for share capital changes and others adjustments, namely, resulting from a change in the vesting of the MTIP, which may now be made through the purchase of shares with a discount.

For Sonaecom's share plans, the responsibility was calculated taking into consideration the share price at the corresponding award date. The total responsibility for the mentioned plans is 742,525 euros and was recorded under the caption 'Medium Term Incentive Plans Reserve'. For the Sonae SGPS share plan, the Group entered into hedging contracts with external entities, and the liabilities are calculated based on the prices agreed on those contracts. The responsibility for these plans is recorded under the captions 'Other current liabilities' (note 17) and 'Other non-current liabilities' (note 15).

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 2011, were as follows:

	Value
Costs recognised in previous years	4,670,298
Costs recognised in the year	615,199
Costs of plans vested in previous years	(3,584,469)
Costs of plans vested in the year	(478,177)
	1,222,851
Recorded in other current liabilities (note 17)	209,119
Recorded in other non current liabilities (note 15)	271,207
Recorded in reserves	742,525

26. Remuneration attributed to the key management personnel

The remuneration of Directors and other members of key management during the years ended 31 December 2011 and 2010 were as follows:

	2011	2010
Short-term employee benefits	1,903,420	1,498,092
Share-based payments	539,100	435,600
	2,442,520	1,933,692

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 2011 and 2010 correspond to the value of the Medium Term Incentive Plan and will be awarded in 2012, in respect to the performance during 2011 (and the Medium Term Incentive Plan awarded in 2011 in respect to the performance during 2010, for the 2010 values), whose shares, or the cash equivalent, will be delivered in March 2015 and March 2014, respectively.

27. Average number of employees

During the years ended at 31 December 2011 and 2010, the Company had an average of 4 and 38 employees, respectively (note 18). As of 31 December 2011, the Company had 4 employees.

28. Fees of Statutory Auditor

In 2011, the Company paid, in respect of fees, to the Statutory Auditor, Deloitte, and its network of companies, the following amounts:

	2011	2010
Statutory audit	7,999	16,019
Other guarantee and reliability services	40,637	24,928
Tax advice	-	2,452
Total	48,636	43,399

These financial statements were approved by the Board of Directors on 7 March 2012, being its conviction that these will be approved at Shareholders General Meeting 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) as adopted by the European Union 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 2011, the related parties of Sonaecom, SGPS are as follows

Key management personnel - Sonaecom	
Ana Cristina Dinis da Silva Fanha Vicente Soares	Gervais Gilles Pellissier
Ana Paula Garrido Pina Marques	Jean-François René Pontal
Ângelo Gabriel Ribeirinho dos Santos Paupério	José Manuel Pinto Correia
António Bernardo Aranha da Gama Lobo Xavier	Manuel António Neto Portugal Ramalho Eanes
António de Sampaio e Mello	Maria Cláudia Teixeira de Azevedo
David Charles Denholm Hobley	Miguel Nuno Santos Almeida
David Graham Shenton Bain	Nuno Manuel Moniz Trigo Jordão
David Pedro Oliveira Parente Ferreira Alves	Paulo Joaquim dos Santos Plácido
Duarte Paulo Teixeira de Azevedo	Pedro Rafael de Sousa Nunes Pedro
Franck Emmanuel Dangeard	Rui José Silva Gonçalves Paiva

Key management personnel - Sona SGPS	
Álvaro Carmona e Costa Portela	Christine Cross
Álvaro Cuervo Garcia	José Manuel Neves Adelino
Belmiro de Azevedo	Michel Marie Bon
Bernd Hubert Joachim Bothe	

Sonaecom Group Companies	
Be Artis – Conceção, Construção e Gestão de Redes de Comunicações, S.A.	Sonaetelecom BV
Be Towering – Gestão de Torres de Telecomunicações, S.A.	Sonaecom, SGPS, S.A.
Cape Technologies Limited	Sontária - Empreendimentos Imobiliários, S.A.
Digitmarket – Sistemas de Informação, S.A.	Tecnológica Telecomunicações LTDA.
Lugares Virtuais, S.A.	Unipress – Centro Gráfico, Lda
Mainroad – Serviços em Tecnologias de Informação, S.A.	WeDo Consulting – Sistemas de Informação, S.A.
Miauger – Organização e Gestão de Leilões Electrónicos, S.A.	WeDo Poland Sp. Z.o.o.
Optimus – Comunicações, S.A.	WeDo Technologies Americas, Inc.
PCJ - Público, Comunicação e Jornalismo, S.A.	WeDo Technologies Egypt LLC
Per-Mar – Sociedade de Construções, S.A.	WeDo Technologies Mexico, S de R.L.
Praesidium Services Limited	WeDo Technologies BV
Público – Comunicação Social, S.A.	WeDo Technologies Australia PTY Limited
Saphety Level – Trusted Services, S.A.	WeDo Technologies (UK) Limited
Sociedade Independente de Radiodifusão Sonora, S.A.	WeDo do Brasil – Soluções Informáticas, Ltda
Sonae com – Sistemas Informação, SGPS, S.A.	WeDo Technologies BV – Sucursal Malaysia
Sonaecom – Sistemas de Información España, S.L.	WeDo Technologies Chile SpA.
Sonaecom BV	We Do Technologies Panamá S.A.
Sonae Telecom, SGPS, S.A.	We Do Technologies Singapore PTE. LTD.

Sonae/Efanor Group Companies

3DO Holding GmbH	Coimbrashopping – Centro Comercial, S.A.
3DO Shopping Centre GmbH	Colombo Towers Holding, BV
3shoppings – Holding,SGPS, S.A.	Contacto Concessões, SGPS, S.A.
8ª Avenida Centro Comercial, SA	Contibomba – Comérc.Distr.Combustíveis, S.A.
ADD Avaliações Engenharia de Avaliações e Perícias Ltda	Contimobe – Imobil.Castelo Paiva, S.A.
ADDmakler Administração e Corretagem de Seguros Ltda	Continente Hipermercados, S.A.
ADDmakler Administradora, Corretora de Seguros Partic. Ltda	Contry Club da Maia-Imobiliária, S.A.
Adlands B.V.	Cooper Gay Swett & Crawford Lt
Aegean Park, S.A.	Craiova Mall BV
Agepan Eiweiler Management GmbH	Cronosaúde – Gestão Hospitalar, S.A.
Agepan Flooring Products, S.A.RL	Cumulativa – Sociedade Imobiliária, S.A.
Agloma Investimentos, Sgps, S.A.	Darbo S.A.S
Agloma-Soc.Ind.Madeiras e Aglom., S.A.	Deutsche Industrieholz GmbH
Águas Furtadas Sociedade Agrícola, SA	Discovery Sports, SA
Airone – Shopping Center, Srl	Dortmund Tower GmbH
ALBCC Albufeirashopping C.Comercial SA	Dos Mares – Shopping Centre B.V.
ALEXA Administration GmbH	Dos Mares – Shopping Centre, S.A.
ALEXA Asset GmbH & Co KG	Ecociclo – Energia e Ambiente, S.A.
ALEXA Holding GmbH	Ecociclo II
ALEXA Shopping Centre GmbH	Edições Book.it, S.A.
Algarveshopping – Centro Comercial, S.A.	Edifícios Saudáveis Consultores, S.A.
Alpêssego – Soc. Agrícola, S.A	Efanor Investimentos, SGPS, S.A.
Andar – Sociedade Imobiliária, S.A.	Efanor Serviços de Apoio à Gestão, S.A.
Aqualuz – Turismo e Lazer, Lda	El Rosal Shopping, S.A.
Arat inmebles, S.A.	Emfísico Boavista
ARP Alverca Retail Park,SA	Empreend.Imob.Quinta da Azenha, S.A.
Arrábidasshopping – Centro Comercial, S.A.	Equador & Mendes, Lda
Aserraderos de Cuellar, S.A.	Espimaia – Sociedade Imobiliária, S.A.
Atlantic Ferries – Tráf.Loc,Flu.e Marít, S.A.	Estação Viana – Centro Comercial, S.A.
Avenida M – 40 B.V.	Estêvão Neves – Hipermercados Madeira, S.A.
Avenida M – 40, S.A.	Euroresinas – Indústrias Químicas, S.A.
Azulino Imobiliária, S.A.	Farmácia Selecção, S.A.
BA Business Angels, SGPS, SA	Fashion Division Canárias, SL
BA Capital, SGPS, SA	Fashion Division, S.A.
BB Food Service, S.A.	Fontana Corretora de Seguros Ltda
Beralands BV	Fozimo – Sociedade Imobiliária, S.A.
Bertimóvel – Sociedade Imobiliária, S.A.	Fozmassimo – Sociedade Imobiliária, S.A.
BHW Beeskow Holzwerkstoffe	Freccia Rossa – Shopping Centre S.r.l.
Bloco Q – Sociedade Imobiliária, S.A.	Frieengineering International Ltda
Bloco W – Sociedade Imobiliária, S.A.	Fundo de Invest. Imobiliário Imosede
Boavista Shopping Centre BV	Fundo I.I. Parque Dom Pedro Shop.Center
BOM MOMENTO – Comércio Retalhista, SA	Fundo Invest.Imob.Shopp. Parque D.Pedro
Canasta – Empreendimentos Imobiliários, S.A.	Gaiashopping I – Centro Comercial, S.A.
Carnes do Continente – Ind.Distr.Carnes, S.A.	Gaiashopping II – Centro Comercial, S.A.
Casa Agrícola de Ambrães, S.A.	GHP GmbH
Casa da Ribeira – Hotelaria e Turismo, S.A.	Gli Orsi Shopping Centre 1 Srl
Cascaishopping – Centro Comercial, S.A.	Glunz AG
Cascaishopping Holding I, SGPS, S.A.	Glunz Service GmbH
CCCB Caldas da Rainha - Centro Comercial,SA	Glunz UK Holdings Ltd
Centro Colombo – Centro Comercial, S.A.	Glunz Uka GmbH
Centro Residencial da Maia,Urban., S.A.	GMET, ACE
Centro Vasco da Gama – Centro Comercial, S.A.	Golf Time – Golfe e Invest. Turísticos, S.A.
Change, SGPS, S.A.	Guimarãesshopping – Centro Comercial, S.A.
Chão Verde – Soc.Gestora Imobiliária, S.A.	Harvey Dos Iberica, S.L.
Cinclus Imobiliária, S.A.	Herco Consultoria de Riscos e Corretora de Seguros Ltda
Citorres – Sociedade Imobiliária, S.A.	HighDome PCC Limited

Sonaef/Efanor Group Companies (cont.)

Iberian Assets, S.A.	MDS Affinity - Sociedade de Mediação, Lda
Igimo - Sociedade Imobiliária, S.A.	MDS Consultores, S.A.
Iginha - Sociedade Imobiliária, S.A.	MDS Corretor de Seguros, S.A.
Imoarea - Invest. Turísticos, SGPS, S.A.	MDS Malta Holding Limited
Imobiliária da Cacela, S.A.	MDS SGPS, SA
Imoclub - Serviços Imobiliários, S.A.	MDSAUTO - Mediação de Seguros, SA
Imoconti - Soc.Imobiliária, S.A.	Megantic BV
Imodivor - Sociedade Imobiliária, S.A.	Miral Administração e Corretagem de Seguros Ltda
Imoestrutura - Soc.Imobiliária, S.A.	MJLF - Empreendimentos Imobiliários, S.A.
Imoferro - Soc.Imobiliária, S.A.	Mlearning - Mds Knowledge Centre, Unip, Lda
Imohotel - Emp.Turist.Imobiliários, S.A.	Modalfa - Comércio e Serviços, S.A.
Imomuro - Sociedade Imobiliária, S.A.	MODALLOOP - Vestuário e Calçado, S.A.
Imopeninsula - Sociedade Imobiliária, S.A.	Modelo - Dist.de Mat. de Construção, S.A.
Imoplamac Gestão de Imóveis, S.A.	Modelo Continente Hipermercados, S.A.
Imoponte - Soc.Imobiliária, S.A.	Modelo Continente Intenational Trade, SA
Imoresort - Sociedade Imobiliária, S.A.	Modelo Hiper Imobiliária, S.A.
Imoresultado - Soc.Imobiliária, S.A.	Modelo.com - Vendas p/Correspond., S.A.
Imosedas - Imobiliária e Seviços, S.A.	Modus Faciendi - Gestão e Serviços, S.A.
Imosistema - Sociedade Imobiliária, S.A.	Movelpartes - Comp.para Ind.Mobiliária, S.A.
Imosonael	Movimento Viagens - Viag. e Turismo U.Lda
Impaper Europe GmbH & Co. KG	Mundo Vip - Operadores Turísticos, S.A.
Implantação - Imobiliária, S.A.	Munster Arkaden, BV
Infofield - Informática, S.A.	Norscut - Concessionária de Scut Interior Norte, S.A.
Infratroia, EM	Norteshopping - Centro Comercial, S.A.
Inparsi - Gestão Galeria Comercial, S.A.	Norteshopping Retail and Leisure Centre, BV
Inparvi SGPS, S.A.	Nova Equador Internacional,Ag.Viag.T, Ld
Integrum - Energia, SA	Nova Equador P.C.O. e Eventos
Integrum Colombo Energia, S.A.	Operscut - Operação e Manutenção de Auto-estradas, S.A.
Interlog - SGPS, S.A.	OSB Deustchland GmbH
Investalentejo, SGPS, S.A.	PantheonPlaza BV
Invsauade - Gestão Hospitalar, S.A.	Paracento - Gest.de Galerias Com., S.A.
Ioannina Development of Shopping Centres, SA	Pareuro, BV
Isoroy SAS	Park Avenue Develop. of Shop. Centers S.A.
La Farga - Shopping Center, SL	Parque Atlântico Shopping - C.C., S.A.
Laminate Park GmbH Co. KG	Parque D. Pedro 1 B.V.
Larim Corretora de Resseguros Ltda	Parque D. Pedro 2 B.V.
Larissa Develop. Of Shopping Centers, S.A.	Parque de Famalicão - Empr. Imob., S.A.
Lazam - MDS Corretora e Administradora de Seguros, S.A.	Parque Principado SL
LCC LeiriaShopping Centro Comercial SA	Pátio Boavista Shopping Ltda
Le Terrazze - Shopping Centre 1 Srl	Pátio Campinas Shopping Ltda
Libra Serviços, Lda.	Pátio Goiânia Shopping Ltda
Lidergraf - Artes Gráficas, Lda.	Pátio Londrina Empreend. e Particip. Ltda
Loop5 Shopping Centre GmbH	Pátio Penha Shopping Ltda.
Loureshopping - Centro Comercial, S.A.	Pátio São Bernardo Shopping Ltda
Luz del Tajo - Centro Comercial S.A.	Pátio Sertório Shopping Ltda
Luz del Tajo B.V.	Pátio Uberlândia Shopping Ltda
Madeirashopping - Centro Comercial, S.A.	Peixes do Continente - Ind.Dist.Peixes, S.A.
MaiaShopping - Centro Comercial, S.A.	Pharmaconcept - Atividades em Saúde, S.A.
Maiequipa - Gestão Florestal, S.A.	PHARMACONTINENTE - Saúde e Higiene, S.A.
Marcas do Mundo - Viag. e Turismo Unip, Lda	PIP - Equipamento de Refrigeração, Lda
Marcas MC, ZRT	Plaza Éboli B.V.
Marina de Tróia S.A.	Plaza Éboli - Centro Comercial S.A.
Marinamagic - Expl.Cent.Lúdicos Marít, Lda	Plaza Mayor Holding, SGPS, SA
Marmagno - Expl.Hoteleira Imob., S.A.	Plaza Mayor Parque de Ócio BV
Martimope - Sociedade Imobiliária, S.A.	Plaza Mayor Parque de Ocio, SA
Marvero - Expl.Hoteleira Imob., S.A.	Plaza Mayor Shopping BV

Sonae/Efanor Group Companies (cont.)

Plaza Mayor Shopping, SA	RSI Corretora de Seguros Ltda
Ploi Mall BV	S.C. Microcom Doi Srl
Plysol, BV	Saúde Atlântica – Gestão Hospitalar, S.A.
Poliface North America	SC – Consultadoria, S.A.
POLINSUR – Mediação de seguros, LDA	SC – Eng. e promoção imobiliária, SGPS, S.A.
PORTCC - Portimão shopping Centro Comercial, SA	SC Aegean B.V.
Porturbe – Edifícios e Urbanizações, S.A.	SC Assets SGPS, S.A.
Praedium – Serviços, S.A.	SC Finance BV
Praedium II – Imobiliária, S.A.	SC Mediterraneum Cosmos B.V.
Praedium SGPS, S.A.	SC, SGPS, SA
Predicomercial – Promoção Imobiliária, S.A.	SCS Beheer, BV
Prédios Privados Imobiliária, S.A.	Selfrio, SGPS, S.A.
Predisedas – Predial das Sedas, S.A.	Selifa – Empreendimentos Imobiliários, S.A.
Pridelease Investments, Ltd	Sempre à Mão – Sociedade Imobiliária, S.A.
Proj. Sierra Germany 4 (four) – Sh.C.GmbH	Sempre a Postos – Produtos Alimentares e Utilidades, Lda
Proj. Sierra Germany 2 (two) – Sh.C.GmbH	SERENITAS-SOC.MEDIAÇÃO SEG.LDA
Proj. Sierra Germany 3 (three) – Sh.C.GmbH	Serra Shopping – Centro Comercial, S.A.
Proj. Sierra Italy 1 – Shop. Centre Srl	Sesagest – Proj. Gestão Imobiliária, S.A.
Proj. Sierra Italy 2 – Dev. Of Sh.C.Srl	Sete e Meio – Invest. Consultadoria, S.A.
Proj. Sierra Italy 3 – Shop. Centre Srl	Sete e Meio Herdades – Inv. Agr. e Tur., S.A.
Proj. Sierra Italy 5 – Dev. Of Sh.C.Srl	Shopping Centre Parque Principado B.V.
Proj. Sierra Portugal VIII – C.Comerc., S.A.	Shopping Penha B.V.
Project 4, Srl	Siaf – Soc. Iniciat. Aprov. Florestais - Energia, S.A.
Project SC 1 BV	SIAL Participações Ltda
Project SC 2 BV	Sierra Asset Management – Gest. Activos, S.A.
Project Sierra 2 B.V.	Sierra Berlin Holding BV
Project Sierra 6 BV	Sierra Central S.A.S
Project Sierra 7 BV	Sierra Charagionis Develop.Sh. Centre S.A.
Project Sierra 8 BV	Sierra Charagionis Propert.Management S.A.
Project Sierra 9 BV	Sierra Corporate Services – Ap.Gestão, S.A.
Project Sierra Brazil 1 B.V.	Sierra Corporate Services Holland, BV
Project Sierra Charagionis 1 S.A.	Sierra Develop.Iberia 1, Prom.Imob., S.A.
Project Sierra Four, SA	Sierra Development of Shopping Centres Greece, S.A.
Project Sierra Germany Shop. Center 1 BV	Sierra Developments – Serv. Prom.Imob., S.A.
Project Sierra Germany Shop. Center 2 BV	Sierra Developments Germany GmbH
Project Sierra Spain 1 B.V.	Sierra Developments Holding B.V.
Project Sierra Spain 2 – Centro Comer. S.A.	Sierra Developments Italy S.r.l.
Project Sierra Spain 2 B.V.	Sierra Developments Romania, Srl
Project Sierra Spain 3 – Centro Comer. S.A.	Sierra Developments Spain – Prom.C.Com.SL
Project Sierra Spain 3 B.V.	Sierra Developments, SGPS, S.A.
Project Sierra Spain 6 B.V.	Sierra Enplanta Ltda
Project Sierra Spain 7 – Centro Comer. S.A.	Sierra European R.R.E. Assets Hold. B.V.
Project Sierra Spain 7 B.V.	Sierra GP Limited
Project Sierra Three Srl	Sierra Investimentos Brasil Ltda
Project Sierra Two Srl	Sierra Investments (Holland) 1 B.V.
Promessa Sociedade Imobiliária, S.A.	Sierra Investments (Holland) 2 B.V.
Prosa – Produtos e serviços agrícolas, S.A.	Sierra Investments Holding B.V.
Puravida – Viagens e Turismo, S.A.	Sierra Investments SGPS, S.A.
Quorum Corretora de seguros LT	Sierra Italy Holding B.V.
Racionaliz. y Manufact.Florestales, S.A.	Sierra Management Germany GmbH
RASO – Viagens e Turismo, S.A.	Sierra Management Greece S.A.
RASO, SGPS, S.A.	Sierra Management Italy S.r.l.
Rio Sul – Centro Comercial, S.A.	Sierra Management Portugal – Gest. CC, S.A.
River Plaza Mall, Srl	Sierra Management Romania, Srl
River Plaza, BV	Sierra Management Spain – Gestión C.Com.S.A.
Rochester Real Estate, Limited	Sierra Management, SGPS, S.A.

Sonae/Efanor Group Companies (cont.)

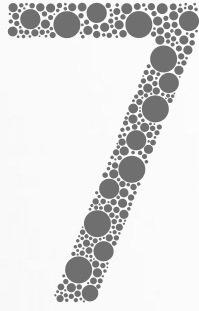
SII – Soberana Invest. Imobiliários, S.A.	Sport Retalho España – Servicios Gen., S.A.
SIRS – Sociedade Independente de Radiodifusão Sonora, S.A.	Sport Zone – Comércio Art.Desporto, S.A.
Sistavac – Sist.Aquecimento,V.Ar C., S.A.	Sport Zone – Turquia
SKK – Central de Distr., S.A.	Sport Zone Canárias, SL
SKK SRL	Sport Zone España-Com.Art.de Deporte,SA
SKKFOR – Ser. For. e Desen. de Recursos	Spred, SGPS, SA
Sociedade de Construções do Chile, S.A.	Stinnes Holz GmbH
Société de Tranchage Isoroy S.A.S.	Tableros Tradema, S.L.
Socijofra – Sociedade Imobiliária, S.A.	Tafiber,Tableros de Fibras Ibéricas, SL
Sociloures – Soc.Imobiliária, S.A.	Tafibra Polska Sp.z.o.o.
Soconstrução BV	Tafibra South Africa
Sodesa, S.A.	Tafibra Suisse, SA
Soflorin, BV	Tafisa – Tableros de Fibras, S.A.
Soira – Soc.Imobiliária de Ramalde, S.A.	Tafisa Canadá Societé en Commandite
Solinca – Eventos e Catering, SA	Tafisa France, S.A.
Solinca – Health and Fitness, SA	Tafisa UK, Ltd
Solinca – Investimentos Turísticos, S.A.	Taiber,Tableros Aglomerados Ibéricos, SL
Solinfitness – Club Malaga, S.L.	Tarkett Agepan Laminate Flooring SCS
Solingen Shopping Center GmbH	Tecmasa Reciclados de Andalucía, SL
Soltroia – Imob.de Urb.Turismo de Tróia, S.A.	Terra Nossa Corretora de Seguros Ltda
Somit Imobiliária	Têxtil do Marco, S.A.
SONAE – Specialized Retail, SGPS, SA	Tlantic Portugal – Sist. de Informação, S.A.
Sonae Capital Brasil, Lda	Tlantic Sistemas de Informação Ltdª
Sonae Capital,SGPS, S.A.	Todos os Dias – Com.Ret.Expl.C.Comer., S.A.
Sonae Center II S.A.	Tool GmbH
Sonae Center Serviços, S.A.	Torre Ocidente Imobiliária, S.A.
Sonae Ind., Prod. e Com.Deriv.Madeira, S.A.	Torre São Gabriel – Imobiliária, S.A.
Sonae Indústria – SGPS, S.A.	TP – Sociedade Térmica, S.A.
Sonae Industria de Revestimentos, S.A.	Troia Market, S.A.
Sonae Indústria Manag. Serv, SA	Tróia Natura, S.A.
Sonae Investimentos, SGPS, SA	Troiaresort – Investimentos Turísticos, S.A.
Sonae Investments, BV	Troiaverde – Expl.Hoteleira Imob., S.A.
Sonae Novobord (PTY) Ltd	Tulipamar – Expl.Hoteleira Imob., S.A.
Sonae RE, S.A.	Unishopping Administradora Ltda.
Sonae Retalho Espana – Servicios Gen., S.A.	Unishopping Consultoria Imob. Ltda.
Sonae SGPS, S.A.	Urbisedas – Imobiliária das Sedas, S.A.
Sonae Sierra Brasil S.A.	Valecenter Srl
Sonae Sierra Brazil B.V.	Valor N, S.A.
Sonae Sierra, SGPS, S.A.	Vastgoed One – Sociedade Imobiliária, S.A.
Sonae Tafibra Benelux, BV	Vastgoed Sun – Sociedade Imobiliária, S.A.
Sonae Turismo – SGPS, S.A.	Via Catarina – Centro Comercial, S.A.
Sonae UK, Ltd.	Viajens y Turismo de Geotur España, S.L.
Sonaegest – Soc.Gest.Fundos Investimentos	Vistas do Freixo, SA
SONAEMC – Modelo Continente, SGPS, S.A.	Vuelta Omega, S.L.
Sondis Imobiliária, S.A.	Weierstadt Shopping BV
Sontel BV	World Trade Center Porto, S.A.
Sontur BV	Worten – Equipamento para o Lar, S.A.
Sonvecap BV	Worten Canárias, SL
Sopair, S.A.	Worten España, S.A.
Sotáqua – Soc. de Empreendimentos Turist	ZIPPY – Comércio e Distribuição, SA
Spanboard Products, Ltd	ZIPPY – Comercio y Distribución, S.A.
SPF – Sierra Portugal Real Estate, Sarl	Zippy Turquia
Spinarq – Engenharia, Energia e Ambiente, SA	Zubiarte Inversiones Inmobiliarias, S.A.
Spinveste – Gestão Imobiliária SGII, S.A.	ZYEVLUTION-Invest.Desenv,SA.
Spinveste – Promoção Imobiliária, S.A.	

FT Group Companies

Atlas Services Belgium, S.A.

France Télécom, S.A.





STATEMENT UNDER THE TERMS
OF ARTICLE 245



7 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

António Bernardo Aranha da Gama Lobo Xavier

Maria Cláudia Teixeira de Azevedo

Miguel Nuno Santos Almeida

Nuno Manuel Moniz Trigo Jordão

António Sampaio e Mello

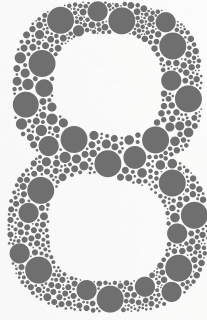
Gervais Gilles Pellissier

David Charles Denholm Hobley

Jean-François René Pontal

Frank Emmanuel Dangeard





*LEGAL CERTIFICATION OF ACCOUNTS
AND AUDIT REPORT*





Deloitte & Associados, SROC S.A.
Inscrição na OROC nº 43
Registo na CMVM nº 231

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STATUTORY AUDIT AND AUDITOR'S REPORT

*(This is a translation of a report originally issued in Portuguese
in the event of discrepancies, the Portuguese language version prevails)*

Introduction

1. In compliance with the applicable legislation we hereby present our Statutory Audit and Auditor's Report on the consolidated and individual financial information contained in the Board of Directors' Report, and on the accompanying consolidated and individual financial statements of SONAECON, S.G.P.S., S.A. ("Company") for the year ended 31 December 2011 which comprise the Consolidated and Individual Balance Sheets as of 31 December 2011 (that present a total net assets of 2,019,788,170 Euro and 1,708,512,292 Euro, respectively, and consolidated and individual equity of 1,021,396,891 Euro and 1,248,787,258 Euro, respectively, including a consolidated net profit attributable to the Company's shareholders of 62,520,591 Euro and an individual net loss of 7,960,682 Euro), the Consolidated and Individual Statements of profit and loss, comprehensive income, changes in equity and cash-flows for the year then ended and the corresponding Notes.

Responsibilities

2. The Board of Directors is responsible for: (i) the preparation of consolidated and individual financial statements that present a true and fair view of the financial position of the Company and of the group of companies included in the consolidation, the consolidated and individual results of their operations, comprehensive income, changes in equity and their consolidated and individual cash-flows; (ii) the preparation of historical financial information in accordance with the International Financial Reporting Standards as adopted by the European Union and that is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of an appropriate system of internal control; and (iv) informing on any significant facts that have influenced the operations of the Company and of the group of companies included in the consolidation, their financial position or their results and comprehensive income.
3. Our responsibility is to examine the consolidated and individual financial information contained in the documents referred to above, including verifying that, in all material respects, the information is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code, and to issue a professional and independent report based on our examination.

Scope

4. Our examination was performed in accordance with the Technical/Audit Standards ("Normas Técnicas e as Diretrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated and individual financial statements are free of material misstatement. Such an examination includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the consolidated and individual financial statements and assessing the estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. Such an examination also includes verifying the consolidation procedures, the application of the equity method and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting principles used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, verifying the adequacy of the overall presentation of the consolidated and individual financial statements and assessing that, in all material respects, the consolidated and individual financial information is complete, true, up-to-date, clear, objective and licit. Our examination also comprises verifying that the financial information contained in the Board of Directors' Report is in accordance with the consolidated and individual financial statements, as well to perform the verifications established in the numbers 4 and 5 of the article 451º of the Portuguese Company Law ("Código das Sociedades Comerciais"). We believe that our examination provides a reasonable basis for expressing our opinion.

A expressão Deloitte refere-se à Deloitte Touche Tohmatsu, uma Swiss Verein, ou a uma ou mais entidades da sua rede de firmas membro, sendo cada uma delas uma entidade legal separada e independente. Para aceder à descrição detalhada da estrutura legal da Deloitte Touche Tohmatsu e suas firmas membro consulte www.deloitte.com/about.

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Sede: Edifício Atium Salbanta, Praça Duque de Saldanha, 1 - 6º, 1050-094 Lisboa

Member of Deloitte Touche Tohmatsu



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Registo na CMVM nº 231

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Opinion

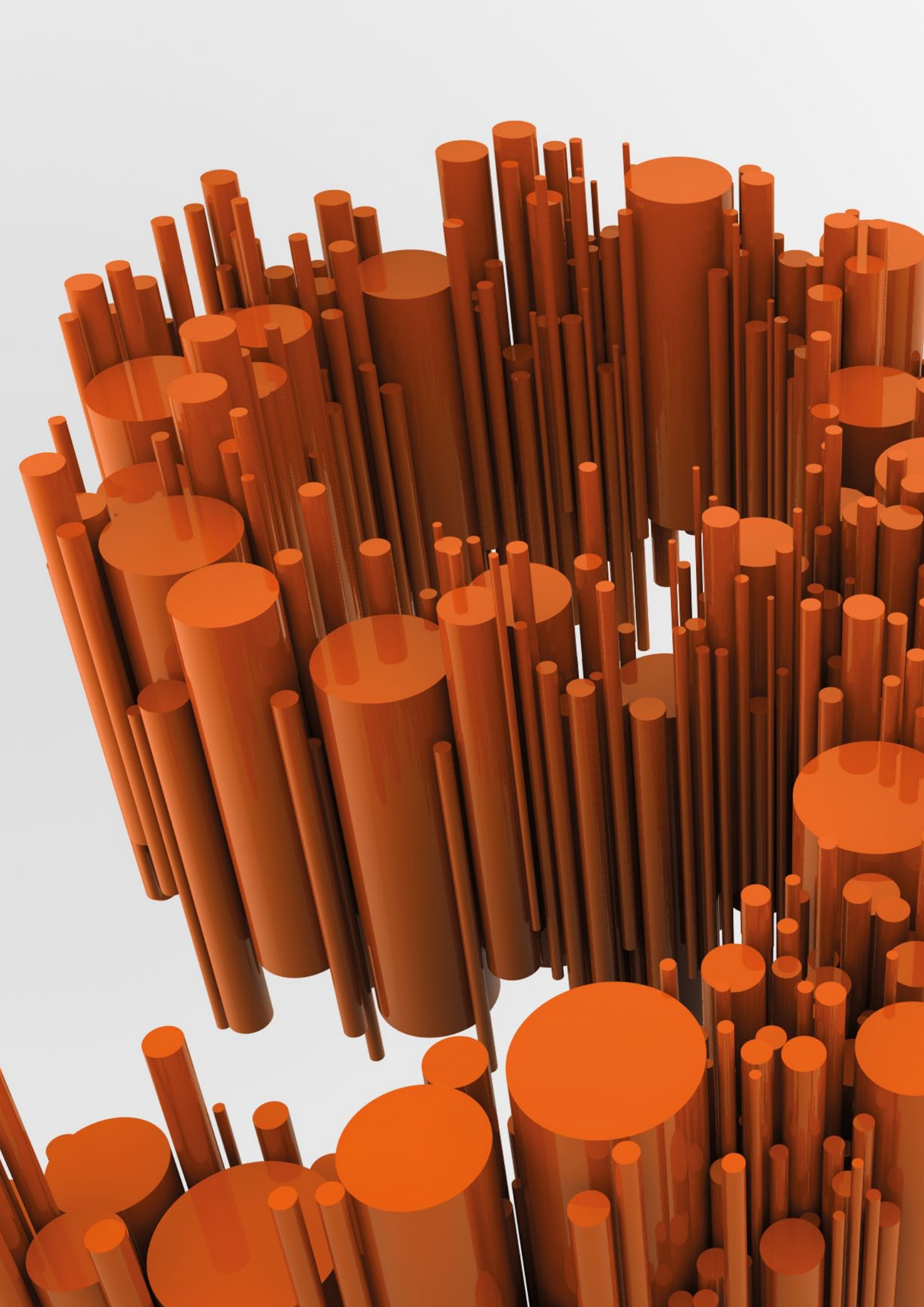
5. In our opinion, the consolidated and individual financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated and individual financial position of SONAE COM, S.G.P.S., S.A. as of 31 December 2011, the consolidated and individual results of their operations, consolidated and individual comprehensive income, changes in consolidated and individual equity and their consolidated and individual cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union and the information contained therein is, in terms of the definitions included in the technical and audit standards referred to in paragraph 4 above, complete, true, up-to-date, clear, objective and licit.

Report on other legal requirements

6. It is also our opinion that the financial information included in the Board of Directors' Report is in accordance with the consolidated and individual financial statements of the year and that the Corporate Governance Report includes the information required to the Company, as established by the article 245º-A of the Securities Market Code.

Porto, 7 March 2012

Deloitte & Associados, SROC S.A.
Represented by António Manuel Martins Amaral



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REPORT AND OPINION OF THE STATUTORY AUDIT BOARD



Report and opinion of the Statutory Audit Board of Sonaecom, SGPS,SA

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 documentation concerning the individual and consolidated accounts of Sonaecom, S.G.P.S., S.A., for the year ended at 31 December 2011, which are of the responsibility of the Company's Board of Directors.

1.2 – Supervisory activities

The Statutory Audit Board, during the year under review, accompanied under its competence, the management of the company and its subsidiaries, examined, to the adequate extension, the evolution of the company, the validity of accounting records, the quality of the preparation and financial information disclosure process, related accounting policies, valuation criteria and, the compliance with legal regulations and laws.

With this purpose, the Statutory Audit Board held meetings with appropriate frequency, which, were attended by the Board, personnel responsible for financial operations, accounting, internal audit and risk management and the statutory auditor and external auditor. Additionally, the Statutory Audit Board attended the meeting of the Board of Directors which approved the management report and accounts for the year.

The Statutory Audit Board oversaw the effectiveness of the risk management, internal control having appreciated the planning and results of the internal and external auditors. In particular, the Statutory Audit Board review and assessed the internal control and risk management procedures in what regards the preparation of consolidated financial statements.

The Statutory Audit Board reviewed with particular attention the accounting treatment of transactions that materially influenced the development of the activity expressed in the financial statements and exercised its competences regarding the qualifications and independence of the external auditor.

During 2010 and 2011, on the fulfilment of its duties, the Statutory Audit Board monitored the profuse process of selecting the Statutory Auditor and External Auditor for appointment for the mandate 2012-2015. The Statutory Audit Board has, as a consequence of that process, made an appointment proposal to be presented in the Annual General Meeting.

As part of its responsibilities, the Statutory Audit Board examined the management report and other documentation concerning the individual and consolidated accounts, prepared by the Board of Directors, considering that the information disclosed satisfies the legal standards and is appropriate for understanding the financial position and results of the company and its consolidation universe, and analyzed the legal certification of accounts and audit report, issued by the statutory auditor, to which it has given consent.

2 – Opinion

In face of the above mentioned, the Statutory Audit Board is of the opinion that there are the conditions for the Shareholders' General Meeting to approve:

- The management report, the individual and consolidated balance sheets at 31 December 2011, the individual and consolidated profit and loss accounts by nature, statements of comprehensive income, movements in shareholders' funds and cash flow statements for the year ended on that date and related notes;
- The application of results proposal of the Board of Directors.

3 – Statement of Responsibility

In accordance with paragraph 1, point a) of article 8 of Regulation n° 5/2008 of CMVM and point c) of paragraph 1 of article 245 of the Portuguese Securities Market Code, we 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. Further, we inform that the Corporate Governance report issued complies with the article 245-A of the Portuguese Securities Code.

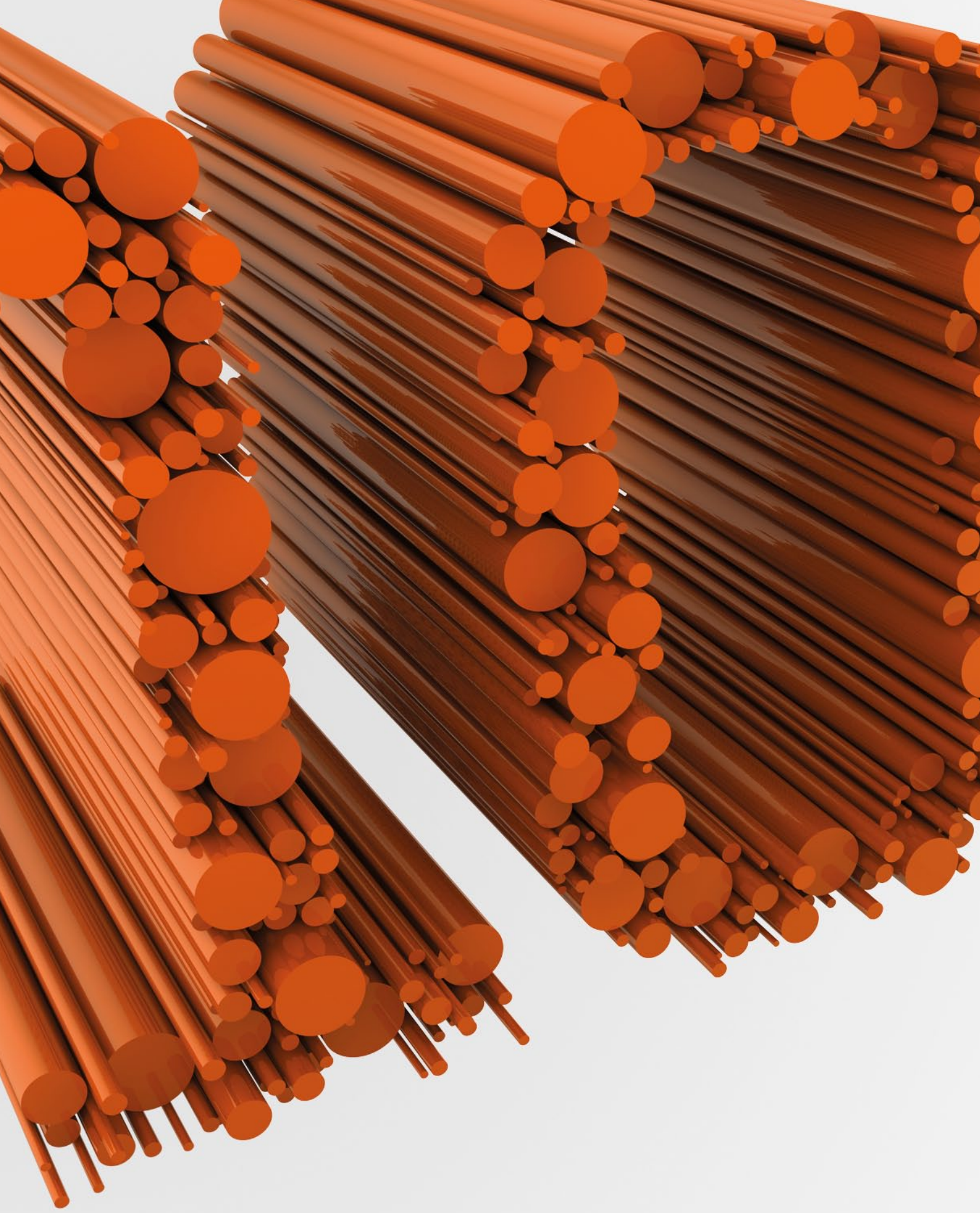
Maia, 12 March 2012

The Statutory Audit Board

Arlindo Dias Duarte Silva

Óscar José Alçada da Quinta

Armando Luís Vieira de Magalhães





10

GLOSSARY OF TERMS



10 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 and a lower speed upstream channel, 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.
Femtocell	A small cellular base station, typically designed for use in a home or small business. It connects to the service provider's network via broadband (such as FTTH, xDSL or cable), allowing mobile network offload. A femtocell allows service providers to extend service coverage indoors, especially where access would otherwise be limited or unavailable.
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 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.
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 faster speeds 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.

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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

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Sonaecom SGPS is listed on the Euronext Stock Exchange.
Information may be accessed on Reuters under the symbol 'SNC.LS'
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