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ANNUAL REPORT

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## 01. OUR GROUP

#### 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 HISTORY AND LANDMARKS

#### **OPTIMUS**

Optimus was launched in 1998 after the award of the third mobile GSM licence in Portugal.

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, SGPS, 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 3.57 million subscribers and a market share of 21% at the end of 2012.

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. 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.

Following the Portuguese spectrum auction held in late 2011, Optimus has secured the ideal combination of spectrum across three LTE bands: 800MHz, 1800MHz and 2600MHz, allowing for maximum efficiency and network deployment. At the end of 2012, 80% of the Portuguese population were already covered by Optimus's 4G network, a remarkable step towards sustaining Optimus's leadership position in a mobile data future.

This year was also marked by the public announcement on 14 Decembre 2012, of the agreement between Sonaecom and Unitel International Holdings, which was followed by approval of the merger project, on 21 January 2013, from the Optimus Board of Directors. The Board considered this merger to be a logical and essential step towards the development of a common growth plataform, which will leverage and maximise the significant potential of both companies.

#### SOFTWARE AND SYSTEMS INFORMATION SERVICES (SSI)

Created at the end of 2002, Software and Systems Information Services (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 180 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 Braga (Portugal) and Washington (USA). Following its 2007 acquisition of Ireland-based Cape Technologies Limited, WeDo Technologies became the world leader in the revenue assurance software integration market.

Finally, on April 2012, following the acquisition of Connectiv Solutions, WeDo Technologies ensured a solid presence in the USA, with a Software as a Service (SaaS) operation, thus reinforcing its position in the telecoms business assurance 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 Eletrónicos. 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;
- 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;
- A distinct, 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 while 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.



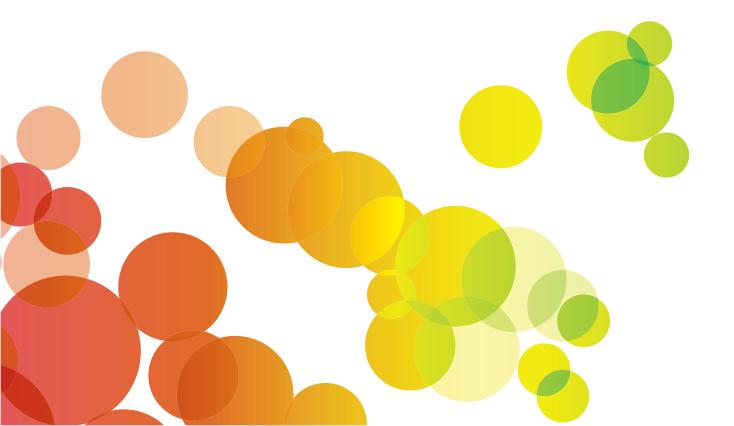
### 1.2 KEY FIGURES

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	2012	2011	Year-on-year
Consolidated income statement		-	
Turnover	825.4	863.6	(4.4)%
Mobile	528.1	570.7	(7.5)%
Wireline	222.5	220.4	1.0%
SSI	103.8	108.5	(4.3)%
Other & Eliminations	(29.1)	(36.0)	(19.2)%
EBITDA	246.0	235.5	4.5%
Mobile	227.8	218.6	4.2%
Wireline	14.8	13.0	13.6%
SSI	12.0	8.7	38.9%
Other & Eliminations	(8.7)	(4.8)	(79.5)%
EBITDA margin (%)	29.8%	27.3%	2.5pp
EBIT	92.6	82.2	12.7%
Net financial results	(14.0)	(8.9)	57.6%
EBT	78.6	73.3	7.2%
Net results group share <sup>(1)</sup>	75.4	62.3	21.1%
CAPEX and levered free cash flow			
Operating CAPEX <sup>(2)</sup> (excl. spectrum investment)	133.2	127.9	4.1%
Operating CAPEX as % of turnover (excl. spectrum investment)	16.1%	14.8%	1.3pp
EBITDA – operating CAPEX (excl. spectrum investment)	112.8	107.6	4.9%
Total CAPEX (excl. spectrum investment)	133.2	127.9	4.1%
Operating CAPEX <sup>(2)</sup>	133.2	238.3	(44.1)%
Total CAPEX	143.2	238.5	(39.9)%
Operating cash flow <sup>(3)</sup>	3.4	70.6	(95.1)%
Levered FCF <sup>(4)</sup>	(44.5)	38.8	(33.2)70
Consolidated balance sheet			
Total net assets	1900.9	2037.5	(6.7)%
Tangible and intangible assets	962.3	972.5	(1.1)%
Liquidity	62.4	189.4	(67.0)%
Shareholders' funds	1083.2	1034.4	4.7%
Minority interests	0.4	0.5	(24.9)%
Gross debt	406.2	459.2	(11.6)%
Net debt	343.8	269.9	27.4%
Net debt / EBITDA last 12 months	1.4x	1.1x	0.3x
Gross debt / ( gross debt + shareholders' funds)	27.3%	30.7%	(3.5)pp

	2012	2011	Year-on-year
Key operating data – mobile			
Customers (EOP) ('000)	528.1	570.7	(7.5)%
Net additions ('000)	(70.7)	35.3	-
Data as % service revenues	31.8%	32.5%	(0.7)pp
$MOU^{(5)}$ (min.)	123.2	126.1	(2.4)%
ARPU (euros)	12.0	12.9	(7.2)%
Key operating data – wireline			
Total accesses (EOP)	334,939	375,826	(10.9)%
Corporate and SMEs	158,472	158,449	0.0%
Residential	176,467	217,377	(18.8)%
Average revenue per access (retail)	22.6	23.3	(3.2)%
Key operating data – SSI			
IT Service Revenues / Employee <sup>(6)</sup> ('000 euros)	139.3	135.3	3.0%
EBITDA / Employee ('000 euros)	19.9	15.3	29.6%
Number of employees	641	550	16.5%
Sonaecom			
Number of employees	2,025	2,016	0.4%

<sup>(1)</sup> Net results after minority interests;



 $<sup>\</sup>begin{tabular}{ll} (2) \\ \hline \end{tabular}$  Operating Capex excludes financial investments and other non-operational

 $<sup>^{(3)}</sup>$  Operating cash flow = EBITDA – operating Capex – change in working capital – non-cash items and other;

 $<sup>\</sup>ensuremath{^{(4)}}$  FCF levered after financial expenses but before capital flows and raising finance related to up-front costs;

<sup>(5)</sup> Minutes of use per customer;

 $<sup>^{\</sup>rm (6)}$  Excluding employees dedicated to Equipment Sales.



Ângelo Paupério, CEO of Sonaecom

#### 1.3 CEO'S MESSAGE

In 2012, Sonaecom increased its profitability and strengthened its competitive position in Portugal while simultaneously expanding in international markets and promoting the merger between Optimus and Zon, again redrawing the telecommunications sector in Portugal.

Our 2012 results are in line with results achieved over the last five years. Since 2008, our EBITDA progressed steadily at an average growth rate of 8.0% to 246 million euros; net income grew on average by almost 100% per year to 75.4 million euros; and accumulated investment exceeded 1,000 million euros, without compromising the company's financial position, which remains among the most conservative in the sector, with a debt to EBITDA ratio of 1.4x.

We continued to execute the strategy set out for the telecommunications business with considerable effectiveness and rigour, allowing a strong leveraging of our resources with widely recognized results in terms of the quality of our 2G and 3G networks; the efficiency of our brand promotion; the differentiating nature of our customer service; and our continuing market leadership in innovation. Here, there was a strong emphasis during the year on the deployment of our LTE/4G network, which now covers more than 80% of the Portuguese population, with more than half the population benefiting from speeds up to 150Mbps.

At our Software and Information Systems (SSI) division, we expanded our international presence, supported by organic growth and by the acquisition of Connectiv Solutions. This transaction opened up the US market opportunity and strengthened WeDo's leadership in the segment of business assurance in telecommunications. Besides growing its service revenues, SSI also significantly improved its profitability and its ability to generate cash flow.

2013 will be a year of great opportunities, including those arising from the merger project between Optimus and Zon that has progressed in an exemplary manner thanks to the unsurpassed commitment and professionalism of the teams from both companies, who are prepared and motivated to offer an even better service to an even broader customer base, generating value for all stakeholders.



#### 1.4 CORPORATE DEVELOPMENTS IN 2012

#### 2012 SHAREHOLDERS' ANNUAL GENERAL MEETING

27 APRIL 2012

Sonaecom shareholders decided, at the company's Annual General Meeting held on 27 April 2012:

- 1. To approve the company's Annual Report, the individual and consolidated Annual Accounts for 2011, including appendices, as presented by the Board of Directors.
- 2. To approve the proposed appropriation of the net results for year ended 31 December 2011, as follows:
  - (i) The negative net income in Sonaecom Individual accounts, to the amount of 7,960,681.56 euros, is transferred to Free Reserves;
  - (ii) A total of 25,637,280.76 euros of Free Reserves is paid to shareholders, corresponding to a gross value of 0.07 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) No payment will be made in respect of own shares held by the company on the above payment date and the equivalent gross amount of 0.07 euros will be added to Accumulated Distributable Reserves.

It was also 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, a gross amount of 0.07 euros will be paid;
- (ii) No payment will be made in respect of own shares held by the company on the above payment date and the equivalent gross amount of 0.07 euros will be added to Accumulated Distributable Reserves.
- 3. To approve a vote of appreciation 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 2011.
- 4. To elect the members for the statutory governing bodies for the four-year mandate 2012-2015.
- 5. To elect as Statutory External Auditor of the company for the four-year mandate 2012-2015: Deloitte & Associados, SROC, represented by António Manuel Martins Amaral or by João Luís Falua Costa da Silva.

- 6. To approve the remuneration and compensation policy of the statutory governing bodies and persons discharging managerial responsibilities ("Dirigentes") as well as the attribution share plan and respective regulation, to be executed by the Shareholders' Remuneration Committee, as per the terms of the proposal presented by the Shareholders' Remuneration Committee and previously disclosed.
- 7. To approve the remuneration of the Shareholder's Remuneration Committee, as per the terms of the proposal presented and previously disclosed.
- 8. To authorise the Board of Directors, over the next 18 months, to purchase and sell own shares up to the legal limit of 10% as per the terms of the proposal presented by that body and previously disclosed.
- 9. To authorise over the next 18 months, and under the legal limits, the purchase and holding of shares of the company by its controlled companies, as per the terms of the proposal presented by that body and previously disclosed.

#### **ACQUISITION OF CONNECTIV SOLUTIONS**

30 APRIL 2012

On 30 April 2012, WeDo Technologies acquired Connectiv Solutions, a US-based company that provides management of telecommunications network usage expenses. The deal will strengthen WeDo Technologies' presence in North America, bringing a huge boost to the company's geographical strategy and further cement the company's global leadership position in revenue and business assurance.

#### AGREEMENT BETWEEN SONAECOM AND UNITEL INTERNATIONAL HOLDINGS

14 DECEMBER 2012

On 14 December 2012, Sonaecom SGPS, SA, Kento Holding Limited and Jadeium BV (company name recently changed to Unitel International Holdings, BV), the latter two being companies owned by Eng. Isabel dos Santos, announced that they have reached an agreement to recommend to the Boards of Zon Multimédia - Serviços de Telecomunicações e Multimédia, SGPS, SA and Optimus SGPS, SA a merger between the two companies, based on the incorporation of Optimus SGPS into Zon.

With a view to completing the operation, Sonaecom and Unitel International Holdings requested the respective management teams of Optimus and Zon that they should jointly assess the benefits and opportunity of the transaction, taking into consideration the interests of both companies.



#### 1.5 PROPOSAL FOR THE APPLICATION OF RESULTS

The Board of Directors proposes that the net income in Sonaecom Individual accounts, in the amount of 103,229,835.43 euros be transferred as follows:

- i) 5,161,491.77 euros to legal reserves;
- ii) 43,949,624.16 euros is paid to shareholders, corresponding to a gross dividend of 0.12 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;
- iii) the remainder to free reserves.

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:

- Each share issued will be paid the gross amount of 0.12
- 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 0.12 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 2012 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 2012.

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. Once again, they have demonstrated remarkable resilience, flexibility and innovative spirit. Clearly, their efforts remain the basis of Sonaecom's continuing success.





# O2. OUR BUSINESS



## 02. OUR BUSINESS

#### 2.1 BUSINESS OVERVIEW

#### 2.1.1 SONAECOM CONSOLIDATED RESULTS

#### **TURNOVER**

Consolidated turnover in 2012 stood at 825.4 million euros, 4.4% below 2011. This evolution was driven by a decrease of 3.3% in service revenues and a decrease of 15.7% in product sales.

Optimus's evolution has been affected by regulated tariffs (mobile termination rates - MTRs, and roaming in) and Portugal's austerity economic environment, which continued to have a negative impact on consumption levels.

The 10.9% increase in service revenues at SSI during 2012 was not sufficient to offset the fall in product sales at Bizdirect. This fall resulted from the combined impact of the macroeconomic environment and the termination of the government's e-initiatives programme in the first quarter of 2011.



#### **OPERATING COSTS**

Operating costs stood at 588.7 million euros, down 7.6% compared to 2011.

Sonaecom operating costs benefited from the transversal Optimus' optimisation plan, launched three years ago, coupled with the lower cost of goods sold at SSI, consequence of the product sales' evolution.

As a result of Optimus efficiency measures, the company has been able to reduce its cost structure across the organization. With a significant number of measures already concluded we continue to implement additional initiatives, while excelling on key areas such as brand awareness, quality of service and customer experience.

Between 2011 and 2012, operating costs as a percentage of turnover decreased 2.4pp, meaning that the consolidated top line trend was more than offset thanks to lower operating costs.



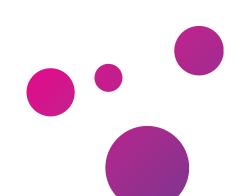
#### **EBITDA**

Consolidated EBITDA increased 4.5% to 246.0 million euros, with all business divisions showing a positive EBITDA performance between the two periods. Optimus mobile business registered the highest growth in absolute terms.

Importantly, excluding the effect, during the 4Q12, of Público's restructuring plan, Sonaecom EBITDA would amount to 248.8 million euros, increasing 5.7% compared to 2011.

The consolidated EBITDA margin increased 2.5pp from 27.3% to 29.8% (or 2.8pp, to 30.1% excluding Público's restructuring costs).



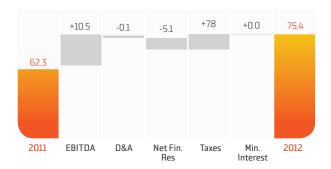


#### **NET PROFIT**

The net results group share reached 75.4 million euros, growing 21.1% compared to 2011, driven by the improved EBITDA performance and the lower level of taxes.

The evolution of net financial results was primarily impacted by a higher level of financial expenses, as a result of a higher average net debt level and a higher cost of debt.

The tax line in 2012 showed a cost of 3.1 million euros against 11.0 million euros in 2011, due to the recognition of additional deferred tax.



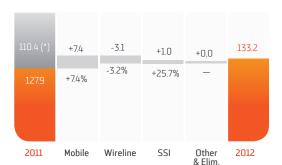
#### **OPERATING CAPEX**

Operating CAPEX reduced by 44.1% between 2011 and 2012. Excluding the 4G spectrum 110.4 million euros acquisition in 2011, Operating CAPEX grew 4.1%. This increase was impacted mostly by the 4G network deployment at our mobile business, where we exceeded the target initially established for the year.

Also during 4Q12, Optimus continued to adopt solutions that enabled us to optimise mobile backhaul costs while reducing our dependency on rented infrastructure. Accordingly, 80% of our sites are already connected through own infrastructure, namely fibre, in the most dense areas, and microwaves, in the rural areas.

As a result, Optimus LTE network coverage already serves the majority of the Portuguese population. Also, it should be highlighted that Optimus has by far the most wide 150Mbps coverage.

Operating CAPEX as a percentage of turnover (excluding the effect of the spectrum acquisition) increased 1.3pp, to 16.1%.



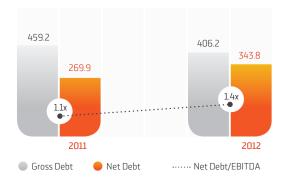
(\*) NPV of spectrum payment

#### CAPITAL STRUCTURE

Consolidated net debt reached 343.8 million in 2012, increasing 27.4% compared with 2011. This evolution is due to the negative FCF generation, mostly explained by the 83.0 million euros outflow in January, related with the spectrum payment, and the 25.2 million euros dividend distribution in May.

Despite the positive EBITDA performance, the net debt to EBITDA ratio increased from 1.1x to 1.4x because of a higher net debt level.

In 2012, total credit facilities amounted to 444.8 million euros while the all-in average cost of debt reached 3.27%.



#### FREE CASH FLOW (FCF)

FCF stood at negative 44.5 million euros in 2012, impacted by (i) the outflow of 20.0 million euros relating to the securitisation operation; (ii) the 83.0 million euros spectrum payment; (iii) a payment of 6.0 million euros relating to the acquisition of Connectiv Solutions, at the end of April 2012, and (iv) an outflow of 2.4 million euros related with Público's restructuring plan.

Excluding these impacts, 2012 FCF amounted to 66.9 million euros, an increase of 13.8% compared to the 58.8 million euros achieved in 2011 (excluding the securitisation payment outflow)



#### 2.1.2 SONAECOM CONSOLIDATED INCOME STATEMENT

Million euros	2012	2011	Year on year
Turnover	825.4	863.6	(4.4)%
Mobile	528.1	570.7	(7.5)%
Wireline	222.5	220.4	1.0%
SSI	103.8	108.5	(4.3)%
Other and eliminations	(29.1)	(36.0)	(19.2)%
Other revenues	9.3	8.8	5.5%
Operating costs	588.7	637.0	(7.6)%
Personnel Costs	91.1	92.4	(1.5)%
Direct Servicing Costs <sup>(1)</sup>	237.3	247.2	(4.0)%
Commercial Costs <sup>(2)</sup>	112.1	138.4	(19.0)%
Other operating Costs <sup>(3)</sup>	148.2	158.9	(6.7)%
EBITDA	246.0	235.5	4.5%
EBITDA margin (%)	29.8%	27.3%	2.5pp
Mobile	227.8	218.6	4.2%
Wireline	14.8	13.0	13.6%
SSI	12.0	8.7	38.9%
Other and eliminations	(8.7)	(4.8)	(79.5)%
Depreciation and amortisation	153.4	153.3	0.1%
EBIT	92.6	82.2	12.7%
Net financial results	(14.0)	(8.9)	(57.6)%
Financial income	6.7	8.6	(21.8)%
Financial expenses	20.7	17.5	18.6%
EBT	78.6	73.3	7.2%
Tax results	(3.1)	(11.0)	71.3%
Net results	75.4	62.3	21.0%
Group Share	75.4	62.3	21.1%
Attributable to non-controlling interests	0.0	0.0	(66.5)%

 $<sup>\</sup>begin{tabular}{ll} $(1)$ Direct Servicing Costs = Interconnection and Content + Leased Lines + Other Network Operating Costs; \\ (2) Commercial Costs = COGS + Marketing & Sales Costs; \\ \end{tabular}$ 

 $<sup>^{(3)}</sup>$  Other Operating Costs = Outsourcing Services + G&A + Provisions + others.



#### 2.1.3 SONAECOM CONSOLIDATED BALANCE SHEET

Million euros	2012	2011	Year on year
Total net assets	1,900.9	2,037.5	(6.7)%
Non-current assets	1,584.4	1,598.0	(0.8)%
Tangible and intangible assets	962.3	972.5	(1.1)%
Goodwill	518.3	521.1	(0.5)%
Investments	0.2	0.2	(1.7)%
Deferred tax assets	101.1	103.9	(2.6)%
Others	2.4	0.3	826.8%
Current assets	316.5	439.5	(28.0)%
Trade debtors	148.0	146.1	1.3%
Liquidity	62.4	189.4	(67.0)%
Others	106.1	104.0	2.0%
Shareholders' funds	1,083.2	1,034.4	4.7%
Group share	1,082.9	1,033.9	4.7%
Non-controlling interests	0.4	0.5	(24.9)%
Total liabilities	817.7	1,003.1	(18.5)%
Non-current liabilities	297.6	441.9	(32.7)%
Bank loans	196.4	320.2	(38.7)%
Provisions for other liabilities and charges	43.6	48.5	(10.2)%
Others	57.5	73.2	(21.4)%
Current liabilities	520.1	561.2	(7.3)%
Bank loans	187.2	118.4	-
Trade creditors	169.0	172.6	(2.1)%
Others	164.0	270.2	(39.3)%
Operating CAPEX <sup>(1)</sup>	133.2	238.3	(44.1)%
Operating CAPEX as % of Turnover	16.1%	27.6%	(11.5)pp
Total CAPEX	143.2	238.5	(39.9)%
EBITDA - Operating CAPEX	112.8	(2.8)	-
Operating Cash Flow <sup>(2)</sup>	3.4	70.6	(95.1)%
FCF <sup>(3)</sup>	(44.5)	38.8	(214.6)%
Gross debt	406.2	459.2	(11.6)%
Net debt	343.8	269.9	27.4%
Net debt/EBITDA last 12 months	1.4x	1.1x	0.3>
EBITDA/interest expenses <sup>(4)</sup> (last 12 months)	15.2x	15.3x	(0.1)>
Debt/(debt + shareholders' funds)	27.3%	30.7%	(3.5)pp
Excluding the securitisation transaction:			
Net debt	360.6	309.5	16.5%
Net debt/EBITDA last 12 months	1.5x	1.3x	0.2
EBITDA/interest expenses (last 12 months)	15.2x	15.3x	(0.1)x

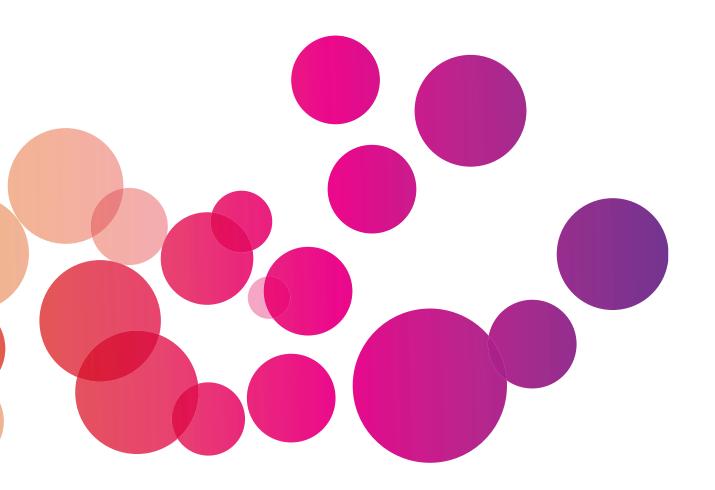


<sup>(1)</sup> Operating CAPEX excludes Financial Investments;
(2) Operating Cash Flow = EBITDA - Operating CAPEX - Change in WC - Non Cash item & Other;
(3) FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs;

<sup>(4)</sup> Interest Cover.

## 2.1.4 SONAECOM CONSOLIDATED FREE CASH FLOW (FCF)

Million euros	2012	2011	Year on year
EBITDA – operating CAPEX	112.8	(2.8)	-
Change in Working Capital	(105.0)	51.7	-
Non-cash items and other	(4.4)	21.8	-
Operating cash flow	3.4	70.6	(95.1)%
Securitisation transaction	(20.0)	(20.0)	0.0%
Investments	(6.0)	0.0	-
Own shares	(3.4)	(2.2)	(52.2)%
Financial results	(12.4)	(6.6)	(87.6)%
Income taxes	(6.1)	(3.0)	(103.9)%
Free Cash Flow	(44.5)	38.8	-



#### 2.2 OPTIMUS

#### 2.2.1 KEY MARKET DEVELOPMENTS

In 2012, Optimus made significant steps towards executing its strategy, making important reinforcements in the key areas of brand, mobile data, convergence, 4G, innovation and customer experience.

Setting the pace of market dynamics for innovation and quality of service, and competing head-to-head with its competitors, Optimus remained focused on its strategic goals of leading mobile data and leading the business segment through a fully convergent approach.

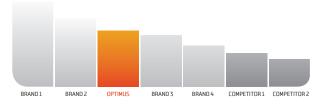
The success of its strategy was clearly evident in a consistent performance, as Optimus successfully increased its revenues and EBITDA market share in Portugal's mobile market.

Simultaneously, despite the difficult economic context, Optimus has significantly improved its profitability on the back of the efficiency programme it implemented to create a more flexible and leaner operating model, a proactive move that has placed Optimus on the front line.

#### THE PREFERRED BRAND AMONG PORTUGUESE **CONSUMERS**

According to Marktest, Optimus reached the top brand awareness position among mobile services brands several times during 2012, with a recall level 70% above its closest competitor, despite a lower level of investment in this area compared to the competition.

#### **TOP SPONTANEOUS AWARENESS**



Source: Marktest / Publivaga (Average 2012)



The soft rebranding initiative that began in late 2011, involving the introduction of a new slogan and new line of communication, has proved a major drive in implementing the brand strategy, with very significant impacts on the brand's recall and appeal.

The strength of Optimus was also reflected in the fact that it was established as the preferred mobile operator among Portuguese consumers, recognised for the quality of its service and customer service, the diversity of its offer as well as its promotions.



This emerged from research undertaken by Consumer Choice - Centro de Avaliação da Satisfação do Consumidor, which evaluated more than 200 brands/companies and involved more than 17.300 reviews.

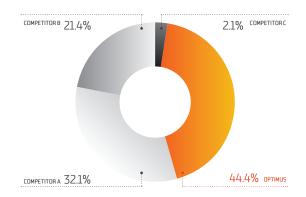
#### LEADING THE FUTURE OF MOBILE DATA

Recent technological developments - both in terms of network infrastructure and equipment - is increasingly indicative that the future of the industry will be more mobile and based on data. The mobile technology will undoubtedly be an essential force for future growth, and its importance will be greater, the less is the network effect.

Since the very beginning, Optimus knew how to anticipate this trend and how to develop products and services that now allow the company to declare its leadership on several fronts. Mobile broadband is an example. Optimus had, at the end of 4Q12, a 44.4% market share of data traffic.

The growing penetration of smartphones, which in Portugal remains lower than the rest of the Europe, also represents a distinctive opportunity to boost data usage. Optimus has been able to maximise this opportunity by launching game changing offers, such as 'desbloqueados', while launching a range of ownbranded handsets. These have allowed Optimus to consistently grow its smartphone customer base.

#### MOBILE BB TRAFFIC MARKET SHARES



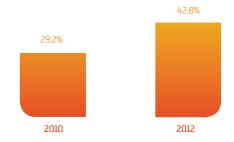
#### LEADERSHIP IN ENTERPRISE CONVERGENCE

In the SMEs and Corporate segments, Optimus constitutes today a true alternative. With an integrated and convergent approach to business needs, a single brand, dedicated teams and a totally convergent next-generation network architecture, Optimus has consistently lead the movement among business customers towards convergent and integrated solutions. These are widely recognised for delivering greater efficiency and higher productivity.

Among SME's, the growth of market share in the mobile business has been clear and consistent, with strong evidence of leadership in convergence. At the end of 2012, 42.8% of Optimus's SME customers had their fixed as well as mobile needs served by Optimus, a very significant growth when compared to 29.2% in 2010.

The success of the integrated and convergent solutions offer was also due to the strong leverage of our own network (fibre and mobile 2G, 3G and, more recently, 4G) as a result of network architecture integration. In 2012, 40% of the total customer base and 60% of acquisitions in the enterprise segment were already through our own infrastructure. This produced significant improvements in the quality of the deliver and service, as well as important impacts on business margins.

#### CONVERGENT ENTERPRISE CLIENTS (%)



The remarkable progress of our operating model should also be noted. The mix of channels was optimised; churn fell considerably; commercial costs were strongly challenged; while delivery and service timings improved significantly even though they started from a demanding point.

In the most challenging segments of the market, such as the corporate and public administration segment, Optimus has achieved consistent growth, backed by integrated offers and a growing convergent customer base (almost 45% at the end of 2012).

In this segment, Optimus has been able to deliver high-quality, robust and complex voice and data business solutions, reinforcing the strength and the potential of its partnerships while achieving higher levels of commercial productivity. In less than three years, Optimus has doubled the number of circuits and

equipment under management. Also, Optimus has lead pioneering large-scale PBX virtualisation and managed network projects including, for example, WiFi. The quality of delivery and service has lead to negligible churn and allowed us to make solid inroads into the neighbouring IT market.

The Wholesale division has also performed above expectations. Despite strong regulatory pressure in termination and roaming, the division has beaten traffic records, a strong factor in returning our wireline business to positive revenue growth for the first time since 2008. It is also important to highlight the reinforcement of international Tier 1 reference partnerships, as well as the launching of the first mobile virtual network operator (MVNO).

Optimus is also among the Internet of Things (IoT)'s leading players and has made important inroads into the ICT market.

#### ON THE 4G LEADING-EDGE

After securing the ideal combination of three spectrum LTE bands, Optimus is now well advanced on LTE network deployment in the 800Mhz and 1800Mhz bands, exceeding our 2012 coverage target. We now cover 80% of the Portuguese population, leading in 150Mbps coverage by far.

4G has emerged as a critical driver for sustaining Optimus's leadership position in a mobile data future. It will also drive the growth of fixed to mobile substitution and the efficient transformation of its network architecture and operating model, with the construction of an even more integrated and self-sufficient all IP core data system.

## MUNICIPALITIES COVERAGE @ 150 MBPS (% NATIONAL POPULATION)



Source: Operators websites (Sep.-12)

At the end of 2012, Optimus concluded a complete transformation and modernisation of its core architecture, designed to enable the processes and offers that will support data in the future, namely the Real Time Charging and Control system, the new core and the IP data.

Thanks to the level of investments made and the superior work of Optimus's technical team, the company now stands out for our exceptional ability to explore the 4G opportunity, both in terms of growth and in the reinforcement of our operating model. It also places us in an even stronger position to offer solutions that meet market demand while ensuring the best user experience.

#### INNOVATION AS A KEY DIFFERENTIATION DRIVER

Optimus has a proven innovation track record - technical, marketing and operational - a vital strength in an industry where pioneering breakthroughs are critical success factors. In 2012, we made it clear once again that innovation is not incompatible with customer focus or operating and financial efficiency.

Just to mention a few of the year's many milestones, Optimus was awarded the most innovative project in the Orange universe with its leading edge 4G deployment and Voice over 4G solutions.

On the mobile services front, Optimus created a strong mobile broadband category: the Optimus Kanguru Hotspot, which was worth 25% of new additions in December and also won the 'product of the year'. By early 2013, Optimus had already launched a market breakthrough offer incorporating unlimited all-net voice, the renewed SMART offer. This will help to foster smartphone adoption while mitigating network effect.

In the retail sector, Optimus innovated by setting up a franchising model alongside a full redesign of store logistics, services and a new point of sale (POS) system.

Targeting the business segment, Optimus launched clearly innovative voice solutions, ADSL, ISDN or Ethernet over 4G. Alongside this 4G-focused effort, we pioneered Virtual PBX and managed networks, including the S. João da Madeira municipality's citywide open WiFi project.

Coupled with these innovations, Optimus also developed a game-changing new front-end platform, delivering significant improvements in productivity and customer satisfaction while also creating a functional platform to explore cross-selling.

On top of this, Optimus has also strengthened its internal innovation engine, implementing three central transversal plans involving more than 200 employees. This approach guaranteed a structured approach to bottom-up incremental innovation through Optimus Ignite, Optimus's continuous improvement programme.



#### **EXCELLING IN CUSTOMER EXPERIENCE**

The promotion of a superior customer experience, exceeding the market, is a central goal of Optimus's positioning.

Given this, it was absolutely key for us to witness once again ANACOM's recognition, in a report published in May 2012, of Optimus's superior network quality in 2G and 3G coverage.

It was also very pleasing to see Optimus customer service win the World Contact Center Award first prize and to be commended, for the third consecutive year, with first prize in the telecommunications category.

This recognition is the result of several efforts implemented since 2010, aimed at redesigning our operating model and customer experience. It also gives us added momentum in launching a renewed and even wider programme of service transformation in the context of the 4G.

#### OPERATING MODEL AS A SOURCE OF COMPETITIVE **ADVANTAGE**

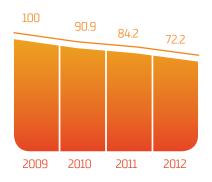
In 2010, Optimus launched an ambitious transversal programme designed to radically change its operating model. Since then, under an ongoing operating efficiency plan, Optimus has achieved important improvements to several key indicators. Importantly, in parallel with this programme and the consequent reduction of the cost structure, Optimus continues to achieve a market-leading performance in brand, quality of service, customer experience and innovation.

In 2012, Optimus decreased its operating costs by 8.4%, which represents savings amounting to 45 million euros.

As a result of this program, Optimus has more than doubled the weight of its own transport network infrastructure, which grew from 28% to 72%. The consolidation of IT and IS platforms also delivered major cost savings while reducing investment requirements. Also, it has significantly reduced the average time to resolution, speeding responsiveness in the first line and also in the first contact.

Today, Optimus owns a future-proof, efficient and robust operation, as well as an outstanding operating capacity, exceeding not only the national but also the international market.

#### **OPERATING COSTS EVOLUTION - EXCL.** INTERCONNECTION COSTS (2009 = 100 BASIS)



#### 2.2.2 MOBILE BUSINESS

Throughout 2012, Portugal's harsh macroeconomic conditions continued to deteriorate. The impact of the austerity measures became obvious across the principal macroeconomic indicators, including private and public consumption levels as well as the unemployment rate.

As a result, Optimus's mobile customer revenues were significantly impacted, falling by 5.9% during the year. However, according to public information, we believe that our performance continues to put us ahead of our competitors. This means Optimus has been increasing its market share of revenues.

Despite falling customer revenues, Optimus's mobile business was able to achieve an EBITDA margin of 43.1% in 2012, a benchmark among Europe's mobile operators. This growth was the result of the efficiency measures being implemented across the company.

#### 2.2.2.1 OPERATIONAL DATA

	2012	2011	Year on year
Customers (EOP) ('000)	3,568.6	3,639.4	(1.9)%
Pre-paid Customers ('000)	2,379.5	2,435.6	(2.3)%
Post-paid Customers ('000)	1,189.1	1,203.8	(1.2)%
Net Additions ('000)	(70.7)	35.3	-
Data as % Service Revenues	31.8%	32.5%	(0.7)pp
Non SMS Data as % Data Revenues	76.3%	76.0%	0.3рр
Total #SMS/month/user	41.7	42.8	(2.7)%
MOU <sup>(1)</sup> (min.)	123.2	126.1	(2.4)%
ARPU <sup>(2)</sup> (euros)	11.97	12.89	(7.2)%
Customer Monthly Bill	10.58	11.18	(5.4)%
Interconnection	1.38	1.71	(19.2)%
ARPM <sup>(3)</sup> (euros)	0.10	0.10	(4.9)%

<sup>(1)</sup> Minutes of Use per Customer per month;

#### **CUSTOMER BASE**

Optimus's mobile customer base stood at 3.57 million, down 1.9% y.o.y., despite the slight growth in net additions during 3Q12 and 4Q12. This reduction was driven by the expected erosion of the e-initiatives programme's customer base and the impact of Portugal's austerity measures, primarily in the personal segment.

Our post-paid customer base reached 1.19 million, down 1.2% y.o.y., driven entirely by the expected erosion of the e-initiatives programme's customer base. This fall aside, our post-paid customer base grew by 4.2%.

In 2012, both minutes of use (MOU) and the SMS/month/customer rate decreased by 2.4% and 2.7% 4.0.4, respectively, contrasting with increasing data usage through smartphones.

Average revenue per user (ARPU) among mobile customers in 2012 stood at 12.0 euros. The fall registered during the year came on the back of lower interconnection revenues, which decreased from 1.7 euros to 1.4 euros, and lower monthly customer bill, which decreased from 11.2 euros to 10.6 euros, mainly reflecting the market's competitive nature.

#### DATA SERVICES AND MOBILE BROADBAND

Data revenues represented 31.8% of service revenues in 2012, 0.7pp down compared to 2011. The impact of the end of the einitiatives programme on Optimus's data revenues was not compensated by the increase of smartphone penetration, which increased 5.3pp.

The weight of non-SMS related data increased 0.3pp, reaching 76.3% in 2012.

<sup>(2)</sup> Average Monthly Revenue per User;

<sup>(3)</sup> Average Revenue per Minute.

#### 2.2.2.2 FINANCIAL DATA

Million euros	2012	2011	Year on year
Turnover	528.1	570.7	(7.5)%
Service Revenues	500.6	542.4	(7.7)%
Customer Revenues	442.7	470.4	(5.9)%
Operator Revenues	57.9	72.0	(19.6)%
Equipment Sales	27.6	28.3	(2.6)%
Other Revenues	28.5	32.2	(11.5)%
Operating Costs	328.8	384.3	(14.4)%
Personnel Costs	44.2	51.0	(13.5)%
Direct Servicing Costs <sup>(1)</sup>	110.6	130.9	(15.5)%
Commercial Costs <sup>(2)</sup>	70.8	87.3	(18.9)%
Other Operating Costs <sup>(3)</sup>	103.2	115.1	(10.3)%
EBITDA	227.8	218.6	4.2%
EBITDA margin (%)	43.1%	38.3%	4.8pp
Operating CAPEX <sup>(4)</sup>	107.5	210.5	(48.9)%
Operating CAPEX as % of turnover	20.4%	36.9%	(16.5)pp
EBITDA – operating CAPEX	120.3	8.1	-
Total CAPEX	108.7	210.7	(48.4)%

<sup>(1)</sup> Direct Servicing Costs = Interconnection and Content + Leased Lines + Other Network Operating Costs;

#### **TURNOVER**

Mobile turnover decreased 7.5% in 2012 to 528.1 million euros, driven by a fall in service revenues and equipment sales. The decline in service revenues was due to a combination of lower customer revenues and lower operator revenues. As we anticipated, customer revenues decreased 5.9% between 2011 and 2012 to 442.7 million euros. This was primarily due to the end of the government's e-initiatives programme and the negative impact of the austerity measures on consumption levels, mostly in the personal segment, and the consequent impact on monthly bills.

The level of competitiveness in the market, specifically in the youth segment, with aggressive rate plans being launched favouring the network effect, has also contributed to a reduction in mobile customer revenues across the Portuguese market.

During the same period, operator revenues decreased 19.6% to 57.9 million euros. Despite higher traffic levels, this decrease was entirely driven by lower regulated tariffs, both roaming in and MTRs. The latter decreased on average by approximately 35%.

#### OPERATING COSTS

As a result of Optimus's planned efforts to build a leaner organisation, mobile operating costs have been decreasing. During 2012, these costs decreased 14.4% y.o.y. to 328.8 million euros thanks to a decrease of 13.5% in personnel costs; a 15.5% decrease in direct servicing costs, due to a lower level of leased lines and network-related costs, as Optimus continues to reduce its dependency on rented infrastructure; and due to lower interconnection costs, driven by lower MTRs. Commercial costs decreased 18.9% due a combination of lower advertising costs and lower costs of goods sold (as a result of lower equipment sales and lower level of handset subsidisation). The other operating costs decreased 10.3%, driven primarily by lower general and administrative costs.



<sup>(2)</sup> Commercial Costs = COGS + Marketing & Sales Costs;

 $<sup>^{(3)}</sup>$  Other Operating Costs = Outsourcing Services + G&A + Provisions + others;

<sup>(4)</sup> Operating CAPEX excludes Financial Investments.

#### **EBITDA**

Mobile EBITDA increased 4.2% y.o.y. to 227.8 million euros, mostly driven by a 14.4% decrease in operating costs, which more than offset the negative trend in customer revenues. This upward trajectory is quite significant given Portugal's unfavourable macroeconomic situation and also given the European trend. According to public information, we continue to increase our market share in terms of EBITDA.

The EBITDA margin reached 43.1% in 2012 against 38.3% in 2011, an increase of 4.8pp and a benchmark among mobile operators.

#### **EBITDA-OPERATING CAPEX**

EBITDA-operating CAPEX increased from 8.1 million euros in 2011 to 120.3 million euros in 2012, driven mostly by a 4.2% increase in EBITDA and explained by the 4G spectrum acquisition in 2011. Excluding this acquisition, EBITDA-operating CAPEX increased 1.5% y.o.y., due entirely to the increase of 4.2% in EBITDA, which more than off-set the higher operating CAPEX in 2012. This, in turn, arose from the acceleration of our 4G network deployment, which exceeded its original 2012 target.

#### 2.2.3 WIRELINE BUSINESS

Our fully integrated and convergent solutions targeted at corporates and SMEs continue to win approval from the market. At the end of 2012, as already mentioned, the percentage of convergent clients in our customer base exceeded 42%, up on 2011. At the same time, we continued to drive the growth of mobile and wireline services in these segments.

In the residential segment, our performance continues to be impacted by the decision we took in 2011 to abandon the acquisition of residential customers through regulated offers over rented infrastructure.

#### 2.2.3.1 OPERATIONAL DATA

	2012	2011	Year on year
Total Accesses	334,939	375,826	(10.9)%
Corporate and SMEs	158,472	158,449	0.0%
PTSN/RDIS	114,798	113,643	1.0%
Broadband	30,998	34,681	(10.6)%
Other & Data	12,676	10,125	25.2%
Residential	176,467	217,377	(18.8)%
PTSN/RDIS	72,505	100,254	(27.7)%
Broadband	67,542	81,654	(17.3)%
TV	36,420	35,469	2.7%
Average Revenue per Access - Retail	22.6	23.3	(73.5)pp

#### **CUSTOMER BASE**

The impact of the challenging macro-economic conditions during the year translated into additional pressure on the Corporate and SME segment. Nevertheless, the number of accesses in this segment was flat between 2011 and 2012. It should be noted that, in quarterly terms, the number of accesses increased 1.0% between 3Q12 and 4Q12 to 158 thousand.

Overall, the number of Corporate and SMEs services is being negatively impacted by lower broadband services as an increasing number of companies are fulfilling their broadband needs using the growing bandwidth delivered by mobile technology, particularly

The number of total accesses decreased 10.9% y.o.y. to 335 thousand accesses, entirely driven by a decrease of 18.8% in the Residential segment.

Despite the lower percentage of Residential customers, average revenue per access continued to decline, falling 3.2% (notwithstanding the 2.9% increase in quarterly terms).

#### 2.2.3.2 FINANCIAL DATA

Million euros	2012	2011	Year on year
Turnover	222.5	220.4	1.0%
Service Revenues	217.2	216.9	0.1%
Customer Revenues	89.9	103.6	(13.3)%
Operator Revenues	127.3	113.3	12.3%
Equipment Sales	5.4	3.5	55.4%
Other Revenues	1.3	1.0	25.3%
Operating Costs	209.0	208.4	0.3%
Personnel Costs	3.7	2.8	29.9%
Direct Servicing Costs <sup>(1)</sup>	156.5	152.8	2.4%
Commercial Costs <sup>(2)</sup>	13.0	12.1	6.7%
Other operating Costs <sup>(3)</sup>	35.9	40.6	(11.5)%
EBITDA	14.8	13.0	13.6%
EBITDA margin (%)	6.6%	5.9%	0.7рр
Operating CAPEX <sup>(4)</sup>	20.3	23.4	(13.4)%
Operating CAPEX as % of turnover	9.1%	10.6%	(1.5)pp
EBITDA – operating CAPEX	(5.5)	(10.4)	47.1%
Total CAPEX	20.3	23.4	(13.4)%

<sup>(1)</sup> Direct Servicing Costs = Interconnection and Content + Leased Lines + Other Network Operating Costs;

#### **TURNOVER**

Wireline turnover increased 1.0% y.o.y. to 222.5 million euros, thanks to an increase of 12.3% in operator revenues. This was due to a rise in traffic levels, despite the decrease in wholesale traffic prices. Equipment sales also contributed to the upward turnover trend, increasing 55.4% between 2011 and 2012 to 5.4 million euros. This was the result of commercial activity among Corporates and SMEs. It is worth mentioning that this is the first time since 2008 that our Wireline revenues have shown a positive yearly performance, with growth from the Wholesale and Business segments totally offsetting the negative residential trend.

#### OPERATING COSTS

At 209.0 million euros, growth in Wireline operating costs was almost flat between 2011 and 2012. Personnel costs increased by almost 30%, as we are no longer capitalising the FTTH development costs. At 4Q12, the evolution was stable versus 4Q11, driven by the headcount related to additional Corporate and SMEs activity. Direct servicing costs increased 2.4%, to 156.5 million euros, linked to the positive performance in operator revenues. As for commercial costs, the 6.7% increase is due to higher cost of goods sold, driven by commercial activity in the SMEs and Corporate segment. Other operating costs decreased 11.5%, primarily due to lower outsourcing costs.

#### **EBITDA**

Wireline EBITDA increased 13.6% y.o.y., reaching 14.8 million euros. The EBITDA margin increased from 5.9% to 6.6%, growing 0.7pp y.o.y. despite the increased weight of operator revenues.

#### **EBITDA-OPERATING CAPEX**

EBITDA-operating CAPEX improved almost 50% between the two periods, reaching a negative 5.5 million euros. This was due to the combined effect of a higher EBITDA and lower operating CAPEX that, besides being network-related, is almost fully driven by customer base growth.

<sup>(2)</sup> Commercial Costs = COGS + Marketing & Sales Costs;

<sup>(3)</sup> Other Operating Costs = Outsourcing Services + G&A + Provisions + others;

 $<sup>\</sup>ensuremath{^{(4)}}$  Operating CAPEX excludes Financial Investments.

#### 2.2.4 REGULATORY ENVIRONMENT

Here is a summary of the key regulatory developments during 2012:

#### FIRST QUARTER 2012

#### PUBLIC CONSULTATION ON MARKETS 4 AND 5

ICP-ANACOM published a public consultation on the review of market four (wholesale network infrastructure access) and market five (wholesale broadband access) analysis. Regarding market four: a new obligation to provide fibre access (virtual access) is to be imposed nationwide, with the exception of 17 municipalities. As for market five: the regulator has maintained the geographical segmentation between competitive and non-competitive areas, based on the conclusion that no significant changes were identified in the competitive environment across these areas to justify a regulatory adjustment. As such, the obligation to provide a bitstream offer solely in non-competitive areas remains. In addition, multicasting may be imposed, depending on explicit interest by alternative providers and economic feasibility. The regulator also decided not to include fibre in bitstream obligations, justifying this decision with the lack of fibre investment by the incumbent in non-competitive areas.

#### **SECOND QUARTER 2012**

#### MTR'S GLIDE PATH

#### 2 May 2012

ICP-Anacom released the final decision on mobile termination rates (MTRs). This decision established a decrease from 7 May to 30 December 2012, as follows:

ICP-Anacom final decision - 2 May 2012	
	MTR's/€
-	0.0350
7 May 2012	0.0277
30 June 2012	0.0227
30 September 2012	0.0177
30 December 2012	0.0127

This final decision follows the European Commission statement of 26 April 2012, which did not include any comment to ICP-Anacom's draft proposal.

#### RENEWAL OF RIGHTS TO USE FREQUENCIES IN THE 900 AND 1800 MHZ BAND

ICP-ANACOM approved the final decision on the renewal of rights to use the frequencies allocated during 1997 to Optimus in the 900 and 1800 MHz frequency bands.

The rights of use were extended by 15 years to November 2027 and the conditions for the renewal include the obligation to maintain the current levels of coverage for voice and data services (up to 9600 bps); and to cover local or specific areas determined by the regulator.

#### **THIRD QUARTER 2012**

#### UNIVERSAL SERVICE (US) FUNDING

#### 23 August 2012

The government published a law establishing the conditions for the compensation fund to finance the excessive net costs arising from the terms of universal service (US).

According to this law, telecom providers must contribute to the fund if the eligible turnover represents at least 1% of the industry's turnover. The eligible turnover corresponds to the value of sales and services in the national territory, deducted from the revenues of activities not related to provision of electronic communications services, revenues from transactions between entities belonging to the same company, and equipment sales.

The law foresees that the fund should finance the excessive costs of US after the designation of the new US providers through a public tender and also before such a tender is completed.

#### **PUBLIC CONSULTATION**

#### 3 September 2012

ICP-ANACOM launched a public consultation on mobile network operators' obligations towards mobile broadband coverage of parishes presently without or with low mobile broadband coverage. This followed the regulation of the auction for the assignment of rights to use frequencies in the 450 MHz, 800 MHz, 900 MHz, 1800 MHz, 2.1 GHz and 2.6 GHz bands.

The document lists a total of 480 villages to be distributed equally between the three providers: TMN, Vodafone and Optimus.

The process for choosing the villages will be carried out according to the criteria defined in the regulations, meaning Optimus will be assigned the 160 villages not chosen by Vodafone and TMN.

#### **FOURTH QUARTER 2012**

#### PORTABILITY ADDENDUM

#### 15 November 2012

Optimus signed an addendum to the contract for the provision of portability services with Portabil (Reference Entity).

The need to sign an addendum to the contract results from the definition of new prices and a charging scheme with Portabil, which will directly impact on prices associated with monthly fees and cost per ported number. These new conditions will imply a reduction of about 15% in the monthly costs incurred by Optimus for services rendered by Portabil.

#### REPEAL OF THE RIGHT TO USE FREQUENCIES FOR FWA

#### 17 December 2012

ICP-ANACOM granted Optimus's application to repeal the right to use frequencies for the operation of fixed wireless access systems (FWA).

This decision applied on 31 December 2012. It involved returning two blocks: one at 2x56 MHz and the other at 2x28 MHz on the 24-25 GHz band. It should be noted that customers previously supported by this technology were migrated to alternative solutions.





#### 2.3 SSI BUSINESS









#### 2.3.1 KEY MARKET DEVELOPMENTS

#### WEDO TECHNOLOGIES

WeDo Technologies ended 2012 with solid results, evidence that the business's strategy for 2011-2015 is being successfully executed. Its orders and revenues grew by 20% and 19%, respectively; the EBITDA grew 55% to 8.7 million euros and, importantly, the company gained 30 new customers in 16 countries, ending 2012 with over 180 customers across more than 80 countries.

Given these achievements, we are confident that WeDo Technologies will reinforce its leading position in the international revenue assurance and fraud management software market, increasing its global market share and becoming a multi-sector software company through its enterprise business assurance software – RAID.

Recently launched, the product development of RAID 7.0 has been showing strong progress and is totally aligned with our strategy. This major release, available at the beginning of 2013, has already generated remarkably positive feedback already. This will be the best ever version of the enterprise business assurance software that is already the worldwide leader in this space from back end to front end. This has only been possible because of true collaboration between customers, software development teams and sales and marketing teams across the different geographic regions.

Following the acquisition of the USA-based company Connectiv Solutions in May 2012, the outlook looks even more promising and the importance of offering RAID through a managed service business model is already clear.

The Middle East and Africa region is also showing excellent, well above-average growth in the telecom industry target market. In addition, WeDo Technologies' orders and revenues grew by 91% and 80% respectively in the retail, energy and finance industries.

2012 was a significant year in the retail arena, with two important new customers in the USA and Russia. The accumulation of customers and know-how in this industry is already justifying our investment through direct and indirect sales.

WeDo Technologies also recorded notable achievements in its two other target sectors: energy in Brazil and finance in the UK.

Over the last decade, WeDo Technologies has installed its solutions in more than 180 companies in over 80 countries across five continents, delivering consulting services to more than 100 operators worldwide through its successful consulting division, Præsidium.

Moving forward, WeDo Technologies will 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.

#### **MAINROAD**

During 2012, Mainroad focused its activities and resources on further improving customer satisfaction and profitability, expanding its international presence to maintain the continuous growth it has achieved over the last few years. Mainroad's principal drive was to develop its offer by drawing on the company's existing know-how and infrastructure while also focusing on the development of new cloud-based solutions.

The cloud solutions, based on the concept of Trusted Cloud, were launched in the Portuguese market by Mainroad in partnership with IT Player Fujitsu The Mainroad Trusted Cloud provides solutions to help Portuguese companies internationalize (laas, Desktop as a Service and Managed Mobile Solutions) and acts as one of the first local extensions of Fujitsu Global Cloud to respond to challenges of business in the global market. It should be noted that all the solutions launched by Mainroad are available throught its new Cloud website - www.mainroad. pt/trustedcloud.

With the emphasis continuously improving its services and solutions, Mainroad upgraded its certification level from SAP Hosting Partner to Advanced SAP Hosting Partner. Holding this certification will allow the company to launch new, complementary and unique offers to the market. Mainroad was also certified as a Microsoft Hosting Silver Partner in Portugal, allowing it to deliver cloud services for Microsoft products and platforms. Also, the company retained its 9001 quality certification.

It should be noted that during 2012, Mainroad reinforced the relationship with Computer Associates (CA) developing a "on demand" based monitoring solution (Main IT Monitoring) to offer new and more appealing IT monitoring capabilities to CIO's and IT Directors worldwide.

Mainroads's sales and marketing efforts in countries such as Spain and Angola also gained momentum thanks to their proximity and growth potential. Mainroad targeted these markets through its in-depth knowledge of cutting-edge IT service management (ITSM), security solutions and Datacenter solutions.

Going foward, Mainroad will continue to invest in developing new solutions in both these areas of expertise, focusing its expansion drive on overseas markets.



#### **BIZDIRECT**

In 2012, Bizdirect maintained its leadership in the multi-brand IT solutions market and the management of corporate software licensing contracts. It reinforced its position in two distinct areas: software asset management (SAM) consultancy; and the integration and development of solutions using Microsoft technology.

At the same time, 2012 was a challenging year for Bizdirect. The company had to focus on maintaining its competitive strengths in the IT market while securing its position as a differentiated player supported by partnerships with leading manufacturers. Bizdirect achieved both objectives thanks to its deep knowledge of the market.

Among the Bizdirect's most important achievements in 2012 involved developing a service to support its SAM customers based on a consultancy model adapted to their individual needs. Adopting this service strategy has proved vital to differentiating Bizdirect's performance in the market.

As part of its efforts to grow its solutions offer during 2012, Bizdirect strategically acquired the assets and skills to integrate and develop business solutions based on Microsoft technology. This strategic move has broadened Bizdirect's range of activities in the market while unlocking synergies with its traditional business.

Here, we highlight four strategic pillars:

- Infrastructure Designing and provisioning hardware, supported by multi-brand certified partnerships that deliver efficiency, return on investment and trust to its customers;
- Licensing Operational management of corporate licensing contracts, maximising benefits to the customer by centralising the entire management process and negotiating on a single contact. The main manufacturers covered are Microsoft, CA, IBM and Oracle:
- Solutions Integration and development of business solutions focused on use of Microsoft technologies, based on technology platforms such as Dynamics CRM (customer relationship management); SharePoint (portals and collaborations); BizTalk (process management and integration);
- **SAM** A process to support compliance validation software that involves analysing and optimising software, consolidating the licenses and/or proposing new licensing models.

To offer even greater value to the market, Bizdirect will continue to pursue a strategy of gradual and sustained growth based on high levels of customer satisfaction backed by the excellence of its employees.







#### **SAPHETY**

In 2012, Saphety continued to build its presence across national and international markets for services that support electronic transactions between business partners. The business primarily focused on Portugal, although overseas markets were not forgotten.

Despite the difficult macroeconomic environment, Saphety's client portfolio grew 139% during 2012, and now comprises about 6,800 companies across the corporate and public administration sectors.

During 2012, Saphety started the implementation of its international expansion strategy. Under this strategy, the business has chosen to explore growth opportunities in Spain, Sweden, Brazil, Mexico, Colombia and Angola. At the same time, other opportunities have been followed-up in different geographic areas, mainly in Europe, North America and the Middle East.

being these in its vast majority business partners of the major clients of Saphety, distributed throughtout 17 countries.

In response to the uptake of its solutions, Saphety updated its electronic invoicing tool, SaphetyDoc. Furthermore, it made a significant investment in achieving interoperability between its SaphetyGov solution and various external systems used by its clients alongside other systems within the public sector, such as the new version of the single web portal for Public Procurement.

In 2013, Saphety aims to establish itself as a benchmark for excellence in the international market for services that enable electronic transactions between business partners.



#### 2.3.2 OPERATIONAL DATA

	2012	2011	Year on year
IT services revenues/employee <sup>(1)</sup> ('000 euros)	139.3	135.3	3.0%
Equipment sales as % of turnover (%)	21.7%	32.4%	(10.7)pp
Equipment sales/employee <sup>(2)</sup> ('000 euros)	960.4	1,466.3	(34.5)%
EBITDA/Employee ('000 euros)	19.9	15.3	29.6%
Employees	641	550	16.5%
•			

<sup>(1)</sup> Excluding employees dedicated to Equipment Sales;

IT service revenues per employee reached 139.3 thousand euros in 2012, 3.0% above last year, with the growth in service revenues more than compensating for the 16.5% increase in headcount.

Equipment sales as percentage of turnover decreased 4.o.y. from 32.4% to 21.7%, driven by Bizdirect's equipment sales.

#### 2.3.3 FINANCIAL DATA

Million euros	2012	2011	Year on year
Turnover	103.82	108.49	(4.3)%
Service revenues	81.26	73.29	10.9%
Equipment sales	22.57	35.19	(35.9)%
Other Revenues	1.51	0.72	107.9%
Operating costs	93.28	100.54	(7.2)%
Personnel Costs	30.72	28.59	7.4%
Commercial Costs <sup>(1)</sup>	23.73	35.51	(33.2)%
Other Operating Costs <sup>(2)</sup>	38.83	36.44	6.6%
EBITDA	12.05	8.67	38.9%
EBITDA margin (%)	11.6%	8.0%	3.6рр
Operating CAPEX <sup>(3)</sup>	4.90	3.90	25.7%
Operating CAPEX as % of turnover	4.7%	3.6%	1.1pp
EBITDA – operating CAPEX	7.15	4.78	-
Total CAPEX	14.93	3.90	-

<sup>(1)</sup> Commercial Costs = COGS + Marketing & Sales;

#### **TURNOVER**

In 2012, SSI turnover decreased 4.o.4. by 4.3% to 103.8 million euros, impacted by the 35.9% drop in equipment sales at Bizdirect. This fall at Bizdirect is due to the termination of the e-initiatives programme, as well as the negative impact of the macroeconomic environment on businesses in this sector.

For the third consecutive quarter, service revenues increase more than compensated the equipment sales decline. In the year, service revenues grew 10.9% y.o.y. benefiting from the Connectiv Solutions acquisition, among other positive effects. Since 1 May 2012, Connectiv Solutions' results have been consolidated into SSI's accounts. On a like-for-like basis, service revenues would have grown 5.5% y.o.y..

<sup>(2)</sup> Bizdirect.

<sup>(2)</sup> Other Operating Costs = Outsourcing Services + G&A + Provisions + others;

 $<sup>\</sup>ensuremath{^{(3)}}$  Operating CAPEX excludes Financial Investments.

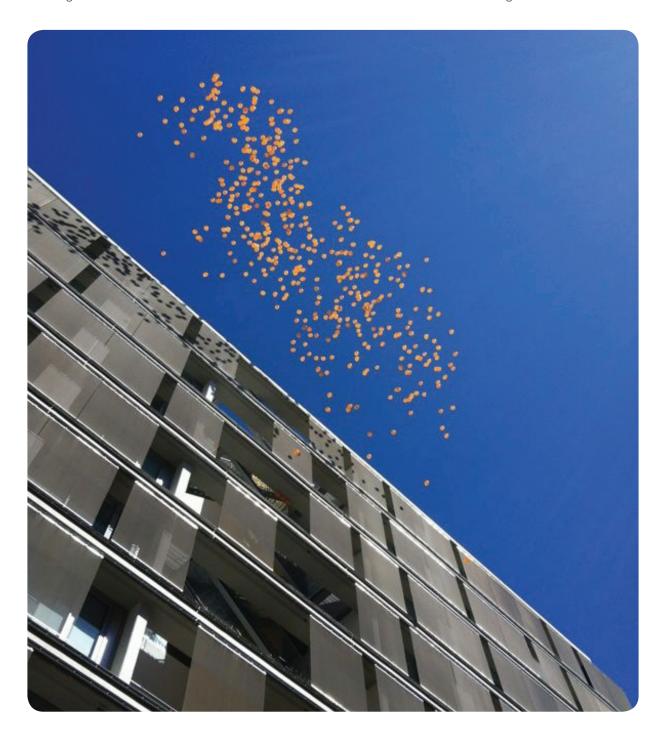
#### **OPERATING COSTS**

SSI's operating costs decreased y.o.y. by 7.2% to 93.3 million euros. The 33.2% decrease in the level of commercial costs is primarily a direct result of the lower cost of goods sold at Bizdirect. Personnel costs increased 7.4%, mainly as a result of WeDo Technologies' growth and the integration of Connectiv Solutions' headcount. The increase in other operating costs relates mainly to higher outsourcing costs required to support the increased number of projects in progress, as reflected in service revenues.

#### **EBITDA**

During 2012, EBITDA reached 12.0 million euros, increasing 38.9% compared to 2011. This was due to higher service revenues and lower operating costs driving an EBITDA margin yearly increase from 8.0% to 11.6%, up by 3.6pp.

Excluding the effect of Connectiv Solutions' consolidation, the EBITDA would have increased 28.3% against 2011.



#### 2.4 ONLINE & MEDIA

Sonaecom's Online & Media business comprises a set of businesses including Público and Miau.pt. Público is a leading Portuguese daily newspaper with a history dating back 23 years, while Público.pt is a leading player in the Portuguese online press sector.

During 2012, Online & Media's advertising revenues continued to deteriorate, impacting negatively the EBITDA performance. Despite the online expansion, the increase in online revenues is still far from offsetting falling revenues from advertising and offline circulation.

Aiming to ensure the sustainability of the business without compromising Público's role as an independent source of information in Portugal, Sonaecom announced the implementation of a restructuring plan at the beginning of October 2012, already being implemented with a decrease in operating costs and the leave of 48 employees.

The restructuring cost of the business translated in a negative impact on Público accounts in 4Q12 amounting to 2.8 million euros. As a consequence, Público EBITDA stood at a negative 7.13 million euros in 2012.

#### 2.5 SONAECOM SGPS INDIVIDUAL RESULTS

#### 2.5.1 OPERATIONAL DATA

Sonaecom SGPS's individual results for the years ended 31 December 2012 and 2011 are summarised as follows:

Million euros	2011	2012	Difference	%
Service Revenues	3.9	3.5	(0.4)	(10.0)%
Operating Costs <sup>(1)</sup>	(4.7)	(4.3)	0.4	(8.3)%
EBITDA	(0.9)	(0.9)	(0.0)	1.3%
EBIT	(0.9)	(0.9)	(0.0)	0.4%
Dividend Received	0.0	129.5	129.5	-
Net Financial Activity	3.5	1.2	(2.3)	(66.5)%
Other Financial Results	(10.1)	(26.6)	(16.5)	163%
EBT	(7.5)	103.1	110.7	-
Net Income	(8.0)	103.2	111.2	(14.0)

<sup>(1)</sup> Excluding depreciation, amortisation and provisions.

On 31 December 2012, Sonaecom SGPS's Board of Directors was composed of four directors. The number of directors did not change compared to 2011. For additional information, please refer to Section 4 - Our management.

#### **SERVICE REVENUES**

This line totalled 3.5 million euros, which compares to 3.9 million in 2011. It essentially comprises management services provided to its subsidiaries.

#### **TOTAL OPERATIONAL COSTS**

Total operating costs exclude depreciation, amortisation charges and provisions. This line amounted to 4.3 million euros, which compares with 4.7 million euros in 2011, a trend primarily driven by lower personnel costs.

EBITDA was negative 0.9 million euros, in line with 2011. The level of operating costs was able to off-set the decrease in service revenues was compensated by opex decreases.

#### **DIVIDENDS RECEIVED**

Sonaecom SGPS's main source of financial income in 2012 was the 129.5 million euros dividends received from Optimus - Comunicações, S.A. (68.2 million euros), Optimus SGPS S.A. (29.7 million euros), Sontária (0.6 million euros) and from Sonaecom Sistemas de Informação (31.0 million euros). In 2011, Sonaecom SGPS did not receive dividends from its subsidiaries.

#### **NET FINANCIAL ACTIVITY**

The net financial activity (interest income less interest expenses) amounted to 1.2 million euros, significantly below 2011 (3.5 million euros) due to a higher cost of debt and lower loans granted to subsidiaries, which resulted in lower interest income.

#### OTHER FINANCIAL RESULTS

Other financial results were a negative 26.6 million euros, almost entirely driven by impairment recognition on group financial investments and other non-current assets.

#### **NET INCOME**

Net results for the year were positive by 103.2 million euros, significantly higher than 2011 due to the higher level of dividends.

# 2.5.2 FINANCIAL DATA

The following table summarises the major cash movements during 2012:

Changes in Sonaecom SGPS Liquidity	million euros
Sonaecom SGPS stand-alone liquidity as at 31 December 2011	61,3
Cash and Bank	0,1
Treasury Applicationsa	61,2
Bank	60,0
Subsidiaries	1,2
Changes in Nominal Gross Debt	(80,8)
External Debt	(68,2)
Treasury applications from subsidiaries	(12,6)
Shareholder Loans granted	(296,4)
Dividend paid	(25,2)
Free Cash Flow	444,8
Interest paid	(14,4)
Interest received	12,1
Own shares acquisition	(2,2)
Disposals of Investments (net of acquisitions)	331,6
Dividend received	129,5
Operational Free Cash Flow and others	(11,9)
Sonaecom SGPS stand-alone liquidity as at 31 December 2012	103,7
Cash and Bank	0,0
Treasury Applications	103,7
Bank	5,0
Subsidiaries	98,7



During 2012, Sonaecom's stand-alone liquidity increased 42.4 million euros to 103.7 million euros due to the following movements:

- (i) External debt decreased 68.2 million euros;
- (ii) FCF was positive by 444.8 million euros.

#### However:

- (iii) Treasury applications from subsidiaries in Sonaecom SGPS decreased 12.6 million euros (mostly justified by Optimus: 10.0 million euros);
- (iv) Loans granted to subsidiaries increased 296.8 million euros (mainly driven by Optimus SGPS: 312.8m); and
- (v) Dividends of 25.2 million euros were paid.

At the end of December 2012, Sonaecom SGPS's net debt was 272.9 million euros, comprising:

- (i) Liquidity of 103.7million euros;
- (ii) Treasury applications by the subsidiaries of 6.3 million euros; and
- (iii) External debt of 370.3 million euros.



# 2.6 OUR RESPONSIBILITY

Our commitment to sustainable development is directly linked to our ambition to be the best communications operator in Portugal. Together with our employees, customers, suppliers and third sector organisations, we continue to explore new opportunities that deliver gains to society and all our stakeholders.

In 2012, Sonaecom started the implementation of a new strategy cycle, focusing on three main areas of action:



In the first area, Sonaecom commits, through our employees, customers and partners, to act in a responsible manner, ensuring the principles relating to ethics and duties that we believe in are adhered to in our business activities. To this end, and to promote and encourage the adoption of working practices and behaviours that are consistent with our principles, we intend to carry out an in-depth analysis of our Code of Conduct over the next three years.

Our aim is to make the code clearer, simpler and more understandable in order to clarify issues that may arise less frequently in the day-to-day working lives of our staff. At the same time, we will develop a communications and training programme on ethics and responsible behaviour that will apply to all employees, suppliers and business partners. In 2012, we began this programme with an e-learning course for employees that highlighted four subjects: conflicts of interest; confidentiality, privacy and integrity of information; relating to employees; and relating to suppliers and partners.

Through the second focus area, Green life, Sonaecom will continue to invest in reducing the negative impact of its business while seeking to increase the efficiency of other organisations and of society in general by developing technologically advanced products and services. In 2012, we continued implementing measures to improve energy efficiency by reducing energy consumption and using equipment that uses less energy while leveraging the use of renewable energies. Among other measures, we highlight the modernisation of sites in our southern network, which involved changing equipment and technologies; and the Save Energy Project, developed in partnership with EFACEC and Fraunhofer Portugal. This project's goal is to find solutions that optimise energy self-sufficiency among mobile communication stations. These measures allowed us to reduce energy consumption by 7%.

As a result of our efforts to minimise our impact in terms of climate change and greenhouse gases, Sonaecom achieved the second best performance for Iberia in the telecommunications sector in the CDP Iberia 125 Climate Change Index 2012.

E-life, our third focus area, is based on a commitment to developing products and services that have a positive impact on the quality of people's lives. It has three objectives: to ensure that all customers, regardless of age, ability, language, culture and literacy level, have access to information technologies through the development of products and services with high social and environmental value; to contribute towards increasing the number of activities that generate economic value among local communities (local recruitment, investment in the community, local suppliers etc.); and to use Information and Communications Technologies (ICTs) as a source of innovation that contributes towards the information society.

Our concern for the community has led us to establish strong partnerships with companies such as ISA Intellicare to develop solutions like One Care, which allows patients with chronic illnesses to be monitored at a distance and with third sector organisations, such as Acreditar, the Salvador Association, Abraço and the Gil Foundation, which support children and young people who are suffering from serious or chronic illnesses. The aim: to improve these youngsters' quality of life using our technology.

For more information about our environmental, social and economic performance, please consult our sustainability report, which will be available on the Sonaecom website from May 2013.





# 2.7 OUR CUSTOMER SERVICE

Our goal is to lead in the quality of service and hence be chosen and recognised by customers and partners as the best-in-class customer service in Portugal. In 2011, our customer service strategy was redesigned around one single principle – Make it easier – to provide an effortless contact experience that fosters customer satisfaction. In pursuit of this strategy, we took in 2012 decisive steps to restructure our operational model in terms of organisation, processes and systems. The awards we have been receiving, such as the Best Customer Service EMEA and Best Customer Service in the World, awarded by Contact Centre World, are the proof that Optimus is on the right track, as the best telecommunications player in Portugal.



# VOICE OF THE CUSTOMER LEADS OPERATIONAL IMPROVEMENTS

In 2011, a Voice of Customer (VoC) programme was launched to capture customer feedback on service processes to support an outside-in approach to the continuous improvement of our operations. Customer Effort Score (CES) was included as a key performance indicator to support our customer service strategy. This year, we implemented an integrated monitoring system across service processes that combine both operational and VoC metrics. Periodically, these results are benchmarked against our competitors. Using this information, we follow a structured approach to improve our operations using Continuous Improvement Cycles (CICs). As a result, our customer effort score fell by 5%.

# END-TO-END PROCESS REVIEW STARTING FROM THE FRONTLINE

To improve and standardise service delivery, we launched an end-to-end revision of our processes, starting from the front-line. Step-by-step resolution guides were designed to simplify problem-solving for agents; improve the quality of information provided to customers; and help avoid next issues. Initially planned for live phone support, this initiative allowed cross-channel process reviews, reinforcing the consistency of the overall customer service experience. Over the past year, our first call resolution rate has reached 94%, demonstrating an improved service delivery to our customers.

We restructured our customer support teams to foster efficient issue resolution, implementing multi-skilled teams for back-office processes. The multi-skilled teams centralise resolution competences in terms of processes, systems and know-how. Through this organisational change, it was possible to significantly improve the quality of our claims resolution while ensuring a faster response to customers. As a result, not only did we reduce our claims resolutions time by 31%, but also the volume of repeat claims fell by 5%.

We continued our efforts to reduce the number of applications customer service representatives (CSRs) need to use when interacting with customers. One of the most significant achieve-

ments was the integration of all customer interactions into a single 360 customer view incorporating personal information, multichannel contact history, services portfolio and payment profile. This gives the agent a detailed and broad overview of the customer that enhances the contact experience.

#### **EMPOWERING OUR CUSTOMERS THOUGH SELF-SERVICE**

We launched a convergent web self-care service that enables customers to manage their various services in an integrated manner using a single login. This self-care service combines the previous functionalities with an enhanced user experience through improvements to the information display, navigation and usability. Using "Cliente Optimus", the CS mobile app, customers can conveniently manage their account, monitor their voice and data usage, control top-ups or invoices and check or change their service plan wherever and whenever it suits them.

The increased need for easy access to information combined with the growing adoption of smartphones lead us to design and implement mobile applications to support customers in the consumer and business segments. Using "Cliente Optimus", customers can conveniently manage their account, monitor their voice and data usage, control top-ups or invoices and check or change their service plan wherever and whenever it suits them.

# ENGAGING OUR AGENTS THROUGH A CUSTOMER DRIVEN SERVICE CULTURE

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

In 2011, the Customer Service Training Academy was launched to centrally manage training courses and coaching sessions for all our operations. In 2012, we put in place a behavioural training programme to map the skills CSRs must acquire while working at Optimus Customer Service. These skills include positive language positioning, alternative positioning and personalitybased resolution.

In addition, a true service culture is also associated with reinforcing individual ownership. Therefore, we launched individual performance metrics focusing on quality and customer feedback. Monitoring our CSRs' individual dashboards enables us to design tailored training sessions covering hard and soft skills to foster behaviour that drives star performance.



# 2.8 OUR TELECOMS NETWORK



LTE or 4G were the most common words spoken in Optimus during 2012. After the spectrum acquisition phase in 2011, our activities in the beginning of the year focused on finalising the technology partner selection and beginning the network roll out in time for the commercial

launch on 15 March 2012. Significant upgrades of core and service nodes allowed us to offer USB dongles providing up to 100 Mbps data connections and voice in 4G smartphones from day one.



The LTE network rollout preparation started in 2011. Transport network upgrades on fibre and microwaves paved the way for the fast deployment of LTE radio stations during 2012. In addition to transport upgrades, the modernisation of the 2G and 3G access network

in the southern area, starting in 2011, allowed a much faster LTE roll out while maximising synergies in energy consumption, site configuration and other areas.



Early in 2012, our technical, marketing and business units started shaping and developing the services and offers to be supported by our new leading-edge network capabilities. The focus was on improving the customer experience and developing a comprehensive

and diversified offer. LTE opens up a wide range of new opportunities, not only in the mass market, but also among Mass Business and Corporate clients demanding more efficient and flexible communications. 2012 was the year of transforming LTE from blueprint to reality.

#### 2.8.1 THE MAKING OF LTE

LTE was commercially launched in March 2012. It began by publically rolling out a set of initial services designed to demonstrate its capabilities and potential. High-definition video streaming, high-speed internet browsing and online gaming are just some examples of the new experiences Optimus believes will stimulate further demand on mobile platforms.

Spectrum: Early on, Optimus identified the 1800 MHz band's potential for the LTE roll out, given its propagation advantages over 2600 MHz while allowing similar capacity. The 1800 MHz

re-farming implied a full network retuning and radio optimisation in order to release the 1800 MHz spectrum used for GSM voice/data services. Optimus believes this strategy is a key differentiator at network performance level and more recently at the terminal level. It is envisaged that 800 MHz band will become the key to providing a superior experience in less densely populated rural/suburban areas, where a high coverage area is required.

LTE eNodeB roll out: The introduction of an additional technology to Optimus sites posed several challenges at infrastructure level. Back in 2011, Optimus renegotiated rental contracts in an effort to mitigate any cost impact from adding LTE hardware. At site level, the physical infrastructure was minimally adapted to receive LTE components while optimising energy consumption, fibre connectivity sharing with 2G/3G – among other measures. The 2G and 3G modernisation projects provided the basis for the fast, optimised LTE hardware installation.

LTE equipment selection/vendor partnerships: The two-year preparation phase allowed Optimus to prepare and select state-of-the-art LTE equipment and antennas. When selecting vendors, special attention was paid to solutions achieving top radio frequency performance while providing adequate timeto-market roadmaps for introducing voice in LTE and LTEadvanced availability. Additionally, Optimus encourages the cross-fertilisation of technology experience with its vendors, specifically when jointly introducing and testing new functionalities designed to improve the customer experience and our service portfolio.

Radio optimisation: Selecting the LTE bands required Optimus to revise its planning and optimisation processes. Among other tasks, this involved preparing to adapt tools and design guidelines validated in early LTE trial networks during 2010 and 2011. All new LTE areas were tested and optimised before the commercial launch, guaranteeing an up-to-standard experience and performance.

New LTE antennas: Detailed work was performed to ensure the new antenna design was capable of adding LTE while minimising the number of antennas on rooftops and masts, and minimising the antennas' visual and EMF (electro-magnetic field radiation) impact. It is important to note that the LTE 1800 deployment allowed us to reuse a significant number of antennas, minimising roll out costs.

Fibre and microwave transport upgrade: In 2012, Optimus continued to implement transport network upgrades, namely expanding sites connected with fibre and high capacity microwave links. In addition to maximising capacity and IP migration synergies with 2G and 3G nodes, the LTE roll out involved redesigning and optimising the synchronisation network. Accordingly, 80% of our sites are already connected through own infrastructure, namely fibre, in the densest areas, with microwaves, in rural areas

segments. In the residential segment, our performance continues to be impacted by the decision to abandon residential customer acquisition over the incumbent's infrastructure.

# 2.8.2 INNOVATION AND QUALITY OF SERVICE **IMPROVEMENT**

LTE created several opportunities to innovate, particularly in the technology area. The significant improvements in capacity and experience allowed us to design and introduce new services to our customers while supporting the development of new integrated offers. Alongside our focus on LTE, our 2G and 3G networks evolved to meet customer needs for voice quality enhancements, data throughput and smartphone experience.

Quality and experience track record: Our efforts to continuously improve the quality delivered by our wireless network have won recognition from external stakeholders. For example, 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 during the year that lead to a reduction in dropped calls, better voice indicators and improved performance.

Infrastructure innovation: In 2012, Optimus finished the modernisation of its 2G and 3G networks, which are now fully exploiting a state-of-the-art 2G, 3G and 4G network. Using this new infrastructure, we implemented new functionalities that improve capacity, resilience and experience, namely the IP migration - a baseline for an efficient and optimised LTE roll out. As for improving energy efficiency: several innovation initiatives were launched, including SavEnergy - a national research and development consortium dedicated to exploring the use of renewable energies in mobile network sites.

Smartphones and traffic growth: 2012 posed several challenges as the year when smartphone numbers increased significantly, placing pressure on network resources. In response, we implemented specif functionalities and upgrades to improve the customer experience.

FTTH and wireline: In 2012, Optimus further explored its FTTH partnership with Vodafone in the metropolitan areas of Lisbon and Oporto, connecting new customers to both networks. Also during 2012, new user equipment was validated and introduced, improving functionality while maximising home network installation resilience. Meanwhile in the enterprise segment, we consolidated our integrated and convergent positioning among corporates and SMEs. The percentage of convergent clients in our customer base showed sustainable growth and continues to drive the expansion of mobile and wireline services in these





#### 2.8.3 NETWORK OPTIMISATION

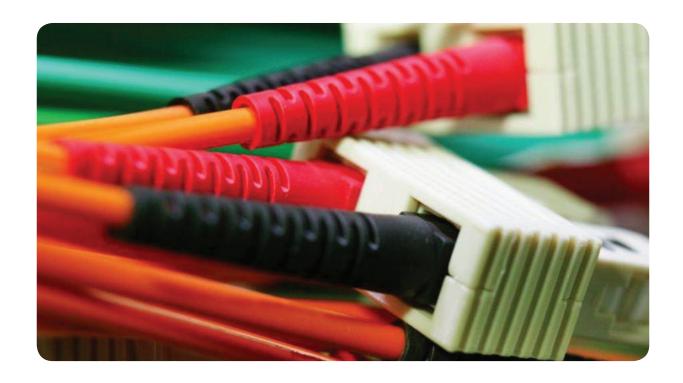
As a result of Optimus' continuing efforts to implement a leaner organisation, mobile operating costs decreased significantly during 2012. Among other drivers, this fall was due to a decrease in the level of direct servicing costs; contract renegotiations; lower leased lines and network-related costs; reduced dependency on rented infrastructure; and lower interconnection costs as a result of lower mobile termination rates (MTRs).

Modernised platforms (2G and 3G): As mentioned, Optimus modernised the remaining southern half of its 2G/3G access network in 2012. This lead to a significant decrease in the cost of ownership while substantially lowering energy consumption levels and delivering considerable improvements in radio performance and capacity. Overall, the newly installed equipment significantly increased our 2G/3G traffic network capacity, delivering new radio functionality and improved quality that will ultimately enhance our customers' experience and impact positively on our network's carbon footprint.

Optimise energy/Site rental contracts: In line with our sustainability agenda, Optimus revised its energy supply contracts, exploring power reduction and new electricity tariffs. We invested significant effort into renegotiating space/site rentals, revising existing contracts and promoting special agreements with site owners. Together with other energy conservation initiatives at radio equipment level, Optimus

implemented power saving functionalities that delivered significant positive results.

IP migration and owned transport network: During 2012, Optimus continued to roll out its fibre and high-capacity microwave network, replacing leased connections and further investing in owned transport/access networks. Due to our 2G/3G modernisation and LTE introduction, IP migration was further extended, unlocking relevant synergies while providing connectivity solutions for all three technologies using one transport tool. Besides using fibre as the natural solution for LTE in urban and suburban areas, Optimus further upgraded its high-capacity microwave network to cope with LTE requirements especially in rural areas, increasing capacity while keeping spectrum licensing costs to a minimum. Significant developments in design and footprint were completed on Optimus's fibre-based packet backhaul network, expanding our metro Ethernet network. By the end of 2012, Optimus owned the Gbps-ready infrastructure at a large number of mobile sites, equipping us to handle the capacity challenges we will encounter over the next few years.



# 2.9 OUR PEOPLE

Sonaecom has a culture of continuously challenging its own limits. We value and nurture people who are passionate, innovative, bold, eager for success and willing to break barriers.

#### 2.9.1 COMPANY DESCRIPTION

The nature of Sonaecom's business combined with our international presence are compelling factors when it comes to attracting people looking to join a young, dynamic organisation that invests in its employees' continuous and sustained professional development.

At 31 December 2012, Sonaecom employed 2,025 people across its Corporate Centre, Shared Services and its three business areas: Optimus, Online and Media, and Software and Information Systems.



EXECUTIVES AND SENIOR MANAGERS | PLANNING AND MANAGEMENT CONTROL | INTERNAL AUDIT | CORPORATE FINANCE AND INVESTOR RELATIONS

SHARE SERVICES

118

ACCOUNTING & FINANCE | HUMAN RESOURCES | CORPORATE COMMUNICATIONS | LEGAL | REGULATORY

OPTIMUS	ONLINE AND MEDIA	SSI
1,008	237	641

#### WE HAVE A YOUNG AND EDUCATED TEAM

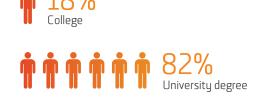
At 31 December 2012, the average age of our employees was 37 years, while almost 35% of our employees are aged below 34.

85% of our employees are graduates with bachelor, post-graduate, masters and PhD degrees.

#### DISTRIBUTION OF SONAECOM EMPLOYEES BY AGE

60		20-24
249		25-29
365		30-34
	643	35-39
449		40-44
259		<u>≥</u> 45

#### SONAECOM EMPLYEES GRADUATION





#### WE PROMOTE EMPLOYEES' STABILITY

Regarding employment contracts: 95% of our contracts were permanent, with only 5% of our employees having fixed-term contracts. We believe that professional stability allows us to achieve our professional and personal goals faster and smarter.

#### WE ARE GEOGRAPHICALLY DIVERSE

We have a presence in 12 countries across all five continents. In total, 92% of our workforce is Portuguese and we also employ people from:

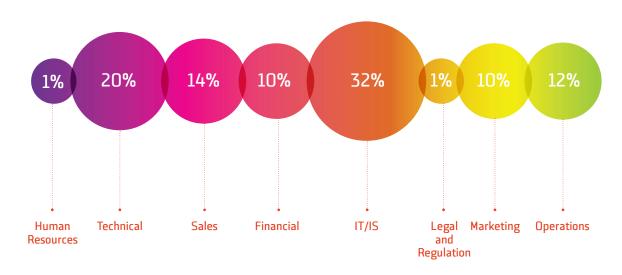


# **WE ARE SKILLED**

We believe that a diverse talent pool will enable us to achieve and exceed our goals.

We have eight different career areas, as follows.

#### SONAECOM CAREER AREAS



#### 2.9.2 THE TALENT ATTRACTION

With an internal culture that promotes meritocracy, we believe that our way of working and behaving enables us to attract, retain and develop people with outstanding talent and potential. In 2012, 9,203 new candidates (4,286 women and 4,917 men) applied through our online recruitment platform, 648 more than in 2011.

To reinforce our employer brand proposition and our ability to attract talent, we maintained our longstanding presence at job shops hosted by Portugal's leading universities. They included: FEP Porto Job, FEUP First Job, ISEG Career Week, ISCTE Forum Career, among others.

During 2012, we welcomed 46 new trainees, who were integrated into our business as follows: 76% into Optimus areas; 24% into WeDo areas. Almost 60% of Sonaecom trainees were permanently integrated in our different business areas.

• At Optimus, we launched the second edition of Start@Optimus, which was recognised by Masters Human Capital as the Best Policy in Talent Recruitment and Retention.

Using the Sonae contact network, Sonaecom reinforced its close bonds with higher education students by offering them new challenges and sharing Sonaecom's new products and services with them.

"Rede Contacto" now puts 20,000 students in contact with the Sonae group.





#### 2.9.3 THE TALENT MANAGEMENT

An important part of our culture involves empowering our people to pursue their career ambitions. We believe that career development should be proactively sustained by embedding it into our internal business processes.

In 2012, we further encouraged cross-company career development, believing that enhancing internal mobility and skills in different areas will enhance our culture, productivity and success. During 2012, 110 employees (5%) rotated from one department to another; six employees rotated between companies; and four rotated to other Sonae Group companies.



#### 2.9.4 THE TALENT DEVELOPMENT

At Sonaecom, we invest in the development of our people. We aim to enrich the value proposition we offer employees to make us an attractive and prestigious employer that shapes its working relationships around trust, commitment and loyalty.

#### **TRAINING**

#### WE VALUE KNOWLEDGE.

In 2012, Sonaecom invested approximately 1.1 million euros in training, delivering a total of 39,400 training hours (training hours x number of trainees) through various channels, as follows.

#### THROUGH OUR CORPORATE UNIVERSITY:

The Sonaecom Learning Centre (SCLC) is our Corporate University. It acts as a centralised educational resource incorporating all programmes designed to meet our training needs.

The SCLC's offer is divided into the Management Learning Centre and Technical Learning Centre, according to the objectives and content of different courses.

We believe the on-boarding process is one of the most important points in the successful integration of any employee. Accordingly, our On-Boarding Programmes involved 87 people across the Sonaecom companies.

#### THROUGH INTERNAL TRAINING:

During 2012, we reinforced our internal training offer, delivering 2,450 training hours.

Using a hands-on format, our internal training programmes give employees the opportunity to perform by empowering them through the learning process.

#### ONLINE HR TOOLS

Our international profile combined with our highly tech-literate workforce led us to develop HR Online: an HR information portal that is accessible online, anytime and anywhere. Here, employees can find all the tools to support their development at Sonaecom.



HR Online gives our people access to different microsites that support the key HR processes, as follows:

Career Management Careers at Sonaecom

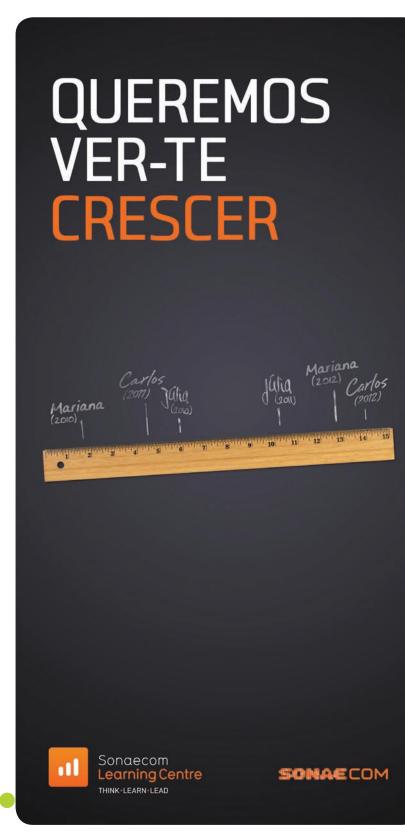
#### ORGANISATIONAL CULTURE SURVEY

In 2012, Optimus conducted an organisational culture survey, which achieved a participation rate of 84%.

The results give important insights into the development of an even stronger and more differentiated culture capable of achieving a seamless alignment between Optimus's people, our goals and strategic objectives.

We are convinced that with this baseline, we are in the best position to achieve our most challenging ambitions.









# 03. 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 relating to Sonaecom's 2012 stock performance.

#### SONAECOM SHARES ON THE STOCK MARKET DURING 2012

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)	1.481
Stock Price – High (euros)	1.568
Stock Price – Low (euros)	1.070
Average Daily Volume – 2012 (shares)	247,056
Average Daily Volume – 2011 (shares)	352,919
Market Capitalisation as of last day December (euros)	542,411,612

#### MARKET PERFORMANCE



Graph 1 – Sonaecom's performance vs PSI 20 and DJ Euro Stoxx Telecoms in 2012

2012 marked the recovery of the indexes valuations, but with two distinct phases.

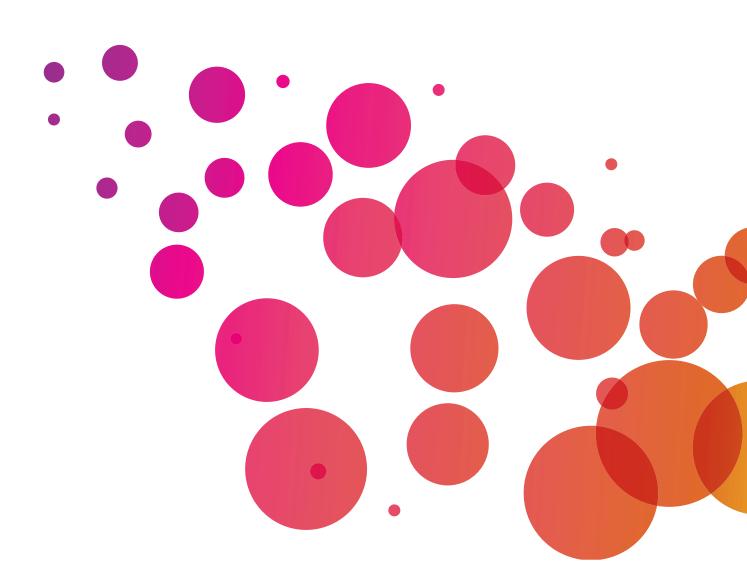
During the first half of the year, the South European indexes came under pressure due to escalating sovereign interest rates following rumors that Spain could ask for international financial aid.

During the second half of the year, the main indexes recovered alongside the recovery of the euro.

As far as the Portuguese market is concerned, PSI 20, the principal local stock index, ended 2012 at 5,655.15 points, an increase of 2.1% versus year-end 2011. This virtually neutral performance reflects the fact that although some companies recorded significantly positive growth, other companies devalued. To be more precise, 12 out of 20 companies ended 2012 showing a positive evolution.

During 2012, the PSI 20's index equity turnover stood at approximately 19.8 billion euros, decreasing 37.4% compared to 27.2 billion euros in 2011. This fall primarily reflects the lower liquidity of most companies that make up the PSI 20. Also impacted by a lower level of liquidity, Sonaecom's equity turnover decreased 2.0% in the same period.

DJ Euro Stoxx Telecoms, the European Stock Telecommunications index, ended 2012 with an annual decrease of approximately 25.8%. This trend was impacted by the devaluation of more than half the companies that make up the index. Here, we would like to highlight a number of Western European incumbents.



# 3.2 SHARE PRICE EVOLUTION DURING 2012

#### SONAECOM'S SHARE PERFORMANCE

In 2012, Sonaecom's market share price increased 21.9% compared to 2011.

Sonaecom shares would have been influenced by various milestones during the year, as follows:

- 7 March 2012: full-year 2011 consolidated results released;
- 8 March 2012: announcement on dividend payment for the year 2011;
- 27 April 2012: shareholders' Annual General Meeting held with release of information on approved decisions;
- 3 May 2012: first quarter 2012 consolidated results released;
- 24 July 2012: first-half 2012 consolidated results released;
- 31 July 2012: completion of a 20 million euros bond issue;
- 25 September 2012: clarification, following a request from the Comissão do Mercado de Valores Mobiliários (CMVM, the Portuguese Securities Market Commission) about a statement made by one of Sonaecom's Executive Directors;
- 23 October 2012: clarification, following a CMVM request, following news released by Diário Económico;
- 30 October 2012: first nine months 2012 consolidated results released;
- 14 December 2012: announcement about agreement on recommendation between Sonaecom SGPS, S.A., Kento Holding Limited and Jadeium BV.

#### SONAECOM RELATIVE SHARE PRICE PERFORMANCE IN 2012



Graph 2 – Portuguese telecoms market performance in 2012

At the end of 2012, Sonaecom's shares showed a market price of 1.481 euros per share, 21.9% above the closing price of 1.215 euros per share at 30 December 2011. The share price reached a maximum of 1.568 euros per share on 19 December 2012 and a minimum of 1.070 euros on 23 May 2012.

As for the wider Portuguese telecoms industry, Portugal Telecom registered the worst performance of the three players, ending 2012 with a 16.5% decline. Meanwhile, Zon Multimedia's share price ended 2012 up 27.9%.

On 14 December 2012, Sonaecom, Kento Holding Limited and Jadeium BV, the two companies owned by Eng.<sup>2</sup> Isabel dos Santos, announced having reached an agreement to recommend to the Boards of Zon Multimedia SGPS, S.A., and Optimus SGPS, S.A., a merger between the two companies, based on the incorporation of Optimus into Zon. From the date of the announcement until the end of 2012, Sonaecom shares decreased 3.6%, while Zon Multimedia shares increased 5.5%.

Sonaecom's market capitalisation stood at approximately 542 million euros at the end of 2012. The average daily trading volume reached approximately 247 thousand shares, a decrease of 30.0% compared to 2011 (353 thousand shares).

# 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%, 66.67% 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.

No major transactions occurred during 2012.

#### SIMPLIFIED SONAECOM SHAREHOLDING STRUCTURE

SHAREHOLDER	Number of shares held	% Shareholding as at 31 Dec. 2012
Sonae SGPS S.A.	197,493,119	53.92%
France Télécom	73,249,374	20.00%
BCP S.A.	12,500,998	3.41%
Own shares	4,321,038	1.18%
Free Float	78,682,339	21.48%

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 53.92%. France Télécom, one of the largest telecom operators in the world, holds a 20.00% stake in Sonaecom.

At 31 December 2012, the free float stood at approximately 21.48%, compared to 20.95% at the end of 2011. The free float is the percentage of shares not held or controlled by shareholders with qualified holdings and excluding own shares.

During 2012, there was no change in the number of shares issued by Sonaecom.

# 3.4 OWN SHARES

During 2012, Sonaecom acquired own shares in the stock market between March and August. It purchased a total of 2,808,226 own shares through the Euronext Lisbon Stock Exchange, at a weighted average price of 1.205 euros per share. This represented approximately 0.77% of Sonaecom's share capital. The shareholders' Annual General Meeting granted the authorisations, which were designed to fulfill 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 4,321,038 own shares at the end of 2012. This represented approximately 1.18% of its share capital.





# 04. OUR MANAGEMENT



# **4.1 OUR MANAGEMENT**

#### **MANAGEMENT CHANGES IN 2012**

At the annual Shareholders' General Meeting held on 27 April 2012, the company's current governing bodies were elected for a four-year mandate (2012-2015). Accordingly, at 2012 year-end, Sonaecom had four executive directors and seven non-executive directors.

#### SONAECOM'S BOARD OF DIRECTORS AND APPOINTED COMMITTEES



<sup>(1)</sup> Executive directors are members of the Board of Directors and Executive Committee with executive management responsibilities.

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 comprises solely non-executive members. The BAFC met periodically during 2012 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 its duties.



<sup>(2)</sup> Non-executive directors are members of the Board of Directors without executive management responsibilities

<sup>(3)</sup> 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.

#### **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



e Mello



David Hobley



Jean-François Pontal



Pellissier





According to CMVM, the Portuguese Securities Commission, 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 dayto-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 SSI CEO Online & Media CEO Deputy CEO **Chief Executive Officer** 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 Politechnique Federal de Lausanne; MBA from Porto Business School.

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, SA; CEO of Optimus - Telecomunicações, S.A.; Executive Board Director of Modelo Continente Hipermercados, S.A..

Member of Associação Portuguesa de Gestão e Engenharia Industrial (APGEI); Member of Board of Trustees of Associação Empresarial de Portugal (AEP); 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 Porto Business School.

Professional experience: Executive Vice-President of Sonae-SGPS, S.A. 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 - Retailed 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 Porto Business School.

Responsibilities at Sonaecom: CEO of Sonaecom, Chairman of Board of Directors of Público - Comunicação Social, S.A., Optimus - Comunicações, S.A. and Sonae com - 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, SGPS, S.A..

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 - Concepção, 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., Optimus, 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 (Fontainebleu).

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 Sonae com Sistemas de Informação; 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, Riopele 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 (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 Trigoso Jordão

Date of birth: 27 April 1956

Academic qualifications: Degree in Economics from the University of Lisbon (ISCTE).

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.

 $\label{previously: Member of the Board of Directors and CEO of Sonae} Previously: \textit{Member of the Board of Directors and CEO of Sonae}$ 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)

Optimus, SGPS, S.A.

(Chairman of the Board of Directors)

Sonae com - Sistemas de Informação, SGPS, S.A.

(Chairman of the Board of Directors) Sonaecom - Serviços Partilhados, 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)

ZOPT, SGPS, S.A.

(Member 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)

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)

Optimus, SGPS, S.A.

(Member of the Board of Directors)

Sonae com, Sistemas de Informação, SGPS, S.A.

(Member of the Board of Directors)

Sonaecom - Serviços Partilhados, S.A.

(Member of the Board of Directors)

Sontaria - Empreendimentos Imobiliários, S.A.

(Member of the Board of Directors)

WeDo Consulting, Sistemas de Informação, S.A.

(Member of the Board of Directors)

ZOPT, SGPS, S.A.

(Member of the Board of Directors)

WeDo Technologies (UK) Limited

(Chairman of the Board of Directors)

Praesidium Services Limited

(Chairman of the Board of Directors)

WeDo Technologies Americas Inc.

(Chairman of the Board of Directors)

Connectiv Solutions Inc.

(Chairman of the Board of Directors)

Cape Technologies Limited

(Chairman of the Board of Directors)

Sonaecom - Sistemas de Información Espana, S.L.

(Director)

WeDo Poland Sp. Z.o.o.

(Director)

WeDo Technologies Egypt

(Director)

Infosystems - Sociedade de Sistemas de Informação, S.A.

(Member of the Board of Directors)

WeDo Technologies Mexico, S. De R.L. De C.V.

(Director)

WeDo Technologies Chile, Spa

(Director)

WeDo Technologies Panama, S.A.

(Director)

WeDo Technologies Singapore Pte Ltd

(Director)

WeDo Technologies Australia PTY Limited

(Chairman of the Board of Directors)

Other offices held:

Sonae Capital, SGPS, S.A.

(Member of the Board of Directors)

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)

Sonae com - 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)

EPM, SGPS, S.A.

(Member of the Board of Directors)

Vallis Capital Partners

(Member of the Board of Directors)

Douro Old Chaps, SGPS, S.A.

(Chairman of the Board of Directors)

Têxtil Manuel Gonçalves, S.A.

(Chairman of the Board of the General Meeting)

# Miguel Nuno Santos Almeida

Offices held in companies in which Sonaecom is a shareholder:

Be Artis, Concepção, 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)

Optimus, 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)

Sonae com, Sistemas de Informação, SGPS, S.A.

(Member of the Board of Directors) Sonaecom, Serviços Partilhados, 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

(Member 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

(Managing Partner)

Atari

(Chairman)

Crédit Agricole - Commercial and Investment Bank

(Director)

**Goldbridge Capital Partners** 

(Chairman) Moser Baer (Director)

Moser Baer Projects

(Director)

PricewaterhouseCoopers (France) (Chairman of the Strategy Board)

Symantec (Director) Telenor (Director) HEC

(Member of the Advisory Board)

(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)

Médi Télécom

(Member of the Board of Directors)

**Everything Everywhere** 

(Member of the Board of Directors)

Fram

(Member of the Supervisory Board)

Studio 37

(Member of the Board of Directors)

#### Jean-François René Pontal

Offices held in companies in which Sonaecom is a shareholder:

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

Other offices held:

ING Direct, France

(Member of the Advisory Board)

Oger Télécom, Dubai

(Member of the Board of Directors)

#### Nuno Manuel Moniz Trigoso 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)

Bertimóvel – Sociedade Imobiliária, S.A.

(Member of the Board of Directors)

Canasta, Empreendimentos Imobiliários, S.A.

(Member of the Board of Directors)

Carnes do Continente, Indústria e distribuição de Carnes, S.A.

(Member of the Board of Directors)

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

(Member of the Board of Directors) **Citorres – Sociedade Imobiliária, S.A.**(Member of the Board of Directors)

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

(Member of the Board of Directors)

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

(Member of the Board of Directors)

Continente Hipermercados, S.A.

(Member of the Board of Directors)

Cumulativa - Sociedade Imobiliária, S.A.

(Member of the Board of Directors)

Estevão Neves – Hipermercados da Madeira, S.A.

(Member of the Board of Directors)

Fozimo - Sociedade Imobiliária, S.A.

(Member of the Board of Directors)

Fozmassimo - Comércio e Industria de Produtos

Alimentares, S.A.

(Member of the Board of Directors)

Igimo - Sociedade Imobiliária, S.A.

(Member of the Board of Directors)

Iginha - Sociedade Imobiliária, S.A.

(Member of the Board of Directors)

Imoconti - Sociedade Imobiliária, S.A.

(Member of the Board of Directors)

Imoestrutura - Sociedade Imobiliária, S.A.

(Member of the Board of Directors)

Imomuro - Sociedade Imobiliária, S.A.

(Member of the Board of Directors)

Imoresultado – Sociedade Imobiliária, S.A.

(Member of the Board of Directors)

Imosistema - Sociedade Imobiliária, S.A.

(Member of the Board of Directors)

Infofield - Informática, S.A.

(Member of the Board of Directors)

MJLF - Empreendimentos Imobiliários, S.A.

(Member of the Board of Directors)

Modalfa - Comércio e Serviços, S.A.

(Member of the Board of Directors)

Modelo Continente Hipermercados, S.A.

(Member of the Board of Directors)

Modelo Hiper Imobiliária, S.A.

(Member of the Board of Directors)

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

(Member of the Board of Directors)

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

(Member of the Board of Directors)

Pharmacontinente - Saúde e Higiene, S.A.
(Member of the Board of Directors)

Predicomercial - Promoção Imobiliária, S.A.

(Member of the Board of Directors)

Selifa - Sociedade de Empreendimentos Imobiliários, S.A.

(Member of the Board of Directors)

Sempre à Mão – Sociedade Imobiliária, S.A.
(Member of the Board of Directors)

Sesagest - Projectos e Gestão Imobiliária, S.A.

(Member of the Board of Directors)
Socijofra - Sociedade Imobiliária, S.A.
(Member of the Board of Directors)
Sociloures - Sociedade Imobiliária, S.A.
(Member of the Board of Directors)

Sonae Retalho España - Servicios Generales, S.A.

(Member of the Board of Directors)

Sondis Imobiliária, S.A.

(Member of the Board of Directors)

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

(Member of the Board of Directors)

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

(Member of the Board of Directors) Star – Viagens e Turismo, S.A. (Member of the Board of Directors) Tlantic Portugal - Sistemas de Informação, S.A.

(Member of the Board of Directors)

Todos os Dias - Comércio Retalhista e Exploração de Centros

Comerciais, S.A.

(Member of the Board of Directors)

Valor N, S.A.

(Member of the Board of Directors)

Worten - Equipamentos para o Lar, 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 2012:

# **BOARD OF DIRECTORS**

			Additions		Reductions	Balance at 31 December 2012	
	Date	Quantity	Market price €	Quantity	Market Price €	Quantity	•
Duarte Paulo Teixeira de Azevedo		•••••					•
Efanor Investimentos, SGPS, S.A. <sup>(1)</sup>						1	
Migracom, SGPS, S.A. <sup>(3)</sup>						1,969,996	
Sonae- SGPS, S.A. <sup>(6)</sup>						3,293	a)
Shares attributed under the company's remuneration policy	30.03.212	451,068	0.00				
Shares attributed under the company's remuneration policy	27.04.212	619,326	0.00				
Sale	27.04.212			1,068,101	0.405		
Ângelo Gabriel Ribeirinho dos Santos Paupério							
Sonae-SGPS, S.A. <sup>(6)</sup>						584,562	
Shares attributed under the Medium Term Incentive Plan	09.03.212	229,329	0.00				
Sonaecom, SGPS, S.A. <sup>(9)</sup>						440,070	
Shares attributed under the Medium Term Incentive Plan	09.03.212	147,984	0.00				
Miguel Nuno Santos Almeida							-
Sonae-SGPS, S.A. <sup>(6)</sup>						127,168	
Shares attributed under the Medium Term Incentive Plan	09.03.212	67,715	0.00				
Sonaecom, SGPS, S.A. <sup>(9)</sup>						138,779	b)
Shares attributed under the Medium Term Incentive Plan	09.03.212	67,971	0.00				
Maria Cláudia Teixeira de Azevedo							
Efanor Investimentos, SGPS, S.A. <sup>(1)</sup>						1	
Linhacom, SGPS, S.A. <sup>(4)</sup>						99,996	
Sonae-SGPS, S.A. <sup>(6)</sup>						-	
Shares attributed under the Medium Term Incentive Plan	09.03.212	48,884	0.00				
Sale	21.05.212			48,884	0.398		
Sonaecom, SGPS, S.A. <sup>(9)</sup>						170	c)
Shares attributed under the Medium Term Incentive Plan	09.03.212	49,069	0.00				
Sale	21.05.212			49,069	1.120		
António Bernardo Aranha da Gama Lobo Xavier							
Sonae-SGPS, S.A. <sup>(6)</sup>						130,077	
Shares attributed under the Medium Term Incentive Plan	09.03.212	59,848	0.00				
Sonaecom, SGPS, S.A. <sup>(9)</sup>						61,937	
Shares attributed under the Medium Term Incentive Plan	09.03.212	60,074	0.00				
Sale	02.04.212			80,000	1.206		
Acquisition	02.04.212	56,232	1.250				

a) This balance includes 1,000 shares held by descendants in his charge;

b) This balance includes 90 shares held by spouse;

c) Shares held by spouse.

# Article 447 (continued)

# **MANAGEMENT**

MANAGEMENT			Additions		Reductions	Balance at 31 Decem- ber 2012	
	Date	Quantity	Market price €	Quantity	Market price €	Quantity	
David Graham Shenton Bain		······································					•
Sonae-SGPS, S.A. <sup>(6)</sup>						20.000	
Sonaecom, SGPS, S.A. <sup>(9)</sup>						15.000	
Ana Paula Garrido Pina Marques							
Sonae-SGPS, S.A. <sup>(6)</sup>						11.000	d)
Sonaecom, SGPS, S.A. <sup>(9)</sup>						96.855	e)
Shares attributed under the Medium Term Incentive Plan	09.03.2012 27.12.2012 27.12.2012	30.202 23.306 15.106	0,00 0,00 0,154				i)
Manuel António Neto Portugal Ramalho Eanes							
Sonaecom, SGPS, S.A. <sup>(9)</sup>						25.264	
Shares attributed under the Medium Term Incentive Plan	09.03.2012 27.12.2012	34.149 25.264	0,00 0,00				
Alienação	30.03.2012			49.687	1,202		
David Pedro Oliveira Parente Ferreira Alves							
Sonae-SGPS, S.A. <sup>(6)</sup>						11.141	f)
Sonaecom, SGPS, S.A. <sup>(9)</sup>						16 9.754	g
Shares attributed under the Medium Term Incentive Plan	09.03.2012 27.12.2012 27.12.2012	49.306 37.015 3.962	0,00 0,00 0,154				i)
Shares attributed under the company's remuneration policy	17.05.2012	8.615	0,00				
Rui José Gonçalves Paiva							
Sonaecom, SGPS, S.A. <sup>(9)</sup>						105.235	h
Shares attributed under the Medium Term Incentive Plan	30.03.2012 27.12.2012	40.658 63.535	0,00 0,00				
Shares attributed under the company's remuneration policy	17.05.2012	582	0,00				
Paulo Joaquim Santos Plácido							
Sonae-SGPS, SA <sup>(6)</sup>						10.000	
Sonaecom, SGPS, S.A <sup>(9)</sup>						115.258	
Shares attributed under the Medium Term Incentive Plan	09.03.2012 27.12.2012	21.396 15.969	0,00 0,00				
Shares attributed under the company's remuneration policy	17.05.2012	28.072	0,00				
José Manuel Pinto Correia							
Sonae-SGPS, S.A. <sup>(6)</sup>						3.905	
Sonaecom, SGPS, S.A. <sup>(9)</sup>						219.870	
Shares attributed under the Medium Term Incentive Plan	09.03.2012 27.12.2012	54.446 41.562	0,125 0,154				
Shares attributed under the company's remuneration policy	17.05.2012	2.394	0,114				
Pedro Rafael de Sousa Nunes Pedro							
Sonae-SGPS, S.A. <sup>(6)</sup>						6.625	
Ana Cristina Dinis da Silva Fanha Vicente Soares							
Sonaecom, SGPS, S.A. <sup>(9)</sup>						30.092	
Shares attributed under the Medium Term Incentive Plan	09.03.2012 27.12.2012	13.305 10.070	0,00 0,00				

d) Shares held by spouse;

e) This balance includes 23,063 shares held by spouse;

f) This balance includes 6,141 shares held by spouse;

g) This balance includes 10,805 shares held by spouse;

h) This balance includes 460 shares held by spouse;

i) Shares attributed to spouse.

# Article 447 (continued)

# NOTES:

			Additions		Reductions	Balance at 31 December 2012
	Date	Quantity	Market price €	Quantity	Market price €	Quantity
(1) Efanor Investimentos, SGPS, S.A.						
Sonae-SGPS, S.A. <sup>(6)</sup>						200,100,000
Acquisition	10.05.2012	77,700,000	0.400			
Pareuro, BV <sup>(2)</sup>						2,000,000
Sonaecom, SGPS, S.A. <sup>(9)</sup>		•				1,000
(2) Pareuro, BV						
Sonae-SGPS, S.A. <sup>(6)</sup>						849,533,095
Sale	28.03.2012			10,016,905	0.456	
Sale	10.05.2012	•		77,700,000	0.400	
(3) Migracom, SGPS, S.A.						
Imparfin, SGPS, S.A. <sup>(5)</sup>						150,000
Sonae-SGPS, S.A. <sup>(6)</sup>						2,908,204
Acquisition	27.04.2012	1,068,101	0.405			
Sonaecom, SGPS, S.A <sup>(9)</sup>		_				387,342
(4) Linhacom, SGPS, S.A.						
Imparfin, SGPS, S.A. <sup>(5)</sup>						150,000
Sonae-SGPS, S.A. <sup>(6)</sup>						439,314
Acquisition	21.05.2012	48,884	0.398			
Sonaecom, SGPS, S.A. <sup>(9)</sup>						120,300
Acquisition	21.05.2012	49,069	1.120			
(5) Imparfin, SGPS, S.A.						
Sonae-SGPS, S.A. <sup>(6)</sup>						4,105,280
(6) Sonae, SGPS, S.A.						
Sonaecom, SGPS, S.A. <sup>(9)</sup>						3,430,000
Acquisition	May-12	88,500	1.132			
Acquisition	Jun-12	2,691,500	1.175			
Sonae Investments BV <sup>(7)</sup>						2,894,000
Sontel BV <sup>(8)</sup>						32,745
(7) Sonae Investments BV						
Sontel BV <sup>(8)</sup>						43,655
(8) Sontel BV						
Sonaecom, SGPS, S.A. <sup>(9)</sup>						194,063,119
(9) Sonaecom, SGPS, S.A.						4,321,038
Delivery of own shares under the Short	09.03.2012			571,990	0.00	
and Medium Term Incentive Plans	09.03.2012			4,114,996	0.125	
	30.03.2012			40,658	0.00	
	30.03.2012			19,298	0.122	
	17.05.2012			38,703	0.00	
	17.05.2012			42,589	0.114	
	27.12.2012			257,463	0.00	
	27.12.2012			2,446,691	0.154	
Acquisition	Mar-12	722,271	1.223			
	Apr-12	1,026,829	1.219			
	May-12	931,725	1.176			
	Aug-12	127,401	1.907			

#### Article 448

In accordance with article 448 of the Portuguese Company Law:

	Number of shares as of 31 December 2012
Efanor Investimentos, SGPS, S.A. (1)	
Sonae-SGPS, S.A.	200,100,000
Pareuro, BV	2,000,000
Sonaecom, SGPS, S.A.	1,000
Pareuro, BV	
Sonae-SGPS, S.A.	849,533,095
Sonae-SGPS, S.A.	
Sonaecom, SGPS, S.A.	3,430,000
Sonae Investments BV	2,894,000
Sontel BV	32,745
Sonae Investments BV	
Sontel BV	43,655
Sontel BV	
Sonaecom, SGPS, S.A.	194,063,119
Atlas Services Belgium, S.A.	
Sonaecom, SGPS, S.A.	73,249,374

<sup>(1)</sup> The representative shares of about 99,99% of the share capital and the voting rights of Efanor Investimentos, SGPS, S.A. belong to Belmiro Mendes de Azevedo.

# **QUALIFIED HOLDINGS**

In compliance with sub-paragraph b), no. 1, of the article 8 of the CMVM Regulation no. 05/2008, we declare the qualifying holdings as at 31 December 2012:

% of voting rights

Shareholder	Number of shares	% of Share capital	With own shares	Without own shares
Sontel BV	194,063,119	52.99%	52.99%	53.62%
Sonae-SGPS, S.A.	3,430,000	0.94%	0.94%	0.95%
Migracom, SGPS, S.A.	387,342	0.11%	0.11%	0.11%
Ângelo Gabriel Ribeirinho dos Santos Paupério <sup>(1),(2)</sup>	440,070	0.12%	0.12%	0.12%
Belmiro Mendes de Azevedo <sup>(1),(3)</sup>	75,537	0.02%	0.02%	0.02%
Linhacom, SGPS, S.A.	120,300	0.03%	0.03%	0.03%
Álvaro Carmona e Costa Portela <sup>(1)</sup>	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 <sup>(3)</sup>	170	0.00%	0.00%	0.00%
Total attributable (4)	198,522,538	54.20%	54.20%	54.85%
France Télécom, S.A.				
Atlas Services Belgium, S.A.	73,249,374	20.00%	20.00%	20.24%
Total attributable	73,249,374	20.00%	20.00%	20.24%
ВСР				
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%	3.43%
Total attributable	12,500,998	3.41%	3.41%	3.45%

<sup>(1)</sup> Member of the Board of Directors of Sonae-SGPS, S.A.;

<sup>(2)</sup> Member of the Board of Directors of Sonae Investments, BV e Sontel BV;

<sup>(3)</sup> Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.;

<sup>(4)</sup> The corresponding qualified holding is attributable to Efanor which representative shares of about 99,99% of the share capital and the voting rights of Efanor Investimentos, SGPS, S.A. belong to Belmiro Mendes de Azevedo.





# 05. OUR GOVERNANCE

## 05. OUR GOVERNANCE

#### 5.0 INTRODUCTION

#### I) MESSAGE TO SHAREHOLDERS

Dear shareholder,

Sonaecom is fully compliant with the legal requirements of the Portuguese Securities Commission (CMVM), being also compliant with the vast majority of their recommendations on corporate governance. This commitment is assumed throughout our organization, in which our values and disclosure principles are widely disseminated. Also, in the interests of total transparency, we also publish our governance regulations and guidelines on our website (www.sonae.com).

We could not fail to indicate that we are particularly proud of the solid and objective principles that support our remuneration policy. Our principles clearly reflect our commitment in this area. The remuneration policy is competitive, linked to performance, aligned with shareholder interests, transparent, reasonable and fair and the remuneration awarded is disclosed in detail.

We want to be one step ahead by creating a "best in class" governance model and communicating our governance culture to all stakeholders. Our governance has been adopting the best practices in compliance with the legal, regulatory and recommendatory framework, both national and international. Totally focused on continuously improving our practices going forward, we will persist seriously committed on creating long-term shareholder value.

#### 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") (1)

#### 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
- 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.

(1) Having into consideration the "comply or explain" principle, CMVM has been considering as compliant those recommendations for which the issuers provides an effective justification for non-compliance.

### 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.



#### **5.1 STATEMENT OF COMPLIANCE**

As required by Portuguese regulations and in line with the recommendations on corporate governance issued in January 2010 by the CMVM, the following section explains the roles, responsibilities and composition of our principal statutory and nonstatutory 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.sonae.com < http://www.sonae.com and also at www. cmvm.pt <http://www.cmvm.pt>.

#### I) 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 2012:

CMVM recommendations		Comments
Shareholders' General Meetings		
Board of the Shareholders' General Meeting	•	
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.
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 '5.2. Shareholders' General Meeting - Remuneration').
Participation at the meeting		
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 not required. (see '5.2. Shareholders' General Meeting – Blocking of shares').
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 not required (see '5.2. Shareholders' General Meeting – Rules applicable to the blocking of shares in case of suspension of the General Meeting').
Voting and exercising voting rights		
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 '5.2. Shareholders' General Meeting – Postal voting).
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 '5.2. Shareholders' General Meeting – Deadline for receiving postal votes').
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 '5.2. Shareholders' General Meeting – Number of shares corresponding to one vote').
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.
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 days 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.
	Shareholders' General Meetings  Board of the Shareholders' General Meeting 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.  The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual Corporate Governance Report.  Participation at the meeting The requirement to deposit or block shares before Shareholders' General Meetings, contained in the Articles of Association, shall not exceed five working days.  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.  Voting and exercising voting rights  Companies should not impose any statutory restriction on postal voting and, whenever adopted or admissible, on electronic voting.  The statutory advance deadline for receiving voting ballots by post shall not exceed three working days.  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; i) 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.  Quorum and resolutions  Companies shall not set a deliberative quorum that exceeds the minimum required by Portuguese Company Law.  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 days period, irrespective of the fact that such information may not be legally classified as material information. The information disclosed shall cover the resolutions hall be kept on the company's websit	Shareholders' General Meetings  Board of the Shareholders' General Meeting 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.  The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual Corporate Governance Report.  Participation at the meeting The requirement to deposit or block shares before Shareholders' General Meetings, contained in the Articles of Association, shall not exceed five working days.  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.  Voting and exercising voting rights  Companies should not impose any statutory restriction on postal voting and, whenever adopted or admissible, on electronic voting.  The statutory advance deadline for receiving voting ballots by post shall not exceed three working days.  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.  Quorum and resolutions  Companies shall not set a deliberative quorum that exceeds the minimum required by Portuguese Company Law.  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 days 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

CMVM re	commendations	Sonaecom compliance	Comments
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 '5.3.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 2012 year can be found in section 5.1.3. 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 '5.3f) Management and auditing bodies – Identification of the members of the Statutory Audit Board').
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 '5.3.b) Management and auditing Bodies – Corporate structure organization - Roles and competencies').
2.1.4	Policy on the reporting of irregularities		
2.1.4.1	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 '5.5.c) Risk management policies for Ethics and Disclosure - Whistle-blowing policy'.
2.1.4.2	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 '5.5.c) Risk management policies for Ethics and Disclosure - Whistle-blowing policy'
2.1.5	Remuneration		
2.1.5.1	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:	No	Alignment with the interests of the Shareholders is ensured and this recommendation is met (see 'Group Remuneration Policy and Remuneration of Management and Audit Bodies') with the exception of 2.1.5.1 i).
	(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 crite- ria shall take into consideration the Company's real growth and the actual growth generated for the shareholders, its long-term sustain- ability and the risks taken on, as well as compliance with the rules applicable to the Company's activity.		Although António Bernardo Aranha da Gama 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.

CMVM recommendations		Sonaecom compliance	Comments	
	(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.		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).
	(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.		See '5.4.b) Directors Remuneration'.
	(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 such contracts have been identified.
	(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 MTIP.
2.1.5.2	on: of the	e statement on the remuneration policy of the management and lit bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall tain, in addition to the content therein stated, adequate information i) which groups of companies the remuneration policy and practices which were taken as a baseline for setting the remuneration ii) payments for the dismissal or termination by agreement of the ectors' duties.	Yes	2012 AGM remuneration proposal includes such information.
	No. responding con Coc sha con	e remuneration policy statement referred to in Article 2 of Law 28/2009 shall also include the persons discharging managerial ponsibilities' remuneration which contain an important variable apponent, within the meaning of Article 248-B/3 of the Securities le. The statement shall be detailed and the policy presented Il particularly take the long-term performance of the Company, apliance with the rules applicable to its business and restraint in ingrisks into account.	Yes	2012 AGM remuneration proposal includes such information.
	of portion of All sha The for with	proposal shall be submitted at the General Meeting on the approval plans for the allotment of shares and/or options for share purchase further yet on the variations in share prices, to members of the nagement and audit bodies and other managers within the context Article 248/3/B of the Securities Code. The proposal shall mention the necessary information for its correct assessment. The proposal III contain the regulation plan or in its absence, the plan's conditions. It may be made the management and audit bodies and other managers in the context of Article 248/3/B of the Securities Code, shall also be proved at the General Meeting.	Yes	Sonaecom's Medium Term Incentive Plan (MTIP) was approved at the 2012 Shareholders' General Meeting and the format of the MTIP has not changed since that date. No retirement benefit plans are in place. (see '5.4.a) Group remuneration policy').

CMVM re	commendations	Sonaecom compliance	Comments
2.1.5.5	At least one of the Remuneration Committee's representatives shall be present at the Annual General Meeting for Shareholders.	No	At the 2012 Annual General Meeting, none of the representatives was present.
2.1.5.6	The amount of remuneration received, as a whole and individually, in other Companies of the Group and the pension rights acquired during the financial year in question shall be disclosed in the Annual Report on Corporate Governance.	Yes	This disclosure is made. See '5.4.b) Directors remuneration'.
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 '5.3.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 '5.3.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 '5.3.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 '5.3.b) Management and auditing Bodies – Corporate structure organization - Roles and competencies'.
2.3	Chief Executive Officer (CEO), Executive Committee and Executive Board o	f 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 Comm	nittee and Statutor	y 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.
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.

CMVM re	commendations	Sonaecom compliance	Comments
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 '5.5. a) Internal Control and Risk Management System - Report to Management and Supervisory 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 '5.3.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').
2.5.3	Any natural or legal person which provides or has provided, over the past three years, services to any structure of the Board of Directors, to the Board of Directors of the Company or that has to do with the current consultant of 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 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 5.6. Other information - Investor Relations').

CMVM recommendations		Sonaecom compliance	Comments	
3.1.2	The following information disclosed on the Company's Internet website, shall be available in English:	Yes	All the information indicated is available in English on the Company's website.	
	<ul> <li>The Company, its listed company status, registered office and the remaining information set out in Article 171 of Portuguese Company Law;</li> </ul>			
	b) Articles of Association;			
	<ul> <li>dentification of the members of the Statutory Governing Bodies and of the Representative for Relations with the Market;</li> </ul>			
	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.			
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.	Yes	In 2012 it was mandatory the election of the corporate bodies. The Statutory Audit Board issued a specific opinion, complying with this recommendation, which was approved by the Shareholders.	
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 2012 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 2012, this percentage of services totaled 17%.	
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 '5.5.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 '5.5.c) Risk management policies for Ethics and Disclosure - Conflicts of Interest policy'.	



## 5.1.1 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 60,500 euros in 2012.

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.

## 5.1.2 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, as well as by the Executive Commission.

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 supervisory entities 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 opinions and 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.

## 5.1.3 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.

#### 5.2 SHAREHOLDERS' GENERAL **MFFTING**

#### COMPOSITION OF THE BOARD OF SHAREHOLDERS' GENERAL MEETING

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 2012 to 2015.

#### REMUNERATION

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

#### **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 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.

#### 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.

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. In line with the CMVM's Recommendations on Corporate Governance, such point include persons discharging managerial responsibilities' remuneration in 2012.

#### 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 2012 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. A new agreement between the two parties was signed on 1 March 2012.

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 5.4.c), Compensation for Board members on termination of office.



#### 5.3 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 2012 to 2015. 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 Moniz Trigoso 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

<sup>\*</sup>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 in 2012 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 – Deputy CEO and CEO of Optimus
Maria Cláudia Teixeira de Azevedo	Executive Director – CEO of SSI and CEO of Online & Media
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

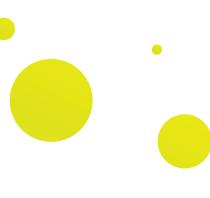
<sup>\*</sup>See 'Independence Criteria'.

#### **BOARD NOMINATION AND REMUNERATION COMMITTEE**

#### COMPOSITION

Sonaecom's Board Nomination and Remuneration Committee (BNRC) consist 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
Sontel, BV, represented by	Francisco de La Fuente Sánchez



#### 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.

The full Terms of Reference of the Board of Directors are available on the company's website (www.sonae.com).

#### 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.a 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;
- To oversee the independence of the internal audit function, particularly with regard to restrictions to its organizational inde pendence 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:

- 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:

- 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
- (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;
- (xiii) 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.

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

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 halfyear Accounts and in the quarterly Earnings Announcements;
- (iii) To advise the Board on the adequacy and appropriateness of internal information provided by the Executive Committee, including systems and standards on internal business controls and risk management activities applied by the Executive Com-

- mittee, 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.
- (ii) Members shall be appointed to serve on the BNRC for a period of four years (following the Board mandates).
- (iii) The Sonaecom Chief Executive Officer (CEO) will attend the meetings of the BNRC, unless the BNRC on an ad hoc basis
- (iv) The Secretary to the BNRC will be the Sonaecom Board & Corporate Governance Officer.
- (v) 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.
- (vi) The BNRC will normally meet at least twice a year (in late February or early March, preferably before the annual meetings of the Sonae SGPS and Sonaecom Shareholder Remuneration Committees - "Comissão de Vencimentos" (See Notes A and B below) and in late October or early November). Other meetings may be called by the Chairman or the Board, as necessary. (vii) The BNRC will report and, when necessary, propose to the full Sonaecom Board and will also liaise with the Sonae SGPS and Sonaecom Shareholder Remuneration Committees through the Sonaecom Chairman.
- (viii) 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.
- (ix) 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 Sonae Group comparisons and are derived from individual appraisals and KPI analyses.

- (xi) The remuneration and other compensation of the Sonaecom Chairman is decided directly by the independent member of the Sonaecom Shareholders' Remuneration Committee.
- (xii) 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 ("Orgaos 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 2012, 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.

#### 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 2012

#### **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 2012, there were five Board meetings and the attendance rate was 93%.

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 2012, 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 2012.

#### STATUTORY AUDIT BOARD MEETINGS

The Statutory Audit Board meets at least once every quarter. There were six formal Statutory Audit Board meetings during 2012 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 17 meetings of the Executive Committee in 2012 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 2012, 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 2012 and the attendance rate was 100%.

#### SHAREHOLDERS' REMUNERATION COMMITTEE MEETINGS

This Committee meets at least once a year. There were three meeting during 2012 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 2012 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 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:

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 Moniz Trigoso Jordão	Non-Executiveo
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

<sup>\*</sup>See 'Independence Criteria'.

#### INDEPENDENCE CRITERIA

During 2012, 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 Moniz Trigoso 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 2012 until 2015.

#### 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.



## 5.4 GROUP REMUNERATION POLICY, MANAGEMENT AND AUDIT BODIES' REMUNERATION

#### A) SONAECOM'S REMUNERATION POLICY

#### 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.

#### 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.

Our peer group companies includes remuneration practices of 150 companies operating in Portugal, in which all the PSI 20 (Portuguese Stock Index) companies are included, representing ten different industries, as well as 300 international companies included in the list of 500 companies with the highest market capitalization in the European market (including the Financial Times Europe 500 listing).

#### 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 additional 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);
- · 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 2012 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 share-holders at the Annual General Meeting held on 27 April 2012.

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 2012, in order to comply with best practice in Corporate Governance. The MTIP was approved by shareholders at the Annual General Meeting held on 27 April 2012.

#### (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 (*)	Percentage	Base
GF6	Up to 45%	Annual fixed remuneration
GF5	Up to 50%	Annual fixed remuneration
GF4	Up to 90%	Annual fixed remuneration
GF3	Up to 100%	Annual fixed remuneration
GF2	100%	Total variable remuneration
GF1	100%	Total variable remuneration

<sup>(</sup>i) 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 delivered in 2012, as well as the plans outstanding during 2012 can be summarised as follows:

#### SONAECOM SHARE PLANS OUTSTANDING DURING 2012

			Vesting period		At 31 December 2012
	Share price at award date*	Award date	Vesting date	Aggregate of number participants	Number of shares
Sonaecom Shares					
2008 Plan	1.117	10-Mar-2009	09-Mar-2012	-	-
2009 Plan**	1.685	10-Mar-2010	08-Mar-2013	4	247,423
2010 Plan	1.399	10-Mar-2011	10-Mar-2014	365	2,944,458
2011 Plan	1.256	9-Mar-2012	10-Mar-2015	362	3,057,697

<sup>\*</sup> Average share price in the month prior to the award date for Sonaecom shares;

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 2012, are shown in the following table:

#### SONAECOM'S SHARES UNDER THE MTIP

		Sonaecom shares
	Aggregate number of participants <sup>(1)</sup>	Number of shares
Outstanding at 31 December 2011		
Unvested	1,155	8,892,470
Total	1,155	8,892,470
Movements in the year		
Awarded	367	2,911,077
Vested	(381)	(3,802,108)
Vested and paid in advance	(369)	(2,516,247)
Cancelled / lapsed/adjusted/transfers <sup>(2)</sup>	(41)	764,386
Outstanding at 31 December 2012		
Unvested	731	6,249,578
Total	731	6,249,578

<sup>(1)</sup> The number of participants is the cumulative number for all plans. The participant in the three plans count as three;

<sup>(2)</sup> 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.





<sup>\*\*</sup> For some employees, the 2009 Plan was paid in advance in December 2012.

#### SUMMARY OF SHARES UNDER THE MTIP - SONAE SGPS SHARE PLANS

The awards delivered in 2012, as well as the plans under the plans outstanding during 2012 can be summarised as follows:

			Vesting period		At 31 December 2012
	Share price at award date*	Award date	Vesting date	Aggregate of number participants	
Sonae SGPS Shares					
2008 Plan	0.526	10-Mar-2009	09-Mar-2012	-	-
2009 Plan	0.761	10-Mar-2010	8-Mar-2013	4	342,242
2010 Plan	0.811	10-Mar-2011	10-Mar-2014	7	384,120
2011 Plan	0.401	09-Mar-2012	10-Mar-2015	7	761,890

<sup>\*</sup> 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

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

The number of awarded, unvested or vested, and cancelled, lapsed or adjusted Sonae SGPS shares under the MTIP in the year ended 31 December 2012, are shown in the following table:

#### SONAE SGPS SHARES UNDER THE MTIP

		Sonae SGPS shares
		Number of shares
Outstanding at 31 December 2011		
Unvested	16	1,100,633
Movements in the year		
Awarded	7	696,026
Vested	(4)	(405,776)
Cancelled / lapsed / adjusted <sup>(2)</sup>	(1)	97,369
Outstanding at 31 December 2012		
Unvested	18	1,488,252

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

#### MTIP HEDGING AGREEMENTS AND ACCOUNTING IMPACT

Sonaecom has hedged its MTIP and related obligations, up to and including the 2011 Plan. The 2009 and 2010 plans are hedged through own shares acquired in 2007 to 2012 and held by Sonaecom. The 2011 plan is hedged through a hedged agreement signed with Sonae SGPS. 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

For Sonaecom's share plans, the total responsibility is calculated taking into consideration the share price as at award date, for the plans hedged through own shares and the share price under the contract with Sonae SGPS, for the 2011 plan. The total responsibility for the mentioned plans is 3,710,013 euros, recorded under the heading of 'Reserves' (3,650,779 euros) and Other non-current and current liabilities (59.234 euros).

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 0.705 euros, 0.624 euros and 0.425 for the MTIP 2009, 2010 and 2011, respectively. At 31 December 2012, the total amount provided for is 475,223 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 2012, 36 million euros had been recognised as a cost (4.9 million euros during 2012 and 31.1 million euros in previous years).

<sup>(2)</sup> Adjustments are made to allow for the effects of dividends paid and changes in share capital.

#### B) 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 2012, to 1,800 euros.

For each Non-Executive Director, fixed remuneration assumes an agreed commitment of time during 2012, 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 2012 and 2011. 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 2012 and 2011, and that will be awarded in 2013, for 2012 values, and were awarded in 2012, for 2011 values:

				2012				2011
Amounts in euros	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total	Fixed Remuneration	Annual Performance Bonus	MediumTerm Incentive Plan	Total
Individual breakdown								
Executive Directors								
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO) (1)	323,553	225,000	225,000	773,553	409,500	308,800	308,800	1,027,100
Maria Cláudia Teixeira de Azevedo <sup>(1)</sup>	175,836	67,500	67,500	310,836	209,860	83,800	83,800	377,460
Miguel Nuno Santos Almeida	313,113	163,200	163,200	639,513	302,260	146,500	146,500	595,260
António Bernardo Aranha Gama Lobo Xavier	198,220	-	-	198,220	198,520	-	-	198,520
	1,010,722	455,700	455,700	1.922,122	1,120,140	539,100	539,100	2,198,340
Non-Executive Directors								
Duarte Paulo Teixeira de Azevedo (Chairman)	60,500	-	-	60,500	60,800	-	-	60,800
Jean François René Pontal	39,780	-	-	39,780	40,180	-	-	40,180
David Charles Denholm Hobley	37,350	-	-	37,350	36,810	-	-	36,810
António Maria Theotonio Pereira Sampaio Melo	37,350	-	-	37,350	37,650	-	-	37,650
Nuno Manuel Moniz Trigoso Jordão	34,100	-	-	34,100	33,460	-	-	33,460
Frank Emmanuel Dangeard	34,880	-	-	34,880	35,280	-	-	35,280
Gervais Pellissier	-	-	-	-	-	-	_	_
	243,960	_	-	243,960	244,180	-	_	244,180
Total	1,254,682	455,700	455,700	2.166.002	1,364,320	539,100	539,100	2,442,520

<sup>(1)</sup> The remuneration packages at Sonaecom for Ångelo Gabriel Ribeirinho dos Santos Paupério and Maria Cláudia Teixeira de Azevedo were reduced by 30% as from 1 May 2012, in line with their time dedicated to Sonaecom, which is no longer full time.

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 2012. 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 2012, Sonaecom had 19 persons discharging managerial responsibilities, "Dirigentes". As at 31 December 2012, the amount paid (which comprises total fixed and total variable remuneration) was of 3,108,987 euros. The total MTIP award totaled 748,261 euros (for a more detailed information please see chapter 6, on the notes to the accounts, note 39).

#### 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 2008	Plan 2009	Plan 2010	Plan 2011	Total
Award date	10 Mar 2009	10 Mar 2010	10 Mar 2011	09 Mar 2012	
Sonaecom shares					
Share price at award date <sup>(1)</sup>	1.117	1.685	1.399	1.256	
Share price at vesting date	1.250	-	-	-	
Share price at 31 December 2012 (2)	1.481	1.481	1.481	1.481	
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)					
Number of shares at 01 January 2012	147,984	105,897	131,888	-	385,769
Number of shares at 31 December 2012		112,767	140,444	157,086	410,297
Miguel Nuno Santos Almeida					
Number of shares at 01 January 2012	67,971	44,102	61,093	-	173,166
Number of shares at 31 December 2012		46,963	65,056	74,524	186,543
Maria Claúdia Teixeira de Azevedo					
Number of shares at 01 January 2012	49,069	37,935	48,792	-	135,796
Number of shares at 31 December 2012		40,396	51,957	49,717	142,070
António Bernardo Aranha Gama Lobo Xavier					
Number of shares at 01 January 2012	60,074	44,415	-	-	104,489
Number of shares at 31 December 2012		47,297			47,297
Total					
Number of shares at 01 January 2012	325,098	232,349	241,773	-	799,220
Number of shares at 31 December 2012		247,423	257,457	281,327	786,207
Sonae SGPS shares					
Share price at award date	0,526	0,761	0,811	0,401	
Share price at vesting date	0,440	-	-	-	
Share price at 31 December 2012 <sup>(3)</sup>	0,687	0,687	0,687	0,687	
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)					
Number of shares at 01 January 2012	229,329	164,348	153,062	-	546,739
Number of shares at 31 December 2012	-	178,588	166,325	334,720	679,633
Miguel Nuno Santos Almeida					
Number of shares at 01 January 2012	67,715	68,445	70,901	-	207,061
Number of shares at 31 December 2012	-	74,375	77,045	158,797	310,217
Maria Claúdia Teixeira de Azevedo					
Number of shares at 01 January 2012	48,884	37,848	36,402	-	123,134
Number of shares at 31 December 2012	_	41,127	39,556	68,102	148,785
António Bernardo Aranha Gama Lobo Xavier	-				
Number of shares at 01 January 2012	59,848	44,313	-	-	104,161
Number of shares at 31 December 2012	-	48,152	-	-	48,152
Total	-	-			
Number of shares at 01 January 2012	405,776	314,954	260,365	-	981,095
Number of shares at 31 December 2012	-	342,242	282,926	561,619	1,186,787
Values	-	-	-	-	
CEO					
Value at award date	285,925	303,505	308,645	_	898,075
Value at vesting date	285,885	-	_	_	285,885
Values at 31.12.2012	_	289,698	322,263	462,597	1,074,558
Miguel Nuno Santos Almeida					
Value at award date	111,542	126,399	142,970	-	380,910
Value at vesting date	114,758	_	_	-	114,758
Values at 31.12.2012	· -	120,648	149,278	219,464	489,389
Maria Claúdia Teixeira de Azevedo	-	-,	,	-,	,
Value at award date	80,523	92,723	97,782	_	271,028
Value at vesting date	82,845	- ,:	- ,	_	82,845
Values at 31.12.2012		88,081	104,123	120,417	312,621
António Bernardo Aranha Gama Lobo Xavier		,	, -		,- :-
Value at award date	98,583	108,561	_	-	207,144
Value at vesting date	101,426		_	_	101,426
Values at 31.12.2012		103,127	_	_	103,127
Total		200,12,		<u> </u>	105,127
Value at award date	576,573	631,188	549,396	_	1,757,157
Value at vesting date	584,914	-		_	584,914
Values at 31.12.2012	JO1,J11	601,554	575,664	802,478	1,979,695
		701,77	5,5,004	00 <u>0</u> ,470	.,٥,٠,٠,٠

<sup>(1)</sup> Average share price in the month prior to the award date;

<sup>(2)</sup> On 19 December 2012, the share price hit a high of 1.568 euros and a low of 1.070 euros per share on 23 May 2012;

<sup>(3)</sup> On 18 December 2012, the share price hit a high of 0.719 euros and a low of 0.368 euros per share on 14 June 2012.

#### DIRECTORS' COMPENSATION IN OTHER GROUP COMPANIES

Sonaecom			Sonae SGPS	Total	
Amounts (in euros)	Role	Total remuneration	Role	Total remuneration	
Name				-	
Ângelo Gabriel Ribeirinho dos Santos Paupério	CEO	716,767	Executive	261,220	977,987
Duarte Paulo Teixeira de Azevedo (1)	Chairman	60,500	CEO	1,114,846	1,175,346
Nuno Manuel Moniz Trigoso Jordão (1)	Non Executive	34,100	Executive	271,300	305,400

<sup>&</sup>lt;sup>(1)</sup> The amounts disclosed in the table above are the amounts of remuneration awarded by each Group company, independently of where they are processed and paid.

#### 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 of 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 2012 and 2011:

	2012	2011
Amounts in euros		
Statutory Audit Board		
Arlindo Dias Duarte Silva	9,800	10,100
Armando Luís Vieira Magalhães	7,800	8,100
Óscar José Alçada Quinta	7,800	8,100
Jorge Manuel Felizes Morgado	-	-
Total	25,400	26,300

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 2012.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 a new Board mandate started after the 2012 Annual General meeting, the last SRC meeting was held in May 2012.

Month	Remuneration cycle
March	BNRC meets:
	- Review annual appraisal process
	- Review remuneration policy
	- Annual short term performance bonus 2011 (real)
	- Deferred MTIP 2011 (real)
	- Fixed remuneration 2012 (real)
	- Annual short term performance bonus 2012 (target)
	- Deferred MTIP 2012 (target)
	- Disclosure of Directors' remuneration in MR&A
March	SRC meets:
	- Post BNRC meeting, before quarterly payments are made for first quarter
April/May	BNRC meets:
	- Close detail of 2012 Executive Comission 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 the AGM
July	BNRC reports:
	- Progress on 2012 KPIs
October/November	BNRC reports:
	- Progress on 2012 KPIs
	- Review MTIP pipeline and shares retained
	- Contingency and succession planning
	- Talent management
	- Review BNRC terms of reference and annual work plan for following year
December	BNRC reports:
	- Forecast Full Year 2012 KPIs
	- Identify any needs to amend KPIs for the following year (2013)



#### 5.5 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 company's main risk management and control approaches. 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, that are implemented 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 These 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 their realisation, both in the financial and operational matters. Business plans are also monitored on the financial component. Planning and Control Functions also promote and support 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 the awareness, the measurement and the management of business risks that interfere with achieving our organisation's objectives and value creation.
- Internal Audit area This area 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, this auditor 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 coordinates 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 specialties. For example, in the case of Business Continuity Management, Information Security Management, Fraud Management and Revenue and Cost Assurance.

The Internal Audit team's 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 and on a prioritisation of audit work, using a risk-based methodology that integrates the results of Enterprise Risk Management and considers the roadmap coverage of the business processes. The Internal Audit plan also considers the feedback from the Executive Committee, other senior management, the BAFC and, separately, from the SAB.

In accordance with international best practices, there are 20 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), Project Management Professional (PMP) and Certified Project Management Associate (CPMA).

#### REPORT TO MANAGEMENT AND SUPERVISORY BODIES

The responsibilities for the creation, functioning and periodic evaluation of the internal control and risk management systems are disclosed on the terms of reference of the Board of Directors, the BAFC and the SAB, which are disclosed on the company's website.

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.
- 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, with the SAB being the global supervision body, with primacy over the BAFC, given that the SAB's agreement must always be obtained.
- The SAB has the 'last word' on the role and evaluation of the Internal Audit.
- 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 it to more closely control and challenge several areas of the company to achieve an efficient management of risks.
- Thus, the existence of a specialised 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 Internal Audit and Risk Management are as follow:

- 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
- 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 atten-
- 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, Revenue Assurance and Network Supervision 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 bellow 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**

### PHASE 1: Identify business risks

- · Identify relevant business risks
- · Prioritise business risks and define risk matrix (impact and probability)

### PHASE 5: Monitorizar risks

- Monitor progress of action nlan's execution
- · Monitor changes in risk indicators
- · Report progress

## MAKING INFORMATION

### PHASE 2: Identifu sources

- · Identify drivers of critical business risks
- · Define key drivers of critical risks
- · Identify triggers (underlying causes)
- · Define key triggers (vital and manageable)

### PHASE 4: Manage risks

- · Identify and determine risk management tolerance and strategy.
- · Identify/establish controls and actions to manage risk
- · Integrate risk management action plans into business planning

### PHASE 3: Measure triggers

- · Determine trigger indicators
- Select risk indicators
- · Measure current value of indicators and set target values

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's 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

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

Approach: The implementation of Information Security Management processes 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 levels >> 4. Define and implement indicators >> 5. Manage and monitor risk mitigation actions

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 company objectives regarding risktaking 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 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 2012, in relation to Sonaecom's business risks, a particular focus was placed on the execution of a risk management cycle for Sonaecom SGPS (holding perspective) and an update for Optimus (telecommunications business unit perspective). 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. A risk management cycle was started at the SSI companies, specifically at WeDo Technologies, to be finished during 2013. Other risk management cycles in Sonaecom business units are also expected to take place throughout 2013.

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 the 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 reductions in the level of consumption. In this context, there is the risk that the average revenue per customer will continue to be affected due to the high unemployment rate and by the private and the public consumption reduction. This risk is intensified due to the fact that Optimus only operates in the Portuguese market. Optimus has in place several initiatives that may help to mitigate this risk through tighter cost controls and through launching alternative and innovative offers.

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.

As for Mainroad, although the economic recession has affected all IT outsourcing businesses in general, at Mainroad the IT managed/outsourcing services continued to account for the largest share of turnover in 2012, reflecting market demand for outsourcing of IT services as a way to reduce costs. At Bizdirect, the company has been affected by the end of the "E-Escolas" programme and by the market downturn. Nevertheless, Bizdirect managed to strengthen its position in selling multi-brand solutions of IT equipments and management of corporative software licensing contracts. Despite the current economic crisis, Saphety strengthened its position in the domestic market as a leader in solutions for simplifying and automating processes.

Like other companies in the publishing industry, Público has gone through a period of economic and financial crisis, in the context of a deep economic recession that offers no sight of a recovery in the advertising market. Aiming to ensure the sustainability of the business without compromising Público's role as an independent source of information in Portugal, Sonaecom announced the implementation of a restructuring plan at the beginning of October 2012. This plan involves a stronger focus on the growing demand of the digital world and in reducing the cost structure, driven by a decrease in operating costs and the leave of 48 employees.

### **TECHNOLOGICAL INNOVATION**

For Optimus having an optimised technological infrastructure is a critical success factor that helps to reduce potential failures in leveraging on technical developments. During 2012, there has been a very positive evolution in the possible causes of this risk, related to the successful introduction of the 4G mobile networks based on Long-Term Evolution (LTE) technology; overcoming possible legacy compatibility issues in the LTE rollout; the deployment of 4G service offers; and the ability to deliver services that support the growing use of multimedia services by customers. 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 that WeDo Technologies' offer is continually adapted to new technological trends, such as the cloud offer. 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 risks 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, by developing its three main business areas to work as complementary tools and by delivering cloud computing services through partnerships.

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 that allows Bizdirect to offer the integration of Microsoft's solutions such as Dynamics CRM, SharePoint, BizTalk and Office 365.

Público has continued the restructuring of its daily and weekend newspaper editions, including new sections with new layouts and some in-depth contents, followed by a restructuring of its website, with the innovative participation of readers through the Público Lab blog. These moves aim to ensure a greater alignment with the new reading habits of the Portuguese, new ways of accessing information via smartphones and tablets as well as sustaining Público as the leading online generalist newspaper.

### COMPETITION

Optimus has long been an active agent of transformation within the Portuguese telecommunications market. Nowadays, it is an integrated player best positioned to act as a true alternative to the incumbent operator in leveraging the fixed-mobile convergence. In this context, Optimus is exposed to competition risks from other players in its business environment. Some of the factors that Optimus is exposed can be summarised as: the market consolidation opportunities for competitors and for Optimus; the value destruction in certain customer segments and services (pricing issues); competition in the wireline residential market; the optical fibre leverage challenges; and the increasing mobile network effect (that should be supervised by the regulatory entities).

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 Revenue Assurance software and a solid global top three player in the aggregated market of Revenue Assurance and Fraud Management.



### **BUSINESS PORTFOLIO**

At 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.

Following the acquisition of Connectiv Solutions in the USA in 2012, WeDo Technologies is also bringing a more focused commitment to Maraged Services and Saas, both areas where Connetiv Solutions has deep knowledge and strong footprint in the US market.

In 2012 Bizdirect continued its strategy of growth and portfolio diversification along three axes: internationalisation, customer relationships and differentiation. The first axis goes through Africa in a combined effort with other Sonaecom SSI companies that also have projects in this region and align with the Sonae Group's strategic priority of internationalisation. One of 2012's highlights was launching the technical maintenance of computer equipment targeted at businesses, consultancy in software compliance and also the extension of its offer in integrating solutions focused in Microsoft technologies.

Saphety has restructured its portfolio of services since 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 the 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 the Software as a Service mode: SaphetyGov, SaphetyBuy and SaphetyDoc.

To reduce the risk of dependence on the national market, Saphety also continued to internationalise. Currently over 10% of its orders come from the international market.

Similarly, Mainroad also continued to expand its portfolio of international customers during 2012, through the growth of services and projects, focusing on markets in Angola and Brazil in addition to its existing customer base in Spain. Also during 2012, Mainroad introduced a new offer for monitoring IT infrastructures named 'Main It Monitoring'.

### **BUSINESS INTERRUPTION & CATASTROPHIC LOSS** (BUSINESS CONTINUITY MANAGEMENT)

Given that Sonaecom's 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 infrastructure and their management and operational procedures; the availability of the software platforms that support key customer processes, among other risks.

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 2012, Sonaecom continued to enhance its BCM process implementation and maintenance activities, through a number of actions that included:

- Conclusion of the BCM Focus review, 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.
- Proceeding with the implementation of a support system for BCM information, procedures and plans, with the aim of ensuring more efficient maintenance and a sustainable BCM lifecycle for the organisation.
- Implementation of supplementary resilience strategies for some critical platforms of the telecommunications' network, including, for example, the ones that support IP multimedia services, SMS services and some LTE core networks components.
- Proceeding with the 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.

- Co-ordination with external official entities on 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 to public consultations on procedures related to Communications Security, promoted by the Portuguese regulator (ICP – ANACOM) and the European Network and Information Security Agency (ENISA), involving all major communications operators in Portugal.
- Execution of internal monitoring and compliance analysis for service interruption incidents and crisis. This was complemented by external research regarding telecom outages at the European level.
- Execution of audits to the physical security risks of critical facilities, including Optimus switch centres.
- Improvements in the physical infrastructures of critical facilities, including power systems and other security equipment in Optimus switch centers and Mainroad data centers.
  We highlight that Mainroad has won honours several times in the Data Centers in Europe Awards, namely as Best Managed Services Data Center in Europe in 2011, following its second places as Data Centers Risk Mitigator in 2009 and as Disaster Recovery Provider in 2008. This recognition 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, in 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, given that these units are responsible for managing the risks associated with information.

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's principal responsibilities include: the maintenance and development of the Information Security Policy and related Charter, Standards and Procedures; the recommendation

of actions and controls for the business areas to manage Information Security matters; 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. Below, we highlight some activities that the telecommunications unit continued to develop during 2012, with the aim of consolidating the security management processes:

- Reinforcement of the security rules related to the SDLC (Systems Development Life-Cycle), including improvements in the internal standard for the development of applications and services and the standard for accesses management.
- Revision of the existing internal standards and procedures for information classification. This is a structuring project that will continue in 2013 and encompasses the identification and characterisation of relevant information entities as well as the processes and repositories to maintain the information classification.
- Re-engineering of the process for identity and access management of software applications, facilitated by the introduction of an IAM tool that allows even tighter control of access to information.
- Centralisation in a single operating application of transaction queries to the most critical information, facilitating the control of the access logging.
- Improvements to the production deployment process of applications with a compliance verification against the security requirements that are in force.
- Execution of regular audits to websites and web applications in order to assess security and quality management requirements.
- Implementation of further and tighter privacy controls related to access, retention and logging of personal data.
- Development of an internal central repository for standards and procedures related to Information Security, which is expected to be finished during 2013.
- Development of an internal framework to manage and prioritise the Information Security domains, which is aligned with
  the Technical Guidelines for Minimum Security Measures
  published by the Agency for European Network and Information Security (ENISA) and have been taken as a reference by the Portuguese regulator (ICP ANACOM)
- Implementation of a monthly and annual dashboard with relevant risk indicators related to Information Security to: monitor the evolution of the measures taken on the availability, integrity and confidentiality of information; identify trends, causes of changes and opportunities for improvement; and also to support decision making processes, justifying investments in human or technical resources.

Awareness is a key success factor in fostering 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 2012 and include the following:

- · A 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. During 2012, the themes of confidentiality, privacy and integrity of information were part of an internal training course about business ethics that was attended by a significant number of Sonaecom employees.
- 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; behaviour guidelines; relevant legislation; and related frequently asked questions (FAQ) and answers.
- The welcome programme for recently recruited 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 to 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.

For specific matters related to the confidentiality and privacy of personal data, the company has a Chief of Personal Data Protection Officer (CPDPO) who:

- Takes responsibility for the execution and compliance with laws and regulations applicable to data processing.
- · Acts on behalf of the company in interactions with the national regulatory authority for data protection (CNPD - Comissão Nacional de Proteção de Dados).
- Promotes the adoption of the principles of data protection, aligned with international regulations and best practices.
- Is also a member of the Information Security GRC Committee.

### **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 2012, we continued to develop 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' handsets/smartphones from virus, spyware, trojans, worms, malicious browsing, theft, etc.
- Execution of a specific security analysis of the Optimus mobile network to prevent the risks of impersonation (customer identity theft), interception (eavesdropping on customer communications) and tracking (ability to locate and track
- Updating the existing Customer Educational Programme on the Sonaecom and Optimus websites to create awareness of common risks and to advise customers on the best antifraud and security practices to follow when using telecoms services.
- Execution of a specific security analysis of vulnerabilities in Wi-Fi Protected Set-Up in routers of Optimus Clix customers and implementation of additional security measures to improve encruption.
- Co-operation with the national banking industry through APB (Associação Portuguesa de Bancos) on the development and implementation of security actions against home banking fraud.
- Executing risk assessments of fraud and service security for Optimus's 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 on 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 businesses 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 2012, 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 realties facing Sonaecom companies, including:
  - Technology Protection modules for Optimus, WeDo Technologies, Mainroad, Saphety and Bizdirect.
  - Multimedia modules for Optimus and Público.
- Additional subscription of professional liability insurances for 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 (TELECOMS' BUSINESS ASSURANCE)

Telecommunications businesses are subject to inherent operational risks associated with the assurance and monitoring of customer revenues and costs. Throughout 2012, 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 some upgrades in RAID system were implemented in order to optimise the performed controls.

The business assurance process has continued to broaden its control over cost assurance activities. Besides controlling the efficient allocation of technical resources in the network and controlling over fixed equipment related to IPTV, during 2012 we introduced additional controls over auto-provisioning processes, over stock protection processes and over some platforms (for example: platform LINE), in order to optimise resources.

Throughout the year, the Revenue Assurance team also worked directly with the Optimus business units to identify some specific control needs that these units have in their processes. If materially relevant in terms of revenue or cost, the corresponding improvements are incorporated into the business and cost assurance activities. In this context, we continued to promote and monitor the discontinuation process for obsolete products and services. This process involves conducting internal forums with the Optimus business units, the IT and Network units twice a year.

During 2012, the Revenue Assurance team also participated in transversal projects like Credits & Discounts and Penalties, with the goal of redefining processes and identifying quick wins; and also co-ordinated the Negative Balances Forum, with the goal of implementing actions to reduce negative balances in the service accounts of customers.

### FRAUD (TELECOMS' 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 2012, 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 pre-paid, post-paid, 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.
- Development of a Fraud Classification Model at the TMForum World Management Organisation, that will enable the

redesign of the telecoms industry structure for fraud measurement and reporting in terms of enablers (vulnerabilities) and fraud types (abuses), favouring and improving the link with other corporate business assurance areas (security management, revenue assurance, risk management).

Introducing enhancements and finishing the implementation of RAID FMS in the Fraud Management System (FMS), provided by WeDo Technologies at Optimus

### 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.

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 these principles throughout 2012.

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, particularly 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. This attests whether the Corporate Governance Report includes all the elements 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 objectives 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 formalised, the risks and associated controls are identified, the criteria for its preparation and disclosure are duly established and approved, and they 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). There is 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 ensure 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 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 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 makes 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. The Board approves the documents and issues 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 the financial statements (see chapter 6.2, note 34). Attached to the report, we present a list of all parties related to the Sonaecom Group. These are mainly associated with the operational activities of the Group, as well as the granting and obtaining of 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 continuous improvement of its Financial Risks Control System, including:

 Control documentation enhancement – Following actions taken in previous years, Sonaecom continued to enhance the documentation and systematisation 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 co-operation with the Finance and Accounting department, the Law and Regulation department, the Internal Audit and Risk Management department and other departments as necessary, co-ordinates 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, Malaysia (branch) and in Angola. 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's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility on the company 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 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 19).

### 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 maximise the profitability and to minimise the opportunity costs related to 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 counterparties 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. Given the current economic crisis, additional controls and monitoring enhancements have been implemented in the processes of these areas in order to mitigate the risks of collections delays and credit defaults by customers.

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 subscribing credit insurances 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 impact of the economic and financial crisis on their lending capacity and capital requirements. This financial environment is not favourable, especially at a time when telecom operators are required to make significant investments.

In this adverse context, during 2012 the Group succeeded in getting additional financing to assure a greater diversification of its funding sources, increase the average debt maturity and anticipate funds required to meet the refinancing needs scheduled for 2012 and 2013. For details about our debt and capital structure see chapter 6.2 note 19.

During 2012, in terms of Working Capital, the company conducted additional analysis and several actions were taken in order to optimise it, namely on stock management and on receivables/payables 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 that includes the Law and Regulation department and 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 with the aim of defining a 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.

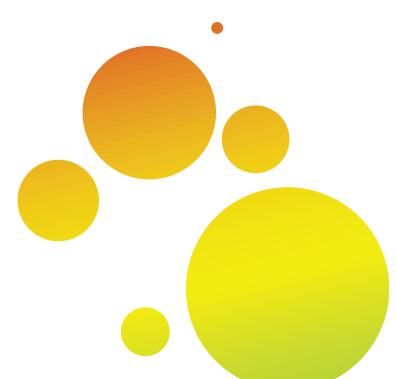
The regulator's decisions may have a significant impact on the development of Optimus's activities, particularly those decisions relating to: spectrum awarding conditions; mobile termination rates; the regulatory framework for next-generation networks (NGNs), within which the conditions of access to third parties' NGN should be defined; wholesale offers conditions, namely access to conducts, leased lines and access to local loop unbundling; universal service financing; and the security and continuity requirements that may impose an administrative and investment burden on operators.

There are other issues that affect the company's activities. These are decided directly by the Government, assisted by ICP - ANACOM, and include the selection of the universal service provider by public tender; the regulatory fees (spectrum, numbering, regulatory activity); other fees or contributions to be imposed on communications providers to finance public policies or sectors; and certain consumer protection rules.

Additionally, Sonaecom also has 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.

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. This 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, we have internal control processes 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 and is published on Sonaecom's website and intranet.

The Code of Conduct is also subject of periodic awareness communications. In this context, during 2012 an internal training course, based on an e-learning platform, was attended by a significant number of Sonaecom employees belonging to telecommunications unit, shared services and corporate center. This course addressed the responsibilities of the employees and the company bodies that intervene in the conflicts of interest and the whistle-blowing processes. It focused on practical situations related to the themes of: conflicts of interest; confidentiality, privacy and integrity of information; relationships with employees; and relationships with suppliers and business partners.

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 organised 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 (generally, higher than 10 million euros) 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's 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'.

### REMUNERATION POLICY:

Sonaecom is committed to applying generally recommended risk management guidelines in terms of remuneration, as follows:

- The design of the remuneration policy for all officers and employees should take into account their potential risktaking behaviour, by giving a sufficient, but a balanced, weighting to their variable component. This is also achieved by transposing some of the activity risk into the officers or employees own assumed risk, and 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 to 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 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 the details 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 the 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.

### 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.
- 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.
- 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.
- 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.





### 5.6 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%, 66.67% 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 OUALIFIED HOLDINGS

Shareholders	Number shares held	% Shareholding as at 31 December 2012
Sonae SGPS	197,493,119	53.92%
France Télécom	73,249,374	20.00%
BCP, S.A	12,500,998	3.41%

Sonaecom's largest Shareholders continues to be Sonae SGPS, a Portuguese multinational Group also with interests in retail, shopping centres and insurance, with a shareholding position of circa 54%, 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 2012 (% of shares not held or controlled by shareholders with qualified holdings and excluding own shares) stood at approximately 21.48%.

During 2012, 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

In 2012, the Group signed an agreement with Sonae SGPS, under which Sonae compromised to transfer to Sonaecom employees, including Board members, Sonaecom shares, at 1.184 euros per share, until the end of 2016. This was requested by Sonaecom, under Sonaecom's MTIP of Sonaecom. Under this contract, Sonaecom paid to Sonae-SGPS, S. A. a total of 3,291,520 euros.

### 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

At the end of 2012, Sonaecom's shares showed a market price of 1.481 euros per share, 21.9% above the closing price of 1.215 euros per share at 30 December 2011. The share price reached a maximum of 1.568 euros per share on 19 December 2012 and a minimum of 1.070 euros on 23 May 2012.

At the end of 2012, Sonaecom's market capitalisation was approximately 542 million euros. The average daily trading volume reached approximately 247 thousand shares, a decrease of 30.0% compared to 2011 (353 thousand shares).

During 2012, Sonaecom's share price evolution and liquidity were mainly influenced by the following news:

- 7 March 2012: full-year 2011 consolidated results released;
- 8 March 2012: announcement on dividend payment for the year 2011;
- 27 April 2012: shareholders' Annual General Meeting held with release of information on approved decisions;
- 3 May 2012: first quarter 2012 consolidated results released;
- 24 July 2012: first-half 2012 consolidated results released;
- 31 July 2012: completion of a 20 million euros bond issue;
- 25 September 2012: clarification, following a request from the Comissão do Mercado de Valores Mobiliários (CMVM, the Portuguese Securities Market Commission) about a statement made by one of Sonaecom's Executive Directors;
- 23 October 2012: clarification, following a CMVM request, following news released by Diário Económico;
- 30 October 2012: first nine months 2012 consolidated results released;
- · 14 December 2012: announcement about agreement on recommendation between Sonaecom SGPS, SA, Kento Holding Limited and Jadeium BV.

### **DIVIDEND DISTRIBUTION POLICY**

At the Shareholders' Annual General Meeting, held on 27 April 2012, Sonaecom's Shareholders approved the proposal from the Board of Directors to distribute through shareholders a dividend of 0.07 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 21 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 Officer 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 2012, the Investor Relations department participated in 68 one-on-one and group meetings, three roadshows and five investor and telecommunications conferences, providing analysts and investors with information on Sonaecom's performance and future prospects.

The representative for relations with capital markets and the Portuguese 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 2012, Sonaecom Group paid the following fees to the Statutory External Auditor Deloitte and their network of companies:

		2012		2011
Statutory Audit	171,699	68%	145,022	64%
Other Compliance & Assurance Services	34,000	13%	43,637	19%
Audit services	205,699	81%	188,659	83%
Tax Consultancy	47,785	19%	19,081	8%
Other consultancy	-	-	20,000	9%
Total	253,484	100%	227,740	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.

### 5.7 ARTICLES 447, 448 AND QUALIFIED SHAREHOLDINGS

Please refer to 4.4 under the 'Our management' section.

### 5.8 APPENDIX

### 5.8.1 QUALIFICATIONS AND PROFESSIONAL EXPERIENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS

Please refer to 4.1 under the 'Our management' section

### 5.8.2 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

### 5.8.3 OFFICES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS

Please refer to 4.2 under the 'Our management' section



### 5.8.4 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

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

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.

### 5.8.5 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:

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

### 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, S.A. (Statutory Audit Board)

### Óscar José Alçada da Quinta

### 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)





## 06. OUR PERFORMANCE



### 06. OUR PERFORMANCE

### **6. FINANCIAL INFORMATION**

### **6.1 SONAECOM CONSOLIDATED FINANCIAL STATEMENTS**

### **CONSOLIDATED BALANCE SHEETS**

For the years ended at 31 December 2012 and 2011 (restated) and for 1 January 2011 (restated)

(Amounts expressed in Euro)	Notes	December 2012	December 2011 (restated)	1 January 2011 (restated)
Assets				
Non-current assets				
Tangible assets	1.d, 1.i and 5	582,787,339	583,413,555	592,369,741
Intangible assets	1.e, 1.f and 6	379,531,369	389,121,882	290,906,832
Goodwill	1.g, 1.x and 8	518,307,204	521,103,723	526,141,552
Investments available for sale	1.h, 7 and 9	212,323	212,323	212,323
Other non-current assets	1.h, 1.s and 1.y	2,422,660	264,973	174,363
Deferred tax assets	1.q, 1.t and 10	101,134,781	103,853,881	109,587,224
Total non-current assets		1,584,395,676	1,597,970,337	1,519,392,035
Current assets				
Inventories	1.j and 11	13,851,737	7,365,390	17,473,750
Trade debtors	1.h, 1.k, 7, 12 and 34	145,116,712	146,137,974	143,294,200
Other current debtors	1.h, 1.k, 7, 13 and 34	21,782,073	25,933,462	61,302,698
Other current assets	1.s, 1.y and 14	73,358,546	70,723,575	69,839,130
Cash and cash equivalents	1.I, 7 and 15	62,419,042	189,350,054	68,577,903
Total current assets		316,528,110	439,510,455	360,487,681
Total assets	***	1,900,923,786	2,037,480,792	1,879,879,716
Shareholders' funds and liabilities				
Shareholders' funds				
Share capital	16	366,246,868	366,246,868	366,246,868
Own shares	1.v and 17	(5,544,847)	(13,594,518)	(15,030,834)
Reserves	1.u and 38	646,734,124	618,945,566	593,009,788
Consolidated net income/(loss) for the year		75,419,377	62,287,398	43,669,651
	***	1,082,855,522	1,033,885,314	987,895,473
Non-controlling interests	18	387,479	515,654	593,790
Total Shareholders' funds		1,083,243,001	1,034,400,968	988,489,263

(Amounts expressed in Euro)	Notes	December 2012	December 2011 (restated)	1 January 2011 (restated)
Liabilities				
Non-current liabilities				
Medium and long-term loans – net of short-term portion	1.m, 1.n, 7 and 19, a	196,412,663	320,176,857	305,038,006
Other non-current financial liabilities	1.i, 7 and 20	18,712,963	17,990,531	19,253,869
Provisions for other liabilities and charges	1.p, 1.t and 21	43,612,202	48,549,956	33,150,028
Securitisation of receivables	7 and 22	-	19,951,846	39,740,412
Deferred tax liabilities	1.q, 1.t and 10	1,089,637	5,186,711	5,559,170
Other non-current liabilities	1.s, 1.y, 23 and 38	37,731,780	30,041,779	2,739,617
Total non-current liabilities		297,559,245	441,897,680	405,481,102
Current liabilities				
Short-term loans and other loans	1.m, 1.n, 7 and 19, b	187,170,148	118,405,031	30,942,240
Trade creditors	7, 24 and 34	168,996,364	172,622,586	178,732,746
Other current financial liabilities	1.i, 7 and 25	3,873,491	2,645,498	2,171,140
Securitisation of receivables	7 and 22	19,952,518	19,802,596	19,634,161
Other creditors	7, 26 and 34	12,742,471	23,832,672	56,752,155
Other current liabilities	1.s, 1.y, 27 and 38	127,386,548	223,873,761	197,676,909
Total current liabilities		520,121,540	561,182,144	485,909,351
Total Shareholders' funds and liabilities		1,900,923,786	2,037,480,792	1,879,879,716

 $The notes are an integral part of the consolidated financial statements at 31 \, December 2012 \, and \, 2011 \, (restated-note 1).$ 

### O Técnico Oficial de Contas

Patrícia Maria Cruz Ribeiro da Silva

### O Conselho de Administração

Duarte Paulo Teixeira de Azevedo	Miguel Nuno Santos Almeida	Gervais Gilles Pellissier
Ângelo Gabriel Ribeirinho Paupério	António Sampaio e Mello	Jean-François René Pontal
António Bernardo Aranha da Gama Lobo Xavier	David Charles Denholm Hobley	Nuno Manuel Moniz Trigoso Jordão
Maria Cláudia Teixeira Azevedo	Frank Emmanuel Dangeard	



### CONSOLIDATED PROFIT AND LOSS ACCOUNT BY NATURE

For the quarters and years ended at 31 December 2012 and 2011 (restated)

(Amounts expressed in Euro)	Notes	December 2012	September to December 2012 (not audited)	December 2011 (restated)	September to December 2011 (restated and not audited)
Sales	28 and 34	65,055,469	18,066,450	77,172,088	18,765,526
Services rendered	28 and 34	760,382,910	190,396,860	786,462,327	194,560,066
Other operating revenues	1.k, 1.r, 29 and 34	9,289,963	2,515,625	8,809,285	2,514,929
		834,728,342	210,978,935	872,443,700	215,840,521
Cost of sales	1.j and 11	(68,065,968)	(17,412,370)	(85,401,524)	(21,283,053)
External supplies and services	1.i, 30 and 34	(392,774,557)	(104,855,181)	(419,762,108)	(106,720,157)
Staff expenses	1.y, 38 and 39	(91,061,871)	(24,264,260)	(92,443,327)	(21,388,946)
Depreciation and amortisation	1.d, 1.e, 1.g, 1.x, 5, 6 and 8	(153,404,977)	(42,647,731)	(153,301,640)	(42,864,171)
Provisions and impairment losses	1.k, 1.p, 1.x and 21	(21,956,657)	(5,008,384)	(23,698,647)	(6,676,510)
Other operating costs	31	(14,881,492)	(4,503,854)	(15,663,550)	(4,582,397)
		(742,145,522)	(198,691,780)	(790,270,796)	(203,515,234)
Losses in group and associated companies	1.b and 32		-	(54,422)	-
Other financial expenses	1.i, 1.n, 1.w, 1.x, 32 and 34	(20,711,843)	(6,385,325)	(17,413,177)	(5,088,976)
Other financial income	1.w, 32 and 34	6,702,104	1,658,997	8,575,532	3,080,089
Current income / (loss)	•	78,573,081	7,560,827	73,280,837	10,261,978
Income taxation	1.q, 10 and 33	(3,141,032)	3,960,193	(10,955,640)	(4,733,131)
Consolidated net income/(loss) for the year		75,432,049	11,521,020	62,325,197	5,528,847
Attributed to:					
Shareholders of parent company	37	75,419,377	11,517,269	62,287,398	5,502,016
Non-controlling interests	18	12,672	3,751	37,799	26,831
Earnings per share	37				
Including discontinued operations:					
Basic		0.21	0.03	0.17	0.02
Diluted		0.21	0.03	0.17	0.02
Excluding discontinued operations:					
Basic		0.21	0.03	0.17	0.02
Diluted		0.21	0.03	0.17	0.02

The notes are an integral part of the consolidated financial statements at 31 December 2012 and 2011 (restated – note 1).

### O Técnico Oficial de Contas

Patrícia Maria Cruz Ribeiro da Silva

### O Conselho de Administração

Duarte Paulo Teixeira de Azevedo	Miguel Nuno Santos Almeida	Gervais Gilles Pellissier
Ângelo Gabriel Ribeirinho Paupério	António Sampaio e Mello	Jean-François René Pontal
António Bernardo Aranha da Gama Lobo Xavier	David Charles Denholm Hobley	Nuno Manuel Moniz Trigoso Jordão
Maria Cláudia Teixeira Azevedo	Frank Emmanuel Dangeard	

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarters and years ended at 31 December 2012 and 2011 (restated)

(Amounts expressed in Euro)	Notes	December 2012	September to December 2012 (not audited)	December 2011 (restated)	September to December 2011 (restated and not audited)
Consolidated net income / (loss) for the year		75,432,049	11,521,020	62,325,197	5,528,847
Components of other consolidated comprehensive income, net of tax					
Changes in currency translation reserve and other	1.w	(1,475,942)	(301,160)	(297,463)	(164,589)
Consolidated comprehensive income for the year		73,956,107	11,219,860	62,027,734	5,364,258
Attributed to:					
Shareholders of parent company		73,943,435	11,216,109	61,989,935	5,337,427
Non-controlling interests		12,672	3,751	37,799	26,831
	·····				•••••••••••••••••••••••••••••••••••••••

 $The notes are an integral part of the consolidated financial statements at 31 \, December 2012 \, and \, 2011 \, (restated-note 1).$ 

### O Técnico Oficial de Contas

Patrícia Maria Cruz Ribeiro da Silva

### Ω Conselho de Administração

Duarte Paulo Teixeira de Azevedo	Miguel Nuno Santos Almeida	Gervais Gilles Pellissier
Ângelo Gabriel Ribeirinho Paupério	António Sampaio e Mello	Jean-François René Pontal
António Bernardo Aranha da Gama Lobo Xavier	David Charles Denholm Hobley	Nuno Manuel Moniz Trigoso Jordão
Maria Cláudia Teixeira Azevedo	Frank Emmanuel Dangeard	



# CONSOLIDATED MOVEMENTS IN SHAREHOLDERS' FUND

For the years ended at 31 December 2012 and 2011 (restated)

roi tile years enueu at 31 December 2012 anu 2011 (restated)	כסזד (ובפומובת							Reserves			
(Amounts expressed in Euro)	Share capital	Own shares (note 17)	Share	Legal	Reserves of own shares	Reserves for Medi- um Term Incentive Plans (note 38)	Other	Total	Non-con- trolling interests	Net income / (loss)	Total
2012											
Balance at 31 December 2011 (restated)	366,246,868	(13,594,518)	775,290,377	7,991,192	13,594,518	7,119,989	(185,050,511)	618,945,566	1	62,287,398	1,033,885,314
Appropriation of the consolidated net result of 2011 (restated)											
Transfers to other reserves (restated)	ı	1	1	1	1	ı	62,287,398	62,287,398	1	(62,287,398)	ı
Dividend distribution	•	•	•	•	•	1	(25,172,240)	(25,172,240)	1	•	(25,172,240)
Consolidated comprehensive income for the year ended at 31 December 2012	1	1	1	•	1	•	(1,475,942)	(1,475,942)	1	75,419,377	73,943,435
Acquisition of own shares	•	(3,382,977)	•	•	3,382,977	1	(3,382,977)	•	1	•	(3,382,977)
Delivery of own shares under the Short and Medium Term Incentive Plans (notes 1.y and 38)	1	11,432,648	1	1	(11,432,648)	(7,927,434)	10,342,721	(9,017,362)	ı	•	2,415,286
Effect of the recognition of the Medium Term Incentive Plans (notes 1.y and 38)	ı	1	1	•		4,458,224	•	4,458,224	1	•	4,458,224
Derivate on own shares (notes 34 and 38)	1	•	•	•	٠	•	(3,291,520)	(3,291,520)	1	٠	(3,291,520)
Balance at 31 December 2012	366,246,868	(5,544,847)	775,290,377	7,991,192	5,544,847	3,650,779	(145,743,071)	646,734,124	•	75,419,377	1,082,855,522
Non-controlling interests											
Balance at 31 December 2011	•	1	•	•	٠	1	•	•	515,654	•	515,654
Non-controlling interests in comprehensive income	1	•	•	1		1	1	•	12,672	•	12,672
Dividend distribution	1		•	1	•	1	•		(124,500)		(124,500)
Other changes	1	•	•	•	•	•		•	(16,347)	•	(16,347)
Balance at 31 December 2012	1	•	•					•	387,479		387,479
Total	366,246,868	(5,544,847)	775,290,377	7,991,192	5,544,847	3,650,779	3,650,779 (145,743,071)	646,734,124	387,479	75,419,377	1,083,243,001

# CONSOLIDATED MOVEMENTS IN SHAREHOLDERS' FUNDS (CONTINUED)

For the years ended at 31 December 2012 and 2011 (restated)

								Reserves			
(Amounts expressed in Euro)	Share capital	Own shares (note 17)	Share premium	Legal reserves	Reserves of own shares	Reserves for Medium Term Incentive Plans (note 38)	Other	Total reserves	Non- controlling interests	Net income / (loss)	Total
2011											
Balance at 31 December 2010 (restated)	366,246,868 (15,030,834)	(15,030,834)	775,290,377	1,221,003	15,030,834	4,812,753	(203,345,179)	593,009,788	ı	43,669,651	987,895,473
Appropriation of the consolidated net result of 2010 (restated)											
Transfers to legal reserves and other reserves (restated)	ı	I	I	6,770,189	1	1	36,899,462	43,669,651	I	(43,669,651)	ı
Dividend distribution	1	ı	I	ı	ı	I	(17,859,403)	(17,859,403)	ı	I	(17,859,403)
Consolidated comprehensive income for the year ended at 31 December 2011	I	I	I	ı	ı	1	(297,463)	(297,463)	I	62,287,398	61,989,935
Acquisition of own shares	ı	(2,223,287)	I	ı	2,223,287	I	(2,223,287)	ı	ı	I	(2,223,287)
Delivery of own shares under the Short and Medium Term Incentive Plans (notes 1.y and 38)	ı	3,659,603	I	1	(3,659,603)	(1,604,799)	1,775,360	(3,489,042)	I	1	170,561
Effect of the recognition of the Medium Term Incentive Plans (notes 1.y and 38)	1	I	I	I	ı	3,912,035	I	3,912,035	I	ı	3,912,035
Balance at 31 December 2011 (restated)	366,246,868	(13,594,518)	775,290,377	7,991,192	13,594,518	7.119,989	(185,050,510)	618,945,566	1	62,287,398	1,033,885,314
Non-controlling interests											
Balance at 31 December 2010 (restated)	ı	I	I	I	I	I	I	ı	593,790	I	593,790
Non-controlling interests in comprehensive income	I	I	I	I	ı	ı	I	ı	37,799	ı	37,799
Dividend distribution	ı	I	I	ı	I	I	I	ı	(124,500)	I	(124,500)
Other changes	1	ı	I	ı	ı	I	I	ı	8,565	I	8,565
Balance at 31 December 2011 (restated)	1	ı	ı	ı	1	1	ı	1	515,654	I	515,654
Total	366,246,868	(13,594,518)	775,290,377	7,991,192	13,594,518	986,611,7	(185,050,510)	618,945,566	515,654	62,287,398	1,034,400,968

 $The \ notes \ are \ an integral \ part \ of \ the \ consolidated \ financial \ statements \ at \ 31 \ December \ 2012 \ and \ 2011 \ (restated-note \ 1).$ 

### O Técnico Oficial de Contas

Patrícia Maria Cruz Ribeiro da Silva

Gervais Gilles Pellissier	Jean-François René Pontal	Nuno Manuel Moniz Trigoso Jordão
Miguel Nuno Santos Almeida	António Sampaio e Mello	David Charles Denholm Hobley
O Conselho de Administração Duarte Paulo Teixeira de Azevedo	Ângelo Gabriel Ribeirinho Paupério	António Bernardo Aranha da Gama Lobo Xavier

Frank Emmanuel Dangeard

Maria Cláudia Teixeira Azevedo

### **CONSOLIDATED CASH FLOW STATEMENTS**

(Amounts expressed in Euro)		December 2012		December 2011
Operating activities				
Receipts from trade debtors	792,310,936		840,349,858	
Payments to trade creditors	(469,461,128)		(554,308,582)	
Payments to employees	(104,309,364)		(104,851,358)	
Cash flows from operating activities	218,540,444		181,189,918	
Payments / receipts relating to income taxes, net	(6,119,976)		(3,000,749)	
Other payments / receipts relating to operating activities, net	(7,637,757)		(12,794,346)	
Cash flows from operating activities (1)		204,782,711		165,394,823
Investing activities				
Receipts from:				
Tangible assets	14,884,601		14,751,545	
Intangible assets	468,857		47,343	
Interest and similar income	6,431,774		6,911,371	
Dividends	11,443	21,796,675	-	21,710,259
Payments for:				
Financial investments	(5,976,854)		(8,860,291)	
Tangible assets	(102,825,813)		(80,402,362)	
Intangible assets	(118,118,840)		(21,118,664)	
Loans granted	(1,230,806)	(228,152,313)	(3,570)	(110,384,887
Cash flows from investing activities (2)		(206,355,638)		(88,674,628
Financing activities				
Receipts from:				
Loans obtained	62,749,401	62,749,401	104,750,000	104,750,000
Payments for:				
Leasing	(2,781,029)		(2,330,555)	
Interest and similar expenses	(17,973,364)		(15,680,882)	
Dividends	(25,296,740)		(17,983,903)	
Acquisition of own shares	(3,382,976)		(2,223,287)	
Loans obtained	(138,129,347)	(187,563,456)	(20,127,789)	(58,346,416
Cash flows from financing activities (3)		(124,814,055)	•	46,403,584
Net cash flows (4)=(1)+(2)+(3)		(126,386,982)		123,123,779
Effect of the foreign exchanges		(281,024)		(116,220
Cash and cash equivalents at the beginning of the period		189,031,758		66,024,199
Cash and cash equivalents at the end of the period		62,363,752	•••••••••••••••••••••••••••••••••••••••	189,031,758

The notes are an integral part of the consolidated financial statements at 31 December 2012 and 2011 (restated – note 1).

### O Técnico Oficial de Contas

Patrícia Maria Cruz Ribeiro da Silva

### O Conselho de Administração

O Consenio de Administração			
Duarte Paulo Teixeira de Azevedo	Miguel Nuno Santos Almeida	Gervais Gilles Pellissier	
Ângelo Gabriel Ribeirinho Paupério	António Sampaio e Mello	Jean-François René Pontal	
António Bernardo Aranha da Gama Lobo Xavier	David Charles Denholm Hobley	Nuno Manuel Moniz Trigoso Jordão	

Maria Cláudia Teixeira Azevedo Frank Emmanuel Dangeard

### NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

For the years ended at 31 December 2012 and 2011  $\,$ 

### 1. Acquisition or sale of subsidiaries or other businesses

	December 2012	December 2011
a) Amounts paid of acquisitions		
Connectiv Solutions, Inc	5,970,672	-
Infosystems	6,182	-
Sontária - Empreendimentos Imobiliários, S.A.	-	8,860,291
	5,976,854	8,860,291

### 2. Details of cash and cash equivalents

	Notes	December 2012	December 2011
Cash in hand	15	122,222	235,105
Cash at bank	15	7,417,903	6,699,981
Treasury applications	15	54,878,917	182,414,968
Overdrafts	15 and 19	(55,290)	(318,296)
Cash and cash equivalents		62,363,752	189,031,758
Overdrafts		55,290	318,296
Cash assets		62,419,042	189,350,054

### 3. Description of non-monetary financing activities

	Notes	December 2012	December 2011
a) Bank credit obtained and not used	19	69,150,000	106,167,128
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 invest- ing activities	Cash flow from financing activities	Net cash flows
2012				
Telecommunication	204,051,209	(198,113,464)	(19,804,451)	(13,866,706)
Multimedia	(3,811,341)	(1,114,502)	(164,486)	(5,090,329)
Information Systems	559,005	(8,280,318)	5,283,394	(2,437,919)
Holding	3,983,838	1,152,646	(110,128,512)	(104,992,028)
	204,782,711	(206,355,638)	(124,814,055)	(126,386,982)

Activity	Cash flow from operating activities	Cash flow from invest- ing activities	Cash flow from financ- ing activities	Net cash flows
2011				
Telecommunication	189,694,071	(77,604,772)	(26,428,039)	85,661,260
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
	165,394,823	(88,674,628)	46,403,584	123,123,779

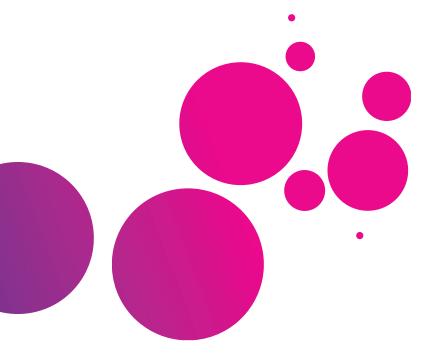
The notes are an integral part of the consolidated financial statements at 31 December 2012 and 2011 (restated – note 1).

### O Técnico Oficial de Contas

Patrícia Maria Cruz Ribeiro da Silva

### O Conselho de Administração

Duarte Paulo Teixeira de Azevedo	Miguel Nuno Santos Almeida	Gervais Gilles Pellissier
Ângelo Gabriel Ribeirinho Paupério	António Sampaio e Mello	Jean-François René Pontal
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Maria Cláudia Teixeira Azevedo	Frank Emmanuel Dangeard	



### **6.2 NOTES TO THE CONSOLIDATED** 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. 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 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 Euro 10.

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 Euro 181,000,000 to Euro 226,250,000 by public subscription reserved for the existing Shareholders, 45,250,000 new shares of 1 euro each having been fully subscribed for and paid up at the price of Euro 2.25 per share.

On 30 April 2003, the Company's name was changed by public deed to SONAECOM, SGPS, S.A..

By decision of the Shareholders' General Meeting held on 12 September 2005, Sonaecom's share capital was increased by Euro 70,276,868, from Euro 226,250,000 to Euro 296,526,868, by the issuance of 70,276,868 new shares of 1 euro each and with a share premium of Euro 242,455,195, fully subscribed by France 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 Euro 69,720,000, from Euro 296,526,868 to Euro 366,246,868, by the issuance of 69,720,000 new shares of 1 euro each and with a share premium of Euro 275,657,217, subscribed by 093X – Telecomunicações Celulares, S.A. ('EDP') and Parpública - Participações Públicas, SGPS, S.A. ('Parpública'). The corresponding public deed was executed on 18 October 2006.

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

The Group's business consists essentially of:

- · Mobile and fixed telecommunications operations and inter-
- 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, with the exception of the start dates of the adoption of the standards indicated below.

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 have been approved (endorsed) by the European Union, and have mandatory application to financial years beginning on of after 1 January 2012 and were first adopted in the year ended at 31 December 2012:

### Standard / Interpretation

Effective date (annual periods beginning on or after)

1-jul-11

### IFRS 7 - Financial Instruments: Disclosures - Amendments (issued 7 October 2010)

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

The application of these standards and intepretations had no material effect on the financial statements of the Group.

The following standards, interpretations, amendments and revisions have been at the date of approval of these financial statements, approved (endorsed) by the European Union, whose application is mandatory only in future periods or financial years:

### 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 exception 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 (continuation)

Effective date (annual periods beginning on or after)

### IFRS 10 (Consolidated Financial Statements)

1-ian-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)

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 27 (Separate Financial State-

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

### IAS 12 - Amendments (Deferred tax: Recovery of Underlying Assets)

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)

The amendments make important improvements by eliminating an option to defer the recognition of gains and losses, known as the 142 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 1 - Amendments (Presentation of Items of Other Comprehensive

1-iul-12

The amendments to IAS 1 require companies preparing financial statements in accordance with IFRSs to group together items within OCI.

### IFRS 7 - Admendments (Disclosures od Financial Instruments)

1-jan-13

The amendments require additional disclosures regarding financial instruments, particularly, information about those subject to compensation agreements and similars.

### IAS 32- Admendments (Offsetting Financial Assets and Financial Li abilities)

1-ian-14

AS 32 is amended to refer to the IFRS 7 disclosure requirements in respect of offsetting arrangements.

### Standard / Interpretation (continuation)

Effective date (annual periods beginning on or after)

IFRIC 20 Interpretation (Stripping Costs in the Production Phase of a Surface Mine)

1-ian-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.

(\*) In accordance with the EU Regulation which approves the adoption of IFRS 10, 11 and 12 and the amendments to IAS 27 and IAS 28, an entity shall use these standards no later than periods beginning on or after January 1, 2014. The early adoption is however permitted.

(\*\*) In accordance with the EU Regulation which approves this amendment to IAS 12 and IFRS 1, an entity shall apply the standard for periods beginning on or after January 1, 2013. The early adoption is permitted.

The Group did not proceed to early application of any of these standards on the financial statements for the year ended at 31 December 2012.

The application of these standards and interpretations, as applicable to the Group will have no material effect on future statements of the Group.

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 (Government

1-jan-13

The amendments referred to the Government Loans addresses how a firsttime adopters would account for a government loan with a below-market rate of interest when transitioning to IFRS and proposes to permit prospective application of IAS 20 requirements.

### IFRS 9 (Financial Instruments)

1-jan-15

This standard is the first step in the project to replace IAS 39, and it introduces new requirements for classifying and measuring financial assets.

### Improvements to IFRS (2009-2011)

1-jan-13

The IASB finalise its annual improvements publication corresponding to the 2009-2011 cycle including six amendments to five IFRSs. The annual  $\,$ improvements process provides a mechanism for non urgent but necessary amendments to International Financial Reporting Standards (IFRSs) to be grouped together and issued in one package.

### Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

1-ian-13

The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements and also provide additional transition relief in IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

### Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)

The amendments apply to a particular class of business that qualify as investment entities. The admendments provide an exception to the consolidation requirements in IFRS 10.

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the Group for the year ended at 31 December, 2012. Their application is not yet mandatory.

The application of these standards and interpretations, when applicable, will have no material effect on future consolidated financial statements.

During the year ended at 31 December 2012, in line with best practice in the telecoms sector, the Group changed its accounting criteria for costs related to customers' loyalty contracts. To date, these were recorded as an expense in the year they occurred. From 1 January 2012, the costs incurred for customers' loyalty contracts, which include compensation clauses in the event of early termination, are capitalized as 'Intangible Assets' and amortised over the period of their contracts. This change occurs because it is now possible to apply a reliable cost allocation to the respective contracts, as well as the revenue generated by each contract, thus fulfilling the criteria for capitalisation required by IAS 38 - Intangible assets.

When a contract is terminated, the net value of intangible assets associated with this contract is immediately recognised as an expense in the income statement. This accounting policy allows a more true, fair and reliable presentation of the financial position and the financial performance of the Group, as it allows the alignment between the costs incurred with customer's loyalty contracts and the revenue generated.

Additionally, 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, impairment tests are made to ensure that the current value of the estimated revenues associated with each contract is greater than the amount that is capitalised.

As provided under IAS 8 - Accounting policies, changes in accounting estimates and errors, the policy change was applied retrospectively. Therefore, on 1 January 2011, the Group recognized an intangible asset related to the amount of costs incurred with customers' loyalty contracts by that date, net of the respective amortisation and accumulated impairment losses. The consolidated income statement for 2011 has been adjusted to reflect: (1) the capitalization of costs incurred with customers' loyalty contracts and (ii) amortisation and impairment losses of intangible assets recognized in the year and in the previous years. Consequently, changes were made in the consolidated balance sheets of 1 January 2011, 31 December 2011, as well as in the consolidated Income statements (by nature) for the year ended on 31 December 2011, as follows:

Balance sheet at 1 January 2011			(continuation)	Bala	nce sheet at 31 D	ecember 2012	
(Amounts expressed in Euro)	Before the change	Effect of the change	Balance sheet restated	(Amounts expressed in Euro)	Before the change	Effect of the change	Profit and loss stat. restated
Assets	•	•	······································	Liabilities		•	······································
Tangible assets	592,369,741	-	592,369,741	Non-current liabilities	296,564,220	995,025	297,559,245
Intangible assets	272,896,942	18,009,890	290,906,832	Current liabilities	520,121,540	-	520,121,540
Goodwill	526,141,552	-	526,141,552	Total liabilities	816,685,760	995,025	817,680,785
Other assets	470,461,591	-	470,461,591	Shareholders' funds	1,070,738,924	12,116,598	1,082,855,522
Total assets	1,861,869,826	18,009,890	1,879,879,716	excl. non-control. interests			
Liabilities		•		Non-controlling	387,479		387,479
Non-current liabilities	400,708,481	4,772,621	405,481,102	interests	307,473		307,473
Current liabilities	485,909,351	-	485,909,351	Total Shareholders'	1,071,126,403	12,116,598	1,083,243,001
Total liabilities	886,617,832	4,772,621	891,390,453	funds			
Shareholders' funds excl. non-control. interests	974,658,204	13,237,269	987,895,473	Total Shareholders' funds and liabilities	1,887,812,163	13,111,623	1,900,923,786
Non-controlling					Profit and lo	ss statement at 3	1 December 2011
interests	593,790	-	593,790	(Amounts expressed in Euro)	Before the	Effect of the	Profit and loss
Total Shareholders'	975,251,994	13,237,269	988,489,263		change	change	stat. restated
funds	3,3,231,331	13,23,,203	300, 103,203	Total revenue	872,443,700	-	872,443,700
Total Shareholders' funds and liabilities	1,861,869,826	18,009,890	1,879,879,716	Costs and losses			
				External supplies and services	(442,250,912)	22,488,804	(419,762,108)
	•••••••••••••••••••••••••••••••••••••••	······································	1 December 2011	Depreciation and	(130,495,567)	(22,806,073)	(153,301,640)
(Amounts expressed in Euro)	Before the change	Effect of the change	Balance sheet restated	amortisation Other operating costs	(217,207,048)	-	(217,207,048)
Assets				EBIT	82,490,173	(317,269)	82,172,904
Tangible assets	583,413,555	-	583,413,555	Financial results	(8,892,067)	(517,205)	(8,892,067)
Intangible assets	371,429,260	17,692,622	389,121,882	Income taxation	(11,039,716)	84,076	(10,955,640)
Goodwill	521,103,723	-	521,103,723				
Other assets	543,841,632	-	543,841,632	Consolidated net income / (loss)	62,558,390	(233,193)	62,325,197
Total assets	2,019,788,170	17,692,622	2,037,480,792	Attributed to non-	37,799	-	37,799
Liabilities				controlling interests			
Non-current liabilities	437,209,135	4,688,545	441,897,680	Attributed to share-	62,520,591	(233,193)	62,287,398
Current liabilities	561,182,144	-	561,182,144	holders of parent company			
Total liabilities	998,391,279	4,688,545	1,003,079,824	Earnings per share			
Shareholders' funds excl. non-control.	1,020,881,237	13,004,077	1,033,885,314	Including discontinued o	perations:		
interests	1,020,001,237	15,004,077	1,000,000,014	Basic	0.18	(0.00)	0.17
Non-controlling	515,654	_	515,654	Diluted	0.18	(0.00)	0.17
interests	313,031		313,03 1	Excluding discontinued o	perations:		
Total Shareholders' funds	1,021,396,891	13,004,077	1,034,400,968	Basic	0.18	(0.00)	0.17
Total Shareholders' funds and liabilities	2,019,788,170	17,692,622	2,037,480,792	Diluted	0.18	(0.00)	0.17
	····				Profit and los	ss statement at 3:	1 December 2012
	······································	······	1 December 2012	(Amounts expressed in Euro)	Before the	Effect of the	Profit and loss
(Amounts expressed in Euro)	Before the change	Effect of the change	Balance sheet after the change		change	change	st. after the change
Assets			- 0-	Total revenue	834,728,342	-	834,728,342
Tangible assets	582,787,339	-	582,787,339	Costs and losses			
Intangible assets	366,419,746	13,111,623	379,531,369	External supplies and services	(411,367,948)	18,593,391	(392,774,557)
Goodwill	518,307,204	-	518,307,204	Depreciation and	(130,230,588)	(23,174,389)	(153,404,977)
Other assets	420,297,874	-	420,297,874	amortisation	(,-50,500)	(,2, 1,505)	(,, ., ., )
Total assets	1,887,812,163	13,111,623	1,900,923,786	Other operating costs	(195,965,988)	-	(195,965,988)

(continuation)	Profit and loss statement at 31 December 2012							
(Amounts expressed in Euro)	Antes da alteração	Effect of the change						
EBIT	97,163,818	(4,580,998)	92,582,820					
Financial results	(14,009,739)	-	(14,009,739)					
Income taxation	(6,834,551)	3,693,519	(3,141,032)					
Consolidated net income / (loss)	76,319,528	(887,479)	75,432,049					
Attributed to non- controlling interests	12,672	-	12,672					
Attributed to share- holders of parent company	76,306,856	(887,479)	75,419,377					
Earnings per share								
Including discontinued op	erations:							
Basic	0.21	(0.00)	0.21					
Diluted	0.21	(0.00)	0.21					
Excluding discontinued op	Excluding discontinued operations:							
Basic	0.21	(0.00)	0.21					
Diluted	0.21	(0.00)	0.21					

The accounting policies and measurement criteria adopted by the Group on 31 December 2012 are comparable with those used in the preparation of 31 December 2011 financial statements, with the exception for the point mentioned above.

### 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'.

#### 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 8). 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	1 - 16
Vehicles	4
Fixtures and fittings	1 -10
Tools	4 - 8
Other tangible assets	4 - 8

During the year ended at 31 December 2011, 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 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 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 depreciated in accordance with the estimated useful life of the corresponding assets.

Work in progress corresponds to tangible 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 4<sup>th</sup> 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) and the costs related to customers' loyalty contracts.

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 and the LTE license until 2041. 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.

The costs incurred for customers' loyalty contracts, which include compensation clauses in the event of early termination, are capitalized as 'Intangible Assets' and amortised over the period of their contracts. When a contract is terminated, the net value of intangible assets associated with this contract is immediately recognised as an expense in the income statement. Additionally, 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, impairment tests are made to ensure that the current value of the estimated revenues associated with each contract is greater than the amount that is capitalised.

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 reappreciation of its calculation, are recorded directly in the profit and loss statement. The Group will chose, 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, noncontrolling 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.

 $The {\it momenta} sales transaction to generate a loss of control, should be a control of the co$ Id 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.

At 31 December 2012 the Group did not hold any investments recorded at fair value through profit and loss.

### (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.

At 31 December 2012 the Group did not hold any 'Held-to-maturity investment'.

### (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 tradedate – 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, dis-

counted 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.

Tangible 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'.

#### I) 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:

- (i) 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;
- (ii) 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 2012, the Group did not have any derivative, in addition to those mentioned in note 1.4).

### 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 10).

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 10 and 21).

#### 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 2012, Sonaecom, SGPS, S.A., have reserves which by their nature are considered distributable, amounted around Euro 178 million.

#### 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:

		2012	2011		
	31 December	Average	31 December	Average	
Pounds Sterling	1,2253	1,2337	1,1972	1,1526	
Brazilian Real	0,3699	0,4000	0,4139	0,4306	
American Dollar	0,7579	0,7787	0,7729	0,7189	
Polish Zloti	0,2455	0,2391	0,2243	0,2436	
Australian Dollar	0,7867	0,8063	0,7860	0,7420	
Mexican Peso	0,0582	0,0592	0,0554	0,0580	
Egyptian Pound	0,1200	0,1282	0,1281	0,1263	
Malaysian Ringgit	0,2479	0,2521	0,2436	0,2351	
Chilean Peso	0,0016	0,0016	0,0015	0,0015	
Singapore Dollar	0,6207	0,6232	0,5946	0,5719	
Swiss Franc	0,8284	0,8297	0,8226	0,8126	
Swedish Krona	0,1165	0,1149	0,1122	0,1108	
South African Rand	0,0895	0,0950	0,0954	0,0995	
Angolan Kwanza	0,0079	0,0082	0,0082	0,0077	
Dinar de Marrocos	0,0897	0,0902	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 2012, two plans of Sonaecom share plans were covered through the detention of own shares. For 2011 Sonaecom shares plan, the Company signed with Sonae-SGPS, S.A. a contract that agrees to the transfer of Sonaecom SGPS, S.A. shares for employees and board members of the Group as requested of Sonaecom and under the MTIP of Sonaecom and fixed the shares' acquisition price. The impacts associated to the Medium Term Incentive Plans are registered, in the balance sheet, under the caption 'Medium Term Incentive Plans Reserve'. The cost is recognized under the profit and loss statement caption 'Staff expenses'.

Regarding the plans liquidated through the delivery of shares of the parent company, the company entered, for all plans, into hedging contracts with an external entity under which the acquisition price of those shares was fixed. Therefore, the responsibility 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 2012 and 2011, 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 1.0)).

#### 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, Angola 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 1.0)).

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 amount of assets and liabilities (in Euro) belonging to the Group and recorded in a different currency is as follows:

		Assets		Liabilities
	31 Deceber 2012	31 December 2011	31 December 2012	31 December 2011
American Dollar	32,707,010	8,891,201	21,340,761	4,398,216
Australian Dollar	305,350	1,569,805	725,109	406,030
Egyptian Pound	263,579	14,137	-	-
Pounds Sterling	5,655,658	5,339,568	5,460,702	5,736,105
Mexican Peso	4,400,339	3,197,009	2,428,601	3,645,207
Brazilian Real	8,613,476	10,505,679	8,206,410	7,626,387
Malaysian Ringgit	443,425	500,091	486,415	346,743
Polish Zloti	595,894	728,793	1,093,950	1,165,962
Singapore Dollar	456,970	276,712	42,279	729,483
Chilean Peso		9,346	-	198,409
Swiss Franc	70,411	-	346	183
		•		•••••

The Group's sensitivity to the variations of the exchange rate is as follows:

			2012	(	2011
	Changein exchange rates	Income	Share- holders' funds	Income	Share- holders' funds
American Dollar	5%	504,175	64,137	251,770	(27,121)
Australian Dollar	5%	(18,495)	(2,493)	57,984	205
Swiss Franc	5%	3,503	-	(9)	-
Egyptian Pound	5%	13,179	-	707	-
Pounds Sterling	5%	133,033	(123,285)	103,825	(123,652)
Mexican Peso	5%	49,863	48,724	(28,171)	5,761
Brazilian Real	5%	(182)	20,535	(3,651)	147,616
Malaysian Ringgit	5%	4,116	(6,265)	7,963	-
Polish Zloti	5%	(29,511)	4,608	(27,210)	5,351
Singapore Dollar	5%	20,172	562	(6,895)	(15,743)
Euro	5%	(443,912)	-	(254,408)	-
Chilean Peso	5%		-	-	(9,453)
		235.941	6.524	101.904	(17.036)

### 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 in-



terest 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 19) 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 refixing, 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 19.

#### 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

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.

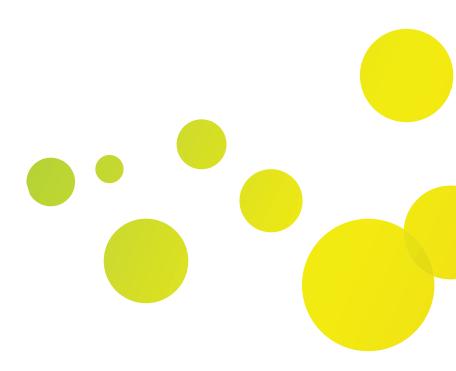
The maturity analysis for the loans obtained is presented in note 19.

#### **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 2012 and 2011, are as follows:

Percentage of share capital held					2012		2011
Company (Commercial brand)	Head office	Main activity	Share- holder	Direct	Effec- tive*	Direct	Effec- tive*
Parent company			· • · · · · · · · · · · · · · · · · · ·				············
SONAECOM, SGPS, S.A. ('Sonaecom')	Maia	Management of shareholdings.	=-	-		-	-
Subsidiaries							
Be Artis – Concepção, 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.	Optimus SGPS Sonaecom	100% -	100% -	- 100%	100%
Be Towering – Gestão de Torres de Telecomu- nicações, S.A. ('Be Towering')	Maia	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment.	Optimus SGPS 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%
Connectiv Solutions, Inc. ('Connectiv') (a)	Delaware	Rendering of consultancy services in the area of information systems.	We Do USA	100%	100%	-	-
Digitmarket – Sistemas de Informação, S.A. ('Digitmarket' – using the brand 'Bizdirect')	Maia	Development of management platforms and commercialisation of products, services and information, with the internet as its main support.	Sonae com 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, managemen of electronic auctions, acquisition and deployment of products and services electronically an any related activities.		100%	100%	100%	100%
Mainroad – Serviços em Tecnologias de Informação, S.A. ('Mainroad')	Maia	Rendering of consultancy services in IT areas.	Sonae com 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%
Optimus - Comunicações, S.A. ('Optimus')	Maia	Implementation, operation, exploitation and offer of networks and rendering services of electronic comunications and related resources; offer and commercialisation of products and equipments of electronic communications.	Optimus SGPS Sonaecom	100% -	100%	35.86% 64.14%	35.86% 64.14%
Optimus, SGPS, S.A.	Maia	Management of shareholdings in the area of telecommunications.	Sonaecom	100%	100%	100%	100%
PCJ - Público, Comunicação e Jornalismo, S.A. ('PCJ')	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%
Per-Mar – Sociedade de Construções, S.A. ('Per-Mar')	Maia	Purchase, sale, renting and operation of property and commercial establishments.	Optimus SGPS 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%
Público – Comunicação Social, S.A. ('Público')	Oporto	Editing, composition and publication of periodical and non-periodical material.	Sonaecom	100%	100%	100%	100%

<sup>\*</sup> Sonaecom effective participation (a) Company adquired in April 2012.

Percentage of share capital held

2011

Company (Commercial brand)	Head office	Main activity	Shareholder	Direct	Effec- tive*
Saphety Level – Trusted Services, S.A. ('Saphety')	Maia	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; trade, development and representation of software.	Sonae com SI	86.995%	86.995%
Sonaecom - Serviços Partilhados, 5.A. ('Sonaecom SP') (b)	Maia	Support, management consulting and administration, particularly in the areas of accounting, taxation, administrative procedures, logistics, human resources and training.	Sonaecom	-	_
Sonae com – Sistemas de Infor- nação, SGPS, S.A. ('Sonae com SI')	Maia	Management of shareholdings in the area of corporate ventures and joint ventures.	Sonaecom	100%	100%
Sonaecom - Sistemas de Infor- nación Espanã, S.L. ('SSI Espanã')	Madrid	Rendering of consultancy services in the area of information systems.	Sonae com SI	100%	100%
Sonaecom BV	Amsterdam	Management of shareholdings.	Sonaecom	100%	100%
Sonaetelecom BV	Amsterdam	Management of shareholdings.	Sonaecom	100%	100%
Sontária - Empreendimentos Imobil- ários, 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.	Optimus SGPS Sonaecom	100%	_ 100%
ecnológica Telecomunicações, TDA. ('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%
Ve Do Consulting – Sistemas de nformação, S.A. ('We Do')	Maia	Rendering of consultancy services in the area of information systems.	Sonae com SI	100%	100%
Vedo do Brasil Soluções Informáti- :as, Ltda. ('We Do Brasil')	Rio de Janeiro	Commercialisation of software and hardware; rendering of consultancy and technical assistance related to information technology and data processing.	We Do	99.91%	99.91%
We Do Poland Sp. Z.o.o. ('We Do Poland')	Poznan	Rendering of consultancy services in the area of information systems.	Cape Tech- nologies	100%	100%
We Do Technologies Americas, Inc 'We Do USA')	Delaware	Rendering of consultancy services in the area of information systems.	Cape Tech- nologies	100%	100%
Ve Do Technologies Australia PTY .imited ('We Do Asia')	Sydney	Rendering of consultancy services in the area of information systems.	Cape Tech- nologies	100%	100%
Ve Do Technologies BV ('We Do BV')	Amsterdam	Management of shareholdings.	We Do	100%	100%
We Do Technologies BV – Malaysian Branch ('We Do Malásia')	Kuala Lumpur	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%
Ve Do Technologies Chile SpA ('We Do Chile')	Chile	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%
Ve Do Technologies Egypt LLC ('We Jo Egypt')	Cairo	Rendering of consultancy services in the area of information systems.	We Do BV Sonaecom BV Sonaetele- com BV	90% 5% 5%	90% 5% 5%
We Do Technologies (UK) Limited 'We Do UK')	Berkshire	Management of shareholdings.	We Do	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%
Ve Do Technologies Panamá S.A. 'We Do Panamá')	Panamá City	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%
Ne Do Technologies Singapore PTE. LTD. ('We Do Singapura')	Singapore	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%

 $<sup>^{\</sup>star}$  Sonaecom effective participation. (b) Company established in January 2012.

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 2012 and 2011, the Group jointly controls and consolidates through the proportional method the following companies:

Percentage of share capital held					2012		2011
Company (Commercial brand)	Head office	Main activity	Shareholder	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 Radiodi- fusão Sonora, S.A. ('S.I.R.S.' - using the brand name 'Rádio Nova')	Oporto	Sound broadcasting. Radio station.	Público	45%	45%	45%	45%
Infosystems – Sociedade de Sistemas de Informação, S.A. ('Infosystems')	Luanda	Rendering of services in the area of information and technology systems.	Sonae com SI	50%	50%	-	-
SSI Angola, S.A. ('SSI Angola')	Luanda	Rendering of services in the area of information and technology systems.	Infosystems	100%	50%	-	-
Zopt (a)	Oporto	Management of shareholdings as an indirect way for the conduct of the economic activities	Sonaecom SGPS	50%	50%	-	-

<sup>\*</sup>Sonaecom effective participation. (a) Company established in 21 December 2012.

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 2012 and at 31 December 2011.

At 31 December 2012 and 2011, the main impacts arising from the consolidation by the proportional method of the above mentioned entities, are as follows (debit / (credit)):

	2012	2011
Non-current assets	1,833,656	2,192,258
Current assets	1,102,852	1,229,270
Non-current liabilities	(1,578,007)	(1,988,158)
Current liabilities	(827,844)	(867,537))
Net result	265,012	(50,885))
Total revenues	(1,681,634)	(2,093,858)
Total costs	1,946,645	2,042,973

### 4. CHANGES IN THE GROUP

During the years ended at 31 December 2012 and 2011, the following changes occurred in the composition of the Group:

a) Constitutions				2012
Shareholder	Subsidiary	Date	Share capital	Current % shareholding
Sonaecom	Sonaecom SP	Jan-12	50,000 EUR	100%
Sonaecom	Zopt	Dec-12	50,000 EUR	50%

On 14 December 2012, Sonaecom SGPS, SA, Kento Holding Limited and Jadeium BV (currently named Unitel International Holdings, BV, collectively referred to as 'Kento/Jadeium') announced that they have reached an agreement to recommend to the Boards of Zon Multimédia - Serviços de Telecomunicações e Multimédia, SGPS, SA ('Zon') and Optimus SGPS, SA a merger between the two companies, based on the incorporation of Optimus SGPS into Zon. Accordingly, in the prepare of the process, Sonaecom and Kento/Jadeium have agreed to incorporate a vehicle owned in equal parts that, subject to the implementation of the merger, will aggregate a substantial part of Sonaecom's stake in Optimus SGPS and the entire stake of Kento/Jadeium in Zon (note 42). The vehicle company, denominated ZOPT, SGPS, S.A. was created on 21 December 2012.

### b) Acquisitions

Purchaser	Subsidiary	Date	% acquired	Current % shareholding
Wedo US	Connectiv	Apr-12*	100%	100%
Sonae com SI	Infosystems	Jun-12	50%	50%
Infosystems	SSI Angola	Jun-12	100%	100%

<sup>\*</sup> The contract's signature date was April 2012, with effects from 1 May 2012.

At 30 April 2012, the group acquired the entire share capital of Connectiv Solutions. Following that, the company started from 1 May 2012 to consolidate the financial statements using the full consolidation method.

Connectiv main activity is the rendering of consulting services in the area of information systems. The acquisition price was allocated as following:

(Ammounts expressed in euro)	Values before acquisition	Adjustments to fair value	Fair value
Acquired assets			
Tangible assets	576,455	-	576,455
Intangible assets	49,303	3,190,109	3,239,412
Other current debtors	1,155,221	-	1,155,221
Other assets	116,744	-	116,744
Cash and cash equivalents	315,304	-	315,304
	2,213,027	3,190,109	5,403,136
Acquired liabilities			
Other creditors	184,608	-	184,608
Other liabilities	1,144,459	-	1,144,459
	1,329,067	-	1.329.067
Net assets and liabilities	883,960	3,190,109	4,074,069
Acquisition price			9,241,844
Goodwill (Note 8)			5,167,775

Following the acquisition of Connectiv Solutions, the company has made a preliminary assessment of the fair value of acquired assets and assumed liabilities, of which result the recognision of software and clients portfolio in the amount of Euro 3,190,109.

As usual on mergers and acquisitions, also in the acquisition of Connectiv, there was a part of the acquisition price which was not possible to be allocated to the fair value of some identified assets and liabilities, that was considered as Goodwill. This Goodwill is related to a number of different elements, which cannot be individually quantified and isolated in a viable way and include, for example, synergies, qualified workforce, technical skills and market power. The total amount of this Goodwill will be considered as fiscal cost in Connectiv accounts, for a period of 15 years, according with the United States os America law.

The acquisition price includes a deferred amount (USD 2 million) to be paid in 2013 and 2014 and a contingent amount to be paid annually, during 4 years, depending on revenues of the company, which was estimated in about Euro 1.4 million.

The allocation of the acquisition price is still subject to changes until the conclusion of a period of one year from the date of acquisition in accordance with IFRS 3 Business Combinations.

Nevertheless, the company does not expect significant changes in its financial position as a result from any changes to allocation made.

The contribution of Connectiv to the consolidated net income attributed to Sonaecom's Shareholders, in the year ended at 31 December 2012, was positive of Euro 1,649 thousand.

The detail of the referred contribution is as follows:

#### (Ammounts expressed in euro)

Contribution at 31 December 2012

Total Revenues	4,698,827
Costs and losses	
External supplies and services	(681,089)
Staff expenses	(1,781,922)
Depreciations and amortisations	(574,471)
Earnings before interest and taxes	1,661,345
Financial Results	(17,961)
Income Tax	5,809
Net income attributed to shareholders of parent company	1,649,193

If Connectiv had been consolidated since 1 January 2012, the values of consolidated operating revenues and net income, before non-controlling interests, for the year ended at 31 December 2012, would be as follows:

(Ammounts expressed in Euro)	31 December 2012 ('Pro-forma')
Consolidated operating revenues	837,696,296
Net income before non-controlling interests	75,662,935

The contribution of Connectiv to the consolidated balance sheet of Sonaecom at 31 December 2012, excluding the goodwill generated as a result of the acquisition of Connectiv, is as follows:

### (Ammounts expressed in Euro)

### Contribution at 31 December 2012

Assets	
Tangible Assets	442,122
Intangible Assets	3,406,144
Trade debtors	909,800
Cash and cash equivalents	1,303,877
Other assets	549,298
Total assets	6,611,241
Liabilities	
Other non-current Liabilities	47,116
Other current liabilities	871,038
Total liabilities	918,154
Net assets	5,693,087
	······································

# c) Dissolutions

2011

Shareholder	Subsidiary	Date	% shareholding
Público	мзG	Out-11	100%

# **5. TANGIBLE ASSETS**

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended at 31 December 2012 and 2011 was as follows:

								2012
	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 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
New companies (note 4. b))	-	103,084	-	1,004,738	-	-	-	1,107,822
Additions	653,822	5,406,995	5,338	15,078,962	220	11,494	90,794,814	111,951,645
Disposals	(1,014,141)	(46,440,568)	-	(1,678,139)	(3,861)	(20,978)	(470,333)	(49,628,020)
Transfers and write-offs	(287,877)	82,310,266	-	(2,458,625)	3,003	50,845	(105,928,188)	(26,310,576)
Balance at 31 December 2012	301,768,158	1,080,419,350	190,334	213,408,141	1,180,616	5,718,882	20,665,640	1,623,351,121
Accumulated depre	eciation and impairn	nent losses						
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
New companies (note 4. b))	-	90,165	-	441,202	-	-	-	531,367
Depreciation for the year	8,797,011	52,382,323	33,674	18,365,032	11,782	386,150	-	79,975,972
Disposals	(568,166)	(34,836,492)	-	(962,893)	(1,979)	(5,204)	-	(36,374,734)
Transfers and write-offs	(275,854)	(472,248)	-	(5,637,416)	-	-	-	(6,385,518)
Balance at 31 December 2012	169,218,283	672,996,043	169,790	191,878,934	1,147,268	5,153,464	-	1,040,563,782
Net value	132,549,875	407,423,307	20,544	21,529,207	33,348	565,418	20,665,640	582,787,339
	- <b></b>	·•·········	<del>-</del>	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·			



#### 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 depre	eciation and impairm	ent 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

The additions that occurred during the years ended at 31 December 2012 and 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), FTTH (Fibre-to-the-Home) and LTE (Long Term Evolution), some of which are associated with ongoing projects, so it remains registered in 'Work in progress'.

At 31 December 2012, additions include about Euro 8.3 million of capitalizations of personnel costs related to own work (about Euro 9.1 million at 31 December 2011).

During the years ended at 31 December 2012 and 2011, disposals include the sale of a set of assets related with 2G, 3G and Micro-Wave network. These sales did not generate significant capital gains.

The acquisition cost of 'Tangible assets' and 'Intangible assets' held by the Group under finance lease contracts, amounted to Euro 36,494,166 and Euro 31,582,929 as of 31 December 2012 and 2011, and their net book value as of those dates amounted to Euro 19,580,292 and Euro 17,715,740, respectively.

At 31 December 2012, the heading 'Tangible assets' included an amount of Euro 25.1 million (2011: Euro 23.3 million) 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 2012 and 2011, 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.

The transfers of the year include the transfer for 'Intangible Assets' of a set of assets that were hitherto classified as 'Tangible assets in progress' (note 6).

The transfers and write-offs include the amount of circa Euro 8.9 million related to decommissioning of sites, in accordance with IAS 16 - 'tangible assets' (note 1.d)). The amount is due to the update to the present value of the provision for decommissioning of sites accordingly with consideration the estimated dates of its utilization (note 21).

'Tangible assets in progress' at 31 December 2012 and 2011 were made up as follows:

	2012	2011
Development of mobile/fixed network	15,652,408	27,787,877
Information systems	1,514,961	1,326,769
Other projects in progress	3,498,271	7,154,701
	20,665,640	36,269,347

At 31 December 2012 and 2011, the amounts of commitments to third parties relating to investments to be made were as follows:

	2012	2011
Network	9,344,084	26,716,979
Information systems	997,717	1,272,257
	10,341,801	27,989,236

### **6. INTANGIBLE ASSETS**

In the years ended at 31 December 2012 and 2011, the movement occurred in Intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

				2012
	Brands and patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2011 (restated - note 1)	361,690,451	296,368,784	117,812,807	775,872,042
New companies (note 4. b))	1,608,263	1,686,153	-	3,294,416
Additions	23,909,212	1,562,514	18,706,336	44,178,062
Disposals	-	(74,664)	-	(74,664)
Transfers and write-offs	84,560,759	25,219,433	(113,824,695)	(4,044,503)
Balance at 31 December 2012	471,768,685	324,762,220	22,694,448	819,225,353
Accumulated amortisation and impairment losses				
Balance at 31 December 2011 (restated - note 1)	153,193,021	233,557,139	-	386,750,160
New companies (note 4. b))	-	55,004	-	55,004
Amortisation for the year	43,551,503	21,877,502	-	65,429,005
Disposals	-	(27,511)	-	(27,511)
Transfers and write-offs	(12,207,666)	(305,008)	-	(12,512,674)
Balance at 31 December 2012	184,536,858	255,157,126	-	439,693,984
Net value	287,231,827	69,605,094	22,694,448	379,531,369



				2011
	Brands and patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2010 (restated - note 1)	359,491,467	264,381,328	16,085,854	639,958,649
Additions (restated - note 1)	26,187,693	2,115,899	128,874,615	157,178,207
Disposals	(9,977)	(63,288)	-	(73,265)
Transfers and write-offs (restated - note 1)	(23,978,732)	29,934,845	(27,147,662)	(21,191,549)
Balance at 31 December 2011 (restated - note 1)	361,690,451	296,368,784	117,812,807	775,872,042
Accumulated amortisation and impairment losses				
Balance at 31 December 2010 (restated - note 1)	137,409,893	211,641,924	-	349,051,817
Amortisation for the year (restated - note 1)	39,921,347	22,083,510	-	62,004,857
Disposals	(97)	(33,677)	-	(33,774)
Transfers and write-offs (restated - note 1)	(24,138,122)	(134,618)	-	(24,272,740)
Balance at 31 December 2011 (restated - note 1)	153,193,021	233,557,139	-	386,750,160
Net value	208,497,430	62,811,645	117,812,807	389,121,882

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 Euro 274 million which will have to be realised until the end of 2015.

In accordance with the Agreement established on 5 June 2007 with the Ministry of Public Works, Transportation and Communications (MOPTC), part of these commitments, up to Euro 159 million, would be realised through own projects eligible as contributions to the 'Information Society' which will be incurred under the normal course of 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 2012, 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 Euro 116 million, has been 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 2012, all the responsibilities with such commitments are fully recorded in the attached consolidated financial statements (notes 23 and 27).

Intangible assets in the year ended at 31 December 2012, include an amount of approximately Euro 110 million, 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 Euro 113 million. In January 2012, an amount of Euro 83 million was already paid (note 27). The remaining amount can be paid in five annual installments of Euro 6 million, having the company, at each annual payment, the option to anticipate the payment of the amount in debt.

During the year ended 31 December 2012, considering the availability of LTE (Long Term Evolution) technology (although subject to restrictions in some areas of the country) and the subsequent launching the commercial operation, a fraction of the present value of future payments related to the acquisition of rights of use for 4th generation frequencies services was transferred from work in progress (Euro 92.9 million) and the amortization was started, for an estimated period until 2041.

At 31 December 2012 and 2011, the Group kept recorded under the heading 'Intangible assets - brands and contents' the amounts of Euro 170,425,449 and Euro 180,271,530, respectively, that correspond to the investments net of depreciations made in the development of the UMTS network, including: (i) Euro 54,005,186 (2011: Euro 57,005,474) related to the license; (ii) Euro 18,045,113 (2011: Euro 19,047,619) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal; (iii) Euro 5,542,199 (2011: Euro 5,850,099) related to a contribution to the 'Fundação para as Comunicações Móveis", established in 2007, under an agreement entered with 'MOPCT' and the three mobile telecommunication operators in Portugal; and (iv) Euro 88,218,718 (2011: Euro 93,497,759) related with the programme 'Initiatives E', these last two associated to the commitments assumed by the Group in relation to the 'Information Society'.

The caption 'Brands and patents and other rights' includes also an amount of about Euro 13.1 million (2011: Euro 17.7 million) that corresponds to the costs incurred for customers' loyalty contracts (note 1.e).

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 2012 and 2011, the total net amount of financial expenses capitalization amounted to Euro 9,605,147 and Euro 10,491,010, respectively. The amounts capitalised in the years ended at 31 December 2012 and 2011 were Euro 1,589,280 and Euro 1,135,035, respectively. An interest capitalisation rate of 2.80% was used in 2012 (2.42% in 2011), which corresponds to the average interest rate supported by the Group.

At 31 December 2012, additions include about Euro 8.4 million of capitalizations of personnel costs related to own work (about Euro 6.5 million at 31 December 2011).

The assessment of impairment for the main tangible and intangible assets, in the various segments, is carried out as described in note 8 ('Goodwill'), to the extent that such assets are closely related to the overall activity of the segment and consequently cannot be analysed separately.

## 7. BREAKDOWN OF FINANCIAL INSTRUMENTS

At 31 December 2012 and 2011, the breakdown of financial instruments was as follows:

					2012
	Loans and receivables	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
Non-current assets					
Investments available for sale (note 9)	-	212,323	212,323	-	212,323
	_	212,323	212,323		212,323
Current assets					
Trade debtors (note 12)	145,116,712	-	145,116,712	-	145,116,712
Other current debtors (note 13)	15,712,733	-	15,712,733	6,069,340	21,782,073
Cash and cash equivalents (note 15)	62,419,042	-	62,419,042	-	62,419,042
	223,248,487	-	223,248,487	6,069,340	229,317,827



Securitisation of receivables (note 22)

Other creditors (note 26)

					2011
	Loans and receivables	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
Non-current assets					
Investments available for sale (note 9)	-	212,323	212,323	-	212,323
	-	212,323	212,323	=	212,323
Current assets					
Trade debtors (note 12)	146,137,974	-	146,137,974	-	146,137,974
Other current debtors (note 13)	16,169,639	-	16,169,639	9,763,823	25,933,462
Cash and cash equivalents (note 15)	189,350,054	-	189,350,054	-	189,350,054
	351,657,667	_	351,657,667	9,763,823	361,421,490

					2012
	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 19) $ \label{eq:medium}$	196,412,663	-	196,412,663	-	196,412,663
Other non-current financial liabilities (note 20)	-	18,712,963	18,712,963	-	18,712,963
	196,412,663	18,712,963	215,125,626	-	215,125,626
Current liabilities					
Short-term loans and other loans (note 19)	187,170,148	-	187,170,148	-	187,170,148
Trade creditors (note 24)	-	168,996,364	168,996,364	-	168,996,364
Other current financial liabilities (note 25)	-	3,873,491	3,873,491	-	3,873,491
Securitisation of receivables (note 22)	19,952,518	-	19,952,518	-	19,952,518
Other creditors (note 26)	-	2,147,634	2,147,634	10,594,837	12,742,471
	207,122,666	175,017,489	382,140,155	10,594,837	392,734,992

#### amortised cost liabilities not covered by IFRS 7 Non-current liabilities $\label{eq:medium} \textit{Medium and long-term loans net of short-term}$ 320,176,857 320,176,857 320,176,857 portion (note 19) Other non-current financial liabilities (note 20) 17,990,531 17,990,531 17,990,531 Securitisation of receivables (note 22) 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 19) 118,405,031 118,405,031 118,405,031 172,622,586 172,622,586 Trade creditors (note 24) 172,622,586 Other current financial liabilities (note 25) 2,645,498 2,645,498 2,645,498

Liabilities recorded at

19,802,596

138,207,627

Other financial

5,686,734

180,954,818

Subtotal

19,802,596

5,686,734

319,162,445

2011

Total

19,802,596

23,832,672

337,308,383

Others

18,145,938

18,145,938

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.

The Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument.

### 8. GOODWILL

For the years ended at 31 December 2012 and 2011, the movements occurred in Goodwill were as follows:

	2012	2011
Opening balance	521,103,723	526,141,552
Connectiv Acquisiton (note 4. b))	5,167,775	-
Other movements of the year	35,706	(37,829)
Impairment	(8,000,000)	(5,000,000)
Closing balance	518,307,204	521,103,723

For the years ended at 31 December 2012 and 2011, the caption 'Other movements of the period' includes, mainly, the effects of the exchange rate update of the Goodwill.

Due to the worsening of the financial crisis, which caused a significant deterioration of the Portugal's macroeconomic scenario in the last years, the advertising market suffered a sharp decline. This situation along with, the bearish forecasts forthe next years, aggravated the outlook for future developments. Sales of newspapers and related products have been declining, affecting the projections of cash flows of the multimedia segment, leding the record of an impairment loss in the amount of €8 million (5 million Euros in 2011) under the caption 'Depreciation and amortization' of the Income Statement, in accordance with the policy described in Note 1.x. The sensitivity analysis performed, as required by IAS 36 - Impairment of Assets, to Multimedia segment and to others segments, did not lead to material changes in the recovery values and therefore did not result in additional impairments.

Goodwill at 31 December 2012 and 2011 was made up as follows:

	2012	2011
Optimus	485,092,375	485,092,375
Cape Technologies	17,476,354	17,476,354
Público	7,000,000	15,000,000
Connectiv	5,175,628	-
We Do	1,971,668	1,971,668
Praesidium Services	1,211,515	1,183,662
Unipress	321,698	321,698
Per-Mar	47,253	47,253
Be Towering	10,713	10,713
	518,307,204	521,103,723

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	12.00%
Information Systems	14.00%

### 9. INVESTMENTS AVAILABLE FOR SALE

At 31 December 2012 and 2011, this caption included investments classified as available-for-sale and was made up as follows:

	%	2012	2011
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 years ended at 31 December 2012 and 2011, the heading 'Investments available for sale' did not present any movements.

At 31 December 2012, 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	Shareholders' fund	Gross debt	Turnover	Operational result	Net income
Lusa – Agência de Notícias de Portugal, S.A. (1)	15,237	6,681	1,637	19,387	337	613
VISAPRESS - Gestão de Conteúdos dos Média, CRL <sup>(1)</sup>	22	(35)	0	53	(18)	(18)

<sup>(1)</sup> Amounts expressed in thousands Euro at 31 December 2011.

### 10. DEFERRED TAXES

Deferred tax assets at 31 December 2012 and 2011, amounted to Euro 101,134,781 and Euro 103,853,881, respectively, and arose, mainly, from tax losses carried forward, from differences between the accounting and tax amount of some fixed assets and from others temporary differences.

The movements in deferred tax assets in the years ended at 31 December 2012 and 2011 were as follows:

	2012	2011
Opening balance	103,853,881	109,587,224
Impact on results:		
Movements of Deferred tax assets related with Tax losses	(689,620)	327,124
Deferred tax assets related to temporary diferences of previous years	12,189,460	5,390,414
Deferred tax assets related to tax benefits of previous years	6,189,690	(1,593,850)
Adjustments in the conversion to IAS/IFRS	(6,953,553)	(6,015,328)
Movements in provisions not accepted for tax purposes	(2,465,984)	1,935,542
Temporary differences resultant of UMTS license	(362,568)	(365,029)
Temporary net differences between the tax and the accounting amount of certain fixed assets	(7,464,518)	(2,163,128)
Temporary differences arising from the securitisation of receivables (Optimus)	(3,220,000)	(3,220,000)
Sub-total effect on results (note 33)	(2,777,093)	(5,704,255)
Others	57,993	(29,088)
Closing balance	101,134,781	103,853,881

At 31 December 2008, deferred tax assets were recognised in the amount of Euro 16.1 million with regard to the securitisation of future receivables completed in December 2008 (note 22). 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 Euro 100 million was generated from that operation and it was added for purposes of determining the taxable income for the year 2008, thereby generating a temporary difference between accounting and taxable income result, which led to the recognition of a deferred tax asset to the extent, that its use was, with reasonable safety, probable at that date. Until 31 December 2012, an amount of Euro 12.9 million 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 the line Temporary net differences between the tax and the accounting amount of certain fixe assets included the amount of Euro 5.9 million, relating to transactions made during the year.

At 31 December 2012 and 2011, assessments of the deferred tax assets to be recovered and 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 8.

The rate used at 31 December 2012 and 2011, 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 2012 and 2011 was as follows:

					Co	ompanies exclud	led of the ta	x group	2012
Nature	Companies included in the tax group	Digitmarket	Cape Technologies	We Do Brasil	We Do USA	Sonecom Sistemas de Informação Espanha	We Do Mexico	Total	"Total Sonecom Group
Tax losses:			•	•		•	•••••••••••••••••••••••••••••••••••••••		•
To be used until 2015	5,628,170	-	-	-	-	-	-	-	5,628,170
To be used until 2021	-	-	-	-	-	-	135,410	135,410	135,410
To be used until 2025	-	-	-	-	-	158,938	26,954	185,892	185,892
To be used until 2030	-	-	-	-	88,995	-	-	88,995	88,995
Unlimited utilisation	-	-	134,506	-	-	-	-	134,506	134,506
Tax losses	5,628,170		134,506		88,995	158,938	162,364	544,803	6,172,973
Tax provisions not accepted and other temporary differences	35,561,692	24,710	-	530,131	55,379	-	130,964	741,184	36,302,876
Tax benefits (SIFIDE and RFAI)	9,709,216	-	-	-	-	-	-	-	9,709,216
Adjustments in the conversion to IAS/IFRS	13,249,380	421	-	-	-	-	-	421	13,249,801
Temporary differences arising from the securitisation of receivables	3,220,000	-	-	-	-	-	-	-	3,220,000
"Differences between the tax and accounting amount of certain fixed assets and others"	-	-	-	-	-	-	-	-	32,510,701
Others	-	-	-	(39,870)	(1,244)	-	10,328	(30,786)	(30,786)
Total	67,368,458	25,131	134,506	490,261	143,130	158,938	303,656	1,255,622	101,134,781



	Companies excluded of the tax group						2011		
Nature	Companies included in the tax group	Digitmarket	Cape Technologies	We Do Brasil	We Do USA	Sonecom Sistemas de Informação Espanha	We Do Mexico	Total	Total Sonecom Group
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 2012 and 2011, 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:

	2012	2011
Tax losses	22,494,366	31,472,868
Temporary differences (provisions not accepted for tax purposes and other temporary diferences)	35,720,794	40,899,576
Others	7,378,263	13,144,536
	65,593,423	85,516,980



At 31 December 2012 and 2011, tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2012	2011
2012	-	5,140,870
2013	13,848,361	13,848,361
2014	695,593	694,052
2015	3,953,941	5,795,826
2016	407,700	1,190,261
2017	180,294	1,710,943
2018	48,023	56,555
2019	331,156	53,209
2020	10,130	10,202
2021	53,860	-
2030	84,676	-
Unlimited	2,880,632	2,972,589
	22,494,366	31,472,868

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 2012 and 2011 amounting to Euro 1,089,637 and Euro 5,186,711 respectively, result mainly from consolidation adjustments and from temporary differences between tax and accounting results of the tangible and intangible assets referred with the costs related to customers' loyalty contracts (note 1).

The movement that occurred in deferred tax liabilities in the years ended at 31 December 2012 and 2011 were as follows:

	2012	2011 (restated - note 1)
Opening balance (restated - note 1)	(5,186,711)	(5,559,170)
Impact on results:		
Temporary differences between accounting and tax result	3,606,259	317,242
Sub-total impact on results (note 33)	3,606,259	317,242
Others	490,815	55,217
Closing balance	(1,089,637)	(5,186,711)

The reconciliation between the earnings before taxes and the taxes recorded for the years ended at 31 December 2012 and 2011 is as follows:

	2012	2011 (restated - note 1)
Earnings before taxes	78,573,081	73,280,837
Income tax rate (25%)	(19,643,270)	(18,320,209)
Deferred tax assets not recognised in the individual accounts and / or resulting from consolidation adjustments and other adjustments to taxable income	(6,216,818)	(5,154,036)
Record/(reverse) of deferred tax assets related to previous years	12,189,460	5,390,414
Use of tax losses and tax benefits without record of deferred tax asset in previous years	2,552,985	11,293,781
Record/(reverse) of deferred taxes related to tax benefits	6,189,690	(1,593,850)
Temporary differences for the period without record of deferred tax assets	262,436	(4,323,952)
Record of deferred tax liabilities	87,053	317,241
Temporary differences arising from the securitisation of receivables	1,800,000	1,800,000
Movements in the temporary differences between the tax and accounting amounts of the ${\sf UMTS}$ license	(362,568)	(365,029)
Income taxation recorded in the year (note 33)	(3,141,032)	(10,955,640)

The tax rate used at 31 December 2012, to reconcile the tax expense and the accounting profit was 25% because it is the standard rate of the corporate income tax in Portugal.

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 2009 (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 at 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 Euro 100 million, with respect to initial price of future credits transferred to securitization. The Settlement Note, was receipt on April 2011. Given the principle of periodization of taxable income, Optimus was subsequently notified of the improper deduction of the amount of Euro 20 million in the calculation of taxable income for the years 2009 (Tax Inspection Report and notice of settlement received in December 2011 and January 2012, respectively) and 2010 (Report of the Tax Inspection received in January 2013). Since the increases made in 2008, was not accepted by not comply with Article 18 of the CIRC, also in the years following, the deduction corresponding to credits generated in that year, will eliminate the calculation of taxable income, to meet the annual amortization hired as part of the operation (20 million per year during 5 years,). Optimus challenged the decisions regarding 2008 and 2009 fiscal years and will challenge, in time, the decision regarding 2010 fiscal year. It 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 2012.

### 11. INVENTORIES

At 31 December 2012 and 2011, this caption was made up as follows:

	2012	2011
Raw materials	665,149	824,340
Merchandise	17,564,377	19,342,283
	18,229,526	20,166,623
Accumulated impairment losses on inventories (note 21)	(4,377,789)	(12,801,233)
	13,851,737	7,365,390

The cost of goods sold in the years ended at 31 December 2012 and 2011 amounted to Euro 68,065,968 and Euro 85,401,524 respectively and was determined as follows:

	2012	2011
Opening inventories	20,166,622	32,404,356
Purchases	88,294,383	95,924,140
Increase of accumulated impairment losses on inventories (note 21)	286,548	153,004
Inventory adjustments	(22,452,059)	(22,913,354)
Closing inventories	(18,229,526)	(20,166,622)
	68,065,968	85,401,524

The amounts recorded under the caption 'Inventory adjustments' at 31 December 2012 and 2011 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 5).

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).

### 12. TRADE DEBTORS

At 31 December 2012 and 2011, this caption was made up as follows:

	2012	2011
Trade debtors:		
Telecommunications	114,202,453	120,746,430
Information Systems	27,448,614	21,459,716
Multimedia and others	3,465,645	3,931,828
	145,116,712	146,137,974
Doubtful debtors	82,254,385	78,045,001
	227,371,097	224,182,975
Impairment losses in accounts receivable (note 21)	(82,254,385)	(78,045,001)
	145,116,712	146,137,974

At 31 December 2012 and 2011, the accumulated impairment losses by segment were made up as follows:

	2012	2010
Impairment losses in accounts receivable:		
Telecommunications	78,364,692	73,205,349
Information Systems	1,011,260	1,563,139
Multimedia and others	2,878,433	3,276,513
	82,254,385	78,045,001

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 2012 and 2011 were as follows:

Due without impairment								e 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
2012 Trade debtors	227,371,097	56,302,905	18,982,510	16,996,652	24,341,520	3,959,960	2,831,088	6,286,899	97,669,563
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

At 31 December 2012, of the total amount of accounts receivable impaired and overdue for more than 90 days, net of VAT, that the Group expects and makes efforts to recover, around 90% were covered by impairment adjustments.

Credit risk monitoring, which is performed on a continuous basis, can be resumed as follows:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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.

### 13. OTHER CURRENT DEBTORS

At 31 December 2012 and 2011, this caption was made up as follows:

	2012	2011
Information Society	10,918,467	12,626,005
State and other public entities	6,069,340	9,763,823
Advances to suppliers	1,094,385	1,195,842
Other debtors	4,526,513	3,003,700
Accumulated impairment losses in accounts receivable (note 21)	(826,632)	(655,908)
	21,782,073	25,933,462

At 31 December 2012, the net position of the Sonaecom Group with the 'Fundação para as Comunicações Móveis', under the 'Iniciativas E' programme, amounts to a receivable of Euro 10,918,467 (Euro 12,626,005 in 31 December 2011).

At 31 December 2012 and 2011, 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 2012 and 2011 are 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
2012									
Information Society	10,918,467	-	-	-	10,918,467	-	-	-	-
Advances to suppliers	1,094,385	499,074	401,079	41,385	105,392	47,455	-	-	-
Other debtors	4,526,513	464,948	1,373,931	65,724	2,227,429	188,097	60	22,063	184,261
	16,539,365	964,022	1,775,010	107,109	13,251,288	235,552	60	22,063	184,261
2011									
Information Society	12,626,005	-	-	-	12,626,005	-	-	-	-
Advances to suppliers	1,195,842	176,566	459,879	131,879	341,443	244	-	21	85,810
Other debtors	3,003,700	598,855	305,936	155,609	1,363,232	338,420	396	8,559	232,693
	4,199,542	775,421	765,815	287,488	14,330,680	338,664	396	8,580	318,503

The amounts due and without impairment correspond, mostly, to Sonae Group companies and other entities, without credit risk.

## 14. OTHER CURRENT ASSETS

At 31 December 2012 and 2011, this caption was made up as follows:

	2012	2011
Invoices to be issued to clients for services rendered	36,446,180	39,850,808
Invoices to be issued to operators	18,473,505	17,455,886
Specialised work paid in advance	15,410,725	9,854,599
Other accrued income	1,156,473	1,523,941
Prepaid rents	923,483	989,459
Rappel discounts (annual quantity discounts)	290,640	577,401
Other costs paid in advance	657,540	471,481
	73,358,546	70,723,575

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 2012 and 2011, projects in progress could be summarised as follows:

	2012	2011
Number of projects in progress	415	337
Total costs recognised	17,860,214	16,859,205
Total revenues recognised	24,926,025	27,590,657
Total deferred revenues (note 27)	8,313,048	8,172,596
Total accrued revenues	4,567,092	9,508,252

# 15. CASH AND CASH EQUIVALENTS

At 31 December 2012 and 2011, the detail of cash and cash equivalents was as follows:

	2012	2011
Cash	122,222	235,105
Bank deposits repayable on demand	7,417,903	6,699,981
Treasury applications	54,878,917	182,414,968
Cash and cash equivalents	62,419,042	189,350,054
Bank overdrafts (note 19)	(55,290)	(318,296)
	62,363,752	189,031,758
		•••••••••••••••••••••••••••••••••••••••

At 31 December 2012 and 2011, the 'Treasury applications' had the following breakdown:

	2012	2011
Sonae Investments BV	16,810,000	38,810,000
Bank applications	38,068,917	145,604,968
	54,878,917	182,414,968

During the year ended at 31 December 2012, the above mentioned treasury applications bear interests at an average rate of 2.48% (3.01% in 2011).

## **16. SHARE CAPITAL**

At 31 December 2012 and 2011, 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:

		2012		2011
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	52.99%	194,063,119	52.99%
Shares traded on the Portuguese Stock Exchange ('Free Float')	78,681,339	21.48%	76,737,177	20.95%
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 17)	4,321,038	1.18%	9,045,200	2.47%
Sonae SGPS	3,430,000	0.94%	650,000	0.18%
Efanor Investimentos, SGPS, S.A.	1,000	0.00%	1,000	0.00%
•	366,246,868	100.00%	366,246,868	100.00%
			•	

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.

### 17. OWN SHARES

During the year ended at 31 December 2012, Sonaecom delivered to its employees 7,532,388 own shares under its Short and Medium Term Incentive Plan (1,764,157 own shares during the year ended at 31 December 2011).

Additionally, during the year ended at 31 December 2012, Sonaecom acquired 2,808,226 shares (at an average price of Euro 1.205), holding at 31 December 2012, 4,321,038 own shares, representative of 1.18% of its share capital at the average acquisition cost of Euro 1.283.

## 18. NON-CONTROLLING INTERESTS

Non-controlling interests at 31 December 2012 and 2011 are made up as follows:

	2012	2011
Digitmarket	359,878	460,541
Saphety	27,109	53,157
Others	492	1,956
	387,479	515,654

## **19. LOANS**

At 31 December 2012 and 2011, 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 reim- bursement	2012	2011
Sonaecom	'Obrigações Sonaecom SGPS 2005'	150,000,000	Jun-13	Final	-	150,000,000
SGPS	'Obrigações Sonaecom SGPS 2011'	100,000,000	Mar-15	Final	100,000,000	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
	'Obrigações Sonaecom SGPS 2012'	20,000,000	Jul-15	Final	20,000,000	-
	Costs associated with financing set-up	-	-	-	(1,586,070)	(2,885,931)
	Interests incurred but not yet due	-	-	-	1,745,019	2,371,796
	-				160,158,949	319,485,865
Sonaecom	Commercial paper	30,000,000	Jul-15	_	30,000,000	_
SGPS	Costs associated with financing set-up	-	-	-	(70,090)	-
	Interests incurred but not yet due	-	-	-	150,771	-
					30,080,681	-
WeDo USA	Bank loan		Apr-19		5,684,400	_
Unipress	Bank loan	-	Jun/Aug-13 and Jul-17	-	173,924	303,271
Saphety	Minority Shareholder loans	-		-	451,322	386,322
	Costs associated with financing set-up	-	-	-	(168,023)	-
	Interests incurred but not yet due	-	-	-	31,410	1,399
					6,173,033	690,992
		•			196,412,663	320,176,857

## b) Short-term loans and other loans

						Amount outstanding
Company	Issue denomination	Limit	Maturity	Type of reim- bursement	2012	2011
Sonaecom SGPS	'Obrigações Sonaecom SGPS 2005'	150,000,000	Jun-13	Final	150,000,000	-
	'Obrigações Sonaecom SGPS 2010'	30,000,000	Feb-13	Final	30,000,000	-
	Costs associated with financing set-up	-	-	-	(262,458)	-
	Interests incurred but not yet due	-	-	-	377,316	-
					180,114,858	-
Sonaecom SGPS	Commercial paper	150,000,000	Jul-12	-		118,000,000
	Costs associated with financing set-up	_	-	-		(76,886)
	Interests incurred but not yet due	-	-	-		163,621
						118,086,735
Optimus SA	Other loans	_	_	-	7,000,000	-
Several	Bank overdrafts (note 15)	-			55,290	318,296
					7,055,290	318,296
					187,170,148	118,405,031

#### **Bond Loan**

In June 2005, Sonaecom signed a Bond Loan, privately placed, amounting to Euro 150 million 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 Euro 30 and 40 million, 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 and mounted by, respectively, Banco Espirito Santo de Investimento and Caixa - Banco de Investimento. These bond issues were traded on Euronext Lisbon market. At 4 February 2013, the Company settled the bond loan of Euro 30 million.

In September 2011, Sonaecom signed a Bond Loan, privately placed, amounting to Euro 100 million 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.

In July 2012, Sonaecom signed a Bond Loan, privately placed, amounting to Euro 20 million without guarantees and with the maturity of three years. The bonds bear interest at floating rate, indexed to Euribor and paid semiannually. This issue was organised and mounted by Banco BPI.

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 3.01% (2.98% in 2011).

## **Commercial Paper**

In July 2007, Sonaecom contracted a Commercial Paper Programme Issuance with a maximum amount of Euro 250 million with subscription grant and maturity of five years, organised by Banco Santander de Negócios Portugal and by Caixa - Banco de Investimento. According to the original terms, this programme was reduced to the amount of Euro 150 million 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).

In July 2012, Sonaecom contracted a Commercial Papel Programme Issuance with a maximum amount of 30 million with subscription grant and maturity of tree years, organised by Caixa - Banco de Investimento and Caixa Geral de Depósitos.

Additionally, Sonaecom has other Commercial Paper Programmes, with subscription guarantee, with the following characteristics:

Amount	Hire date	Subscription guarantee	Maturity
Euro 25 million	July 2012	Banco Santander Totta	31-Jul-2013
Euro 15 million	June 2010	Caixa Económica Montepio Geral	16-Jun-2013

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 April 2012, WeDo Americas contracted a long term loan, amounted to USD 7,5 million with te manturity of seven years, organised by Espirito Santo Bank. The repayment of this financing plan consists of 11 semester tranches, with the first due in April 2014.

On 31 December 2012, the main financial constraints (covenants) included in debt contracts are related with the bond issue completed by Sonaecom during September 2011, totalling Euro 100 million 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 and Wedo USA (regarding this company bank loan). The penalties applicable in the event of default in these covenants are generally the early payment of the loans obtained.

On 31 December 2012, and on this date Sonaecom was fully compliant with all the financial constraints above mentioned. Is advanced, the negotition process with the financial system, which would resolve the impacts of possible merger between Optimus and Zon.

#### 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 Euro 29 million. 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 2012 and 2011, the repayment schedule of medium and long-term loans and of interests (nominal values), for bonds, commercial paper and for WeDo Americas bank loan 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
2012					
Bond loan:					
Reimbursements	-	-	160,000,000	-	-
Interests	5,840,405	5,726,552	1,398,895	-	-
Commercial paper:					
Reimbursements	-	-	30,000,000	-	-
Interests	1,168,913	1,168,913	678,930	-	-
Other loans:				-	
Reimbursements	-	1,363,636	1,363,636	1,363,636	1,363,636
Interests	212,529	196,172	157,531	119,260	80,142
	7,221,847	8,455,273	193,598,992	1,482,896	1,443,778
	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	_

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 (at 31 December 2012 its maturity was tree years). As so, such liabilities are recorded in the medium and long term.

Minority Shareholder loans have no maturity defined.

At 31 December 2012 and 2011, 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
2012						
Sonaecom	Commercial paper	30,000,000	30,000,000	-		х
Sonaecom	Commercial paper	25,000,000	-	25,000,000	х	
Sonaecom	Commercial paper	15,000,000	-	15,000,000	х	
Sonaecom	Bond loan	150,000,000	150,000,000	-	х	
Sonaecom	Bond loan	100,000,000	100,000,000	-		х
Sonaecom	Bond loan	40,000,000	40,000,000	-		х
Sonaecom	Bond loan	30,000,000	30,000,000	-	х	
Sonaecom	Bond loan	20,000,000	20,000,000	-		х
Sonaecom	Overdraft facilities	16,500,000	-	16,500,000	х	
Sonaecom	Authorised overdrafts*	10,000,000	-	10,000,000	х	
Sonaecom	Authorised overdrafts	2,500,000	-	2,500,000	х	
SIRS	Authorised overdrafts	150,000	-	150,000	х	
WeDo USA	Bank loan	5,684,400	5,684,400	-		х
Others	Several	-	7,055,290	-	х	
		444,834,400	382,739,690	69,150,000		
2011						
Sonaecom	Commercial paper	150.000.000	118.000.000	32.000.000	х	
Sonaecom	Commercial paper	30.000.000	-	30.000.000	х	
Sonaecom	Commercial paper	15.000.000	-	15.000.000	х	
Sonaecom	Commercial paper	10.000.000	-	10.000.000	х	
Sonaecom	Bond loan	150.000.000	150.000.000	-		Х

(continued)						Maturity
Company	Credit	Limit	Amount outstanding	Amount available	Until 12 months	More than 12 months
2011						
Sonaecom	Bond loan	100,000,000	100,000,000	-		Х
Sonaecom	Bond loan	40,000,000	40,000,000	-		Х
Sonaecom	Bond loan	30,000,000	30,000,000	-		Х
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	-	150,000	X	
Others	Several	-	55,424	-	X	
		544,430,000	438,318,296	106,167,128		

<sup>\*</sup> Can also be used in the form of commercial paper.

At 31 December 2012 and 2011, 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 2012, and considering the applications and bank balances at the same date, if market interest rates rise (fall), in average, 75bp during the year 2012, the interest paid that year would be increased (decreased) in an amount of approximately Euro 2,800,000.

# 20. OTHER NON-CURRENT FINANCIAL LIABILITIES

At 31 December 2012 and 2011, this caption was made up of accounts payable to tangible and intangible assets suppliers related to lease contracts which are due in more than one year in the amount of Euro 18,712,963 and Euro 17,990,531, respectively.

At 31 December 2012 and 2011, the payment of these amounts was due as follows:

		2012		2011
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
2012	-	-	3,619,304	2,645,498
2013	5,003,288	3,873,491	3,267,476	2,485,394
2014	3,778,101	2,898,121	2,277,174	1,557,725
2015	3,652,083	2,915,393	2,208,055	1,557,807
2016 onwards	15,672,192	12,899,449	15,140,481	12,389,605
	28,105,664	22,586,454	26,512,490	20,636,029
Interests	(5,519,209)	-	(5,876,461)	-
	22,586,455	22,586,454	20,636,029	20,636,029
Short-term liability (note 19)	_	(3,873,491)	-	(2,645,498)
	22,586,455	18,712,963	20,636,029	17,990,531

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. The carrying amount of these assets and the corresponding liabilities for the years ended at 31 December 2012 and 2011 was as follows:

	2012	2011
Net Assets	13,128,401	14,403,224
Current liabilities	1,076,974	1,006,876
Non-current liabilities	13,841,042	14,869,099
		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,

## 21. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2012 and 2011 were as follows:

	Opening balance	Increases	Utilisations and Transfers	Decreases	Closing balance
2012					
Accumulated impairment losses on accounts receivables (notes 12 and 13)	78,700,909	20,221,342	(15,791,630)	(49,604)	83,081,017
Accumulated impairment losses on inventories (note 11)	12,801,233	286,548	(8,709,992)	-	4,377,789
Provisions for other liabilities and charges	48,549,956	2,368,066	1,658,657	(8,964,477)	43,612,202
	140,052,098	22,875,956	(22,842,965)	(9,014,081)	131,071,008
2011	•	-	•	•	
Accumulated impairment losses on accounts receivables (notes 12 and 13)	70,410,631	21,420,143	(12,613,979)	(515,886)	78,700,909
Accumulated impairment losses on inventories (note 11)	14,930,606	153,004	(2,282,377)	-	12,801,233
Provisions for other liabilities and charges	33,150,028	4,901,837	10,531,087	(32,996)	48,549,956
	118,491,265	26,474,984	(4,365,269)	(548,882)	140,052,098

The increase of 'Provisions for other liabilities and charges' includes the amount of Euro 632,751 (2011: Euro 1,258,253) recorded in the profit and loss statement, under the caption 'Income taxation' (note 33). In 31 December 2011 it includes also the amount of Euro 1,365,080 related to the dismantling of sites, as foreseen in IAS 16 – Fixed Assets (note 1.d)).

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 Euro 21,956,657 (2011: Euro 23,698,647).

The heading 'Utilisations' refers, essentially, to the utilisation of provisions registered against entries in customers current accounts and inventories of the subsidiary Optimus - Comunicações S.A., fully subject to impairment losses already recognised in the profit and loss statement and to reclassifications of liabilities that were recorded under 'Other current liabilities' (note 27), by considering that the time of the expense can not be reliably estimated (Note 1.s)).

The decreases include the amount of Euro 8,940,252 related to decommissioning of sites, in accordance with IAS 16 - 'tangible assets' (note 1.d)). The decrease during the year 2012 is due to the update to the present value of the provision for decommissioning of sites accordingly with consideration the estimated dates of its utilization which was recognized in reduction in an equal amount in tangible assets (note 5).

At 31 December 2011, the decreases include the amount of Euro 25,663 recorded in the profit and loss statement, under the caption 'Income taxation' (note 33).

Thus, under the caption 'Other operating income' in Profit and Loss statement, was recorded a decrease amounted to Euro 73,829 at 31 December 2012 and to Euro 523,219 at 31 December 2011 (note 29).

At 31 December 2012 and 2011, the breakdown of the provisions for other liabilities and charges is as follows:

	2012	2011
Dismantling of sites	13,983,949	22,864,201
Several contingencies	4,338,072	3,337,770
Legal processes in progress	2,969,849	3,101,417
Indemnities	877,890	889,124
Other responsibilities	21,442,442	18,357,444
	43,612,202	48,549,956

At 31 December 2012, the value of provisions for the decommissioning of sites is recorded at its present value, accordingly with the dates of its utilization (in accordance with IAS 37 - 'Provisions, Contigent Liabilities and Contigent Assets').

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 for 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 period 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 Euro 19 million, which includes the amount of Euro 6.8 million related to the dispute concerning the vagueness of the interconnection tariffs of 2001 (note 42) and the amount of Euro 5.2 million related to roaming discounts.

# 22. SECURITISATION OF RECEIVABLES

On 30 December 2008, the subsidiary Optimus - Comunicações, S.A., carried out a securitisation operation of future receivables amounting to Euro 100 million (Euro 98,569,400, net of initial costs) following which it ceded future credits to be generated under a portfolio of existing 'Corporate' customer contracts, under the regime established in the Decreto-Lei nº 453/99 (Decree-Law), of 5 November (note 10).

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 to Optimus - Comunicações, S.A. throughout calendar years 2009/2013, up to a maximum of Euro 213,840,362. Under the terms of this transaction, the amount to be allocated in the next 12 months (Euro 19,952,518) was registered in 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 2012 and 2011, the amount recorded in 'Securitisation of receivables' has the following maturity:

	N+1	N+2	Total
2012			
Securitisation of receivables	19,952,518	-	19,952,518
2011			
Securitisation of receivables	19,802,596	19,951,846	39,754,442



## 23. OTHER NON-CURRENT LIABILITIES

At 31 December 2012 and 2011, the caption 'Other non-current liabilities' is as follows:

	2012	2011
Spectrum for 4th Generation	21,602,124	27,423,410
Information Society	13,944,247	2,253,107
Medium Term Incentive Plan (note 38)	262,047	360,580
Others	1,923,362	4,682
	37,731,780	30,041,779

The heading 'Spectrum for 4th Generation' refers to the present value of the amount to be paid in the next years resulting from the allocation, to the subsidiary Optimus, of the frequencies necessary for the development of services form 4th Generation (note 6).

The heading 'Information Society' relates to the Medium and long -term portion, not yet realized, of the estimate for the Company's commitments under the 'Iniciativas E' programme (notes 6, 13 and 27).

The heading 'Others' include the amount of Euro 1,919,016 related to the medium and long term portion to be paid under the acquisition of Connectiv (note 4).

## 24. TRADE CREDITORS

At 31 December 2012 and 2011, this caption had the following composition and maturity plans:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
2012				
Suppliers – current account	132,268,608	102,355,000	-	29,913,608
Intangible and tangible assets suppliers	34,189,088	33,189,088	-	1,000,000
Suppliers – invoices pending approval	2,538,668	2,538,668	-	-
	168,996,364	138,082,756	-	30,913,608
2011				
Suppliers – current account	128,480,991	98,567,383	-	29,913,608
Intangible and tangible 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

The caption 'Suppliers - current account' with more than 180 days maturity is related to the dispute between the subsidiary Optimus - Comunicações, S.A. and, essentially, the operator TMN - Telecomunicações Móveis Nacionais, S.A., in relation to the vagueness of interconnection tariffs of 2001 (note 42).

At 31 December 2012 and 2011, this caption included balances payable to suppliers resulting from the Group's operations and the acquisition of intangible and tangible assets. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

# 25. OTHER CURRENT FINANCIAL LIABILITIES

At 31 December 2012, this caption includes the amount of Euro 3,873,491 (2011: Euro 2,645,498) related to the short term portion of lease contracts (note 20).

# **26. OTHER CREDITORS**

At 31 December 2012 and 2011, this caption was made up as follows:

	2012	2011
Other creditors	2,147,634	5,686,734
State and other public entities	10,594,837	18,145,938
	12,742,471	23,832,672

The liability to other creditors matures as follows:

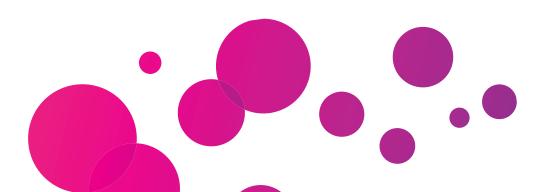
	Total	Till 90 days	From 90 to 180 days	More than 180 days
2012				
Other creditors	2,147,634	2,147,634	-	-
2011				
Other creditors	5,686,734	5,686,734		

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 2012 and 2011, 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:

	2012	2011
Optimus	3,452,751	13,314,812
Be Artis	3,121,787	679,716
WeDo Brasil	1,348,121	950,529
Digitmarket	481,762	666,930
Mainroad	435,829	540,244
WeDo	425,246	725,160
Público	408,483	397,917
Be Towering	222,972	116,302
Sonaecom	101,116	270,560
Others	596,770	483,768
	10,594,837	18,145,938

At 31 December 2011, the caption 'State and other public entities' of the subsidiary Optimus – Comunicações S.A. includes the amount of Euro 8,868,043 of VAT related to the sale of tangible assets to Be Artis and Be Towering which occurred at the end of the year.



## 27. OTHER CURRENT LIABILITIES

At 31 December 2012 and 2011, this caption was made up as follows:

Personnel costs 25, Tangible and intangible assets 10,	0,053,910 ,883,596 0,940,733	33,764,156 24,585,184 87,109,212
Personnel costs 25, Tangible and intangible assets 10,	,883,596 1,940,733	24,585,184
Tangible and intangible assets	,940,733	· · ·
		87,109,212
Specialised works 6	5.273.225	A contract of the contract of
		5,100,557
Advertising and promotion	5,371,261	7,088,870
Commissions 2,	,999,905	4,204,014
Rappel discounts (annual quantity discounts)	1,164,820	1,133,174
Information Society	640,159	15,793,539
Medium Term Incentive Plans (note 38)	272,410	281,169
Maintenance and repairs	189,221	398,410
Other costs 4,	,099,266	2,721,004
Other external suppliers and services	,838,779	11,393,714
99	9,727,285	193,573,003
Deferred income:		
Customer advance payments (note 14)	,045,532	27,465,209
Other deferred income	2,613,731	2,835,549
27,	7,659,263	30,300,758
127	7,386,548	223,873,761

At 31 December 2012, the heading 'Tangible and intangible assets' includes Euro 6,6 million (Euro 83 million in 2011) 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 6).

At 31 December 2012, the heading 'Information Society' in the amount of Euro 640,159 (Euro 15,793,539 in 2011) relates to the short-shorterm portion, not yet realised, of the estimate Company's commitments under the 'Iniciativas E' programme (notes 6, 13 and 23).

The heading 'Customer advance payments' is associated, mainly, with the recharges of mobile phones and the acquisition of prepaid minutes which were not yet used, by the customers of the subsidiary Optimus – Comunicações, S.A..

# 28. SALES AND SERVICES RENDERED

At 31 December 2012 and 2011, the caption 'Sales and services rendered' was made up as follows:

	2012	2011
Telecommunications	719,574,601	753,584,939
Information Systems	84,938,165	84,155,644
Multimedia	20,915,696	25,870,032
Others	9,917	23,800
	825,438,379	863,634,415

# 29. OTHER OPERATING REVENUES

At 31 December 2012 and 2011, the caption 'Other operating revenues' was made up as follows:

	2012	2011
Supplementary income	4,882,076	3,873,033
Reversal of provisions (note 21)	73,829	523,219
Others	4,334,058	4,413,033
	9,289,963	8,809,285

# **30. EXTERNAL SUPPLIES AND SERVICES**

'External supplies and services' for the years ended at 31 December 2012 and 2011 had the following composition:

Interconnection costs 184,408,238 Specialised works 41,820,450	188,141,719 48,371,726
Specialised works 41,820,450	48,371,726
Rents 33,669,843	33,571,032
Other subcontracts 28,540,091	30,062,630
Advertising and promotion 25,699,043	31,871,879
Commissions 18,346,882	21,151,373
Leased lines 11,693,577	18,184,398
Energy 10,401,495	9,349,685
Fees 6,598,026	3,283,231
Travelling costs 5,659,661	5,482,738
Maintenance and repairs 5,337,415	5,061,148
Communications 4,632,371	5,479,917
Others 15,967,465	19,750,632
392,774,557	419,762,108

The commitments assumed by the Group at 31 December 2012 and 2011 related to operational leases are as follows:

	2012	2011
Minimum payments of operational leases:		
2012	-	42,839,962
2013	34,523,148	40,095,819
2014	29,975,673	37,436,967
2015	27,806,013	33,194,388
2016	23,701,830	30,878,165
2017 onwards	50,356,290	33,015,458
Renewable by periods of one year	4,405,988	3,032,699
	170,768,942	220,493,458

During the period ended at 31 December 2012, an amount of Euro 42,226,308 (2011: Euro 46,043,036) 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).

# 31. OTHER OPERATING COSTS

At 31 December 2012 and 2011, the caption 'Other operating costs' was made up as follows:

	2012	2011
Taxes	14,213,811	14,869,480
Others	667,681	794,070
	14,881,492	15,663,550
		7

The caption 'Taxes' at 31 December 2012 and 2011 includes, essentially, the fees paid by the subsidiary Optimus - Comunicações, S.A. 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.

# 32. FINANCIAL RESULTS

Net financial results for the years ended at 31 December 2012 and 2011 were made up as follows (costs/gains):

	2012	2011
Financial results in group and associated companies:		
Losses in group and associated companies	-	(54,422)
	_	(54,422)
Financial expenses:		
Interest expenses:	(16,180,529)	(15,366,263)
Bank loans	(12,017,565)	(10,306,109)
Securitisation interests	(1,611,104)	(2,895,623)
Leasing	(992,784)	(1,007,214)
Other interests	(1,559,077)	(1,157,317)
Foreign exchange losses	(2,304,814)	(1,344,613)
Other financial expenses	(2,226,499)	(702,301)
	(20,711,843)	(17,413,177)
Financial income:		
Interest income	5,459,242	6,966,038
Foreign exchange gains	1,197,957	1,596,801
Others financial gains	44,905	12,693
	6,702,104	8,575,532

During the years ended at 31 December 2012 and 2011, the caption 'Financial income: Interest income' includes, mainly, interests earned on treasury applications and interests arising from late collections associated with cases in litigation.

# **33. INCOME TAXATION**

Income taxes recognised during the years ended at 31 December 2012 and 2011 were made up as follows ((costs) / gains):

	2012	2011 (restated - note 1)
Current tax	(3,337,447)	(4,336,037)
Tax provision net of reduction (note 21)	(632,751)	(1,232,590)
Deferred tax assets (note 10)	(2,777,093)	(5,704,255)
Deferred tax liabilities (note 10)	3,606,259	317,242
•	(3,141,032)	(10,955,640)
		-

# **34. RELATED PARTIES**

During the years ended at 31 December 2012 and 2011, 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 2012 and 2011 were as follows:

#### Balances at 31 December 2012

	Accounts receivable (notes 12 and 13)	Accounts payable (notes 24 and 26)	Treasury applications (note 15)	Other assets / (liabilities) (notes 14 and 27)
Holding company	•	•		
Sonae SGPS	14,290	47,256	-	3,026
Other related companies				
Modelo Continente Hipermercados, S.A.	951,191	437,438	-	43,538
Worten	3,228,368	571,551	-	(1,074,423)
Sonaecenter II	1,538,779	32,050	-	(360,514)
Sierra Portugal	1,174,632	123,435	-	181,310
Raso Viagens	58,025	207,980	-	30,131
SC-Sociedade de Consultadoria	157,358	(396)	-	(169,905)
Sonae Indústria PCDM	388,471	-	-	28,155
Sonae Investments BV	-	-	16,810,000	2,029
France Telecom	1,906,520	3,645,753	-	(3,728,782)
-	9,417,634	5,065,067	16,810,000	(5,045,435)

# Balances at 31 December 2011

	Accounts receivable (notes 12 and 13)	Accounts payable (notes 24 and 26)	Treasury applications (note 15)	Other assets / (liabilities) (notes 14 and 27)
Holding company		•		
Sonae SGPS	41,795	(25,722)	-	(71,211)
Other related companies				
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)
SC-Sociedade de Consultadoria	102,887	-	-	(57,504)
Sonae Indústria PCDM	276,156	(6,150)	-	30,084
Sonae Investments BV	-	-	36,810,000	7,166
France Telecom	1,664,010	1,745,346	-	(3,476,185)
	8,009,998	2,239,537	36,810,000	(5,046,883)



Transactions at 31 December 2012

	Sales and services rendered (note 28)	Supplies and services received (note 30)	Interest and similar income / (expense) (note 32)	Supplementary income (note 29)
Holding company	-		-	
Sonae SGPS	20,932	52,756	274,803	-
Other related companies				
Modelo Continente Hipermercados, S.A.	4,238,875	1,228,275	-	334,191
Worten	4,249,318	2,293,120	-	314
Sonaecenter II	9,200,803	686,001	-	-
Sierra Portugal	6,835,654	733,080	-	(49)
Raso Viagens	434,283	1,970,933	-	-
SC-Sociedade de Consultadoria	1,335,587	(274)	-	413
Sonae Indústria PCDM	1,463,673	(5,150)	-	-
Sonae Investments BV	-	-	819,392	-
France Telecom	15,280,993	17,357,805	-	-
	43,060,118	24,316,546	1,094,195	334,869

#### Transactions at 31 December 2011

	Sales and services rendered (note 28)	Supplies and services received (note 30)	Interest and similar income / (expense) (note 32)	Supplementary income (note 29)
Holding company	······································	······································		
Sonae SGPS	104,723	127,090	(11,039)	-
Other related companies				
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	-	-
SC-Sociedade de Consultadoria	694,821	-	-	-
Sonae Indústria PCDM	1,474,118	(5,000)	-	-
Sonae Investments BV	-	-	1,622,984	-
France Telecom	15,052,372	12,983,794	-	-
	41,354,355	22,183,397	1,611,945	329,179

In the year ended at 31 December 2012, the Group signed an agreement with Sonae SGPS, under which Sonae compromise until 2016, to transfer to employees and board members of Sonaecom, Sonaecom shares, at the price of Euro 1.184, as requested by Sonaecom and under the MTIP of Sonaecom. Under this contract, Sonaecom paid to Sonae SGPS, SA the amount of Euro 3,291,520, which was recorded under the caption "Other reserves" in equity (note 38).

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 2012 and 2011, 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.

# 35. GUARANTEES PROVIDED TO THIRD PARTIES

Guarantees provided to third parties at 31 December 2012 and 2011 were as follows:

Company	Beneficiary	Description	2012	2011
Optimus	ANACOM	Acquisition of Spectrum for 4th generation	30,000,000	15,000,000
Optimus, Sonaecom, Sontária and Público	Direção de Contribuições e Impostos (Portuguese tax authorities)	IRC, IS, IVA, RF – Tax assessment	8,481,387	8,461,628
Sonaecom	Direção de Contribuições e Impostos (Portuguese tax authorities)	VAT Reimbursements	5,955,731	5,955,731
WeDo	Espiríto Santo Bank	Bank loan (note 19)	5,784,826	-
We Do, WeDo Egipto and WeDo Mexico	Digi Tecommunications; Emirates Telecom. Corp.; ETISALAT Afghanistan; Pak Telecom Mobile; Scotia Leasing Panama	Completion of work to be done	1,153,110	910,553
We Do, Saphety and Digitmarket	IAPMEI	'HERMES' project - QREN	417,797	417,797
Optimus	Câmara Municipal de Coimbra, Lisboa, Braga, Elvas, Caldas da Rainha, Guarda, Mealhada, Barcelos, Faro, Chaves and Oeiras (Coimbra, Lisboa, Braga, Elvas, Caldas da Rainha, Guarda, Mealhada, Barcelos, Faro, Chaves and Oeiras Municipalities)	Completion of work to be done	87.476	246.270
Público	Tribunal de Trabalho de Lisboa (Lisbon Labour Court)	Execution action n. 199A/92	-	271,511
Optimus	Governo Civil de Lisboa (Lisbon Gov- ernment Civil)	Guarantee the sweepstakes plan complete fulfilment	_	104,650
Several	Others		1,259,767	1,195,907
		•	53,140,094	32,564,047

In addition to these guarantees were set up sureties for the current fiscal processes. The Sonae SGPS consisted of Sonaecom SGPS surety to the amount of Euro 2,844,270 and Sonaecom SGPS consisted of Optimus surety for the amount of Euro 9,264,267.

At 31 December 2012, 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.



## **36. INFORMATION BY BUSINESS SEGMENT**

T1										1 1		1 5		2012	- 1	2011
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1111	. 10	IIO WIII IS I	Dusilicss	SUBTRICTION	WCIC IC	icitiiicu	TOT L	110 0	Cais	CHUCU	at_	'T L	JCCCIIIDCI	2012	ariu	Z O I I .

- Telecommunications;
- Multimedia;
- Information systems;
- Holding activities.

These segments were indentified taking into consideration the following crtiteria/conditions: the fact of being group units that develop activities where we can separately identify revenues and expenses, for which financial information is separately developed and their operating results are regulary reviewed by management and over which decisions are made. For example, decisions about allocation of resources, for having similar products/services and also taking into consideration the quantitative threshold (in accordance with IFRS 7).

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 2012 and 2011 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.

The Telecomunications segment, at 31 December 2012 and 31 December 2011 (restated), was prepared assuming that the group Optimus structure at 1 January 2011 corresponded to the structure of the group at 31 December 2012, which was reflected in the calculation of goodwill on that date.

Overall information by business segment at 31 December 2012 and 2011, 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:

Revenues.         December-12 (restated road)         December-12 (restated road)           Sales and services rendered         720,658,674 (754,730,470 (142834))           Reversal of provisions         24,225 (165,730,470 (142,834,730))           Other operating revenues         11,369,235 (10,876,288 (142,834,219) (142,834,219)           Provisions and impairment losses         (20,695,836) (142,834,219)           Provisions and impairment losses         (20,695,836) (13,480 (13,814,80)           Interest income         4,234,754 (13,821,480)           Interest income         4,234,754 (13,821,070)           Gains and losses in associated         -           companies         (1,729,903) (17,891,02)           Other financial results         (1,729,903) (17,651,102)           Consolidated net income/(loss)         88,108,107 (7561,102)           Attributable to:         Attributable to:           Shareholders of parent company         88,108,107 (72,107315	2 2 2 (8	December-11 (restated - note 1)	Decem- I ber-12	December-11	Nocombor-12	-						
720,558,674 75 24,225 11,369,235 11 732,052,134 76 (139,678,370) (142 (139,678,370) (142 (13,636,74 8 4,234,754 (13,838,396) (2 (1,729,903) (3,495,022) (3,495,022) (3,495,022)	20,93 37 21,33 (1,12 (1,			(restated -note 1)	חהרהווחהו-זד	December-11 (restated - note 1)	December-12	December-11 (restated - note 1)	December-12	December-11 (restated - note 1)	December-12	December-11 (restated -note 1)
720,658,674 75. 24,225 11,369,235 11,369,235 11,369,235 732,052,134 76 (139,678,370) (142 732,052,836) (12 732,052,836) (12 732,052,836) (13,838,396	20,93 37,21,33 (1,12 (1,											
24,225 11,369,235 11,369,235 772,052,134 77 (13,678,370) (14,714 7102,936,674 8 4,234,754 713,838,396) (13,83	37, 21,33 (1,12 (1,12 (18,25 (18,25 (14,2)))))))))))))))))))))))))))))))	25,912,825	103,824,565	108,485,874	3,492,234	3,879,652	848,911,226	893,008,821	(23,472,847)	(29,374,406)	825,438,379	863,634,415
11,369,235 11 732,052,134 76 (139,678,370) (14,24,234,754 88,108,107) (1,729,903) (1,729,903) (1,729,903)	37. 21,33. (1,12 (12,02) (8,25) (4,25)	•	33,981	56,862	•	1	73,829	523,219	1	•	73,829	523,219
732,052,134 76 (139,678,370) (14,2 (20,695,836) (2 102,936,674 8 4,234,754 (13,838,396) (1,729,903) (3,495,022) (3,495,022)	(1,12) (1,12) (1,12) (1,12) (1,12) (1,12) (1,12)	641,802	1,472,498	949299	31,204	968	13,252,287	12,186,632	(4,036,153)	(3,900,566)	9,216,134	8,286,066
es (20,695,835) (142,00,695,835) (20,695,835) (20,695,835) (20,695,835) (20,695,8395) (20,729,903) (20,729,90	(1,12) (12) (8,25) (4,2)	26,554,627	105,331,044	109,210,382	3,523,438	3,880,548	862,237,342	905,718,672	(27,509,000)	(33,274,972)	834,728,342	872,443,700
(20,695,836) (20,695,836) (20,695,836) (313,838,396) (313,838,396) (314,729,903) (34,95,022) (34,95,022) (88,108,107)	(8,25)	(1,163,467)	(5,413,406)	(5,161,242)	(68,403)	(75,411)	(146,283,998)	(149,234,339)	(7,120,979)	(4,067,301)	(153,404,977)	(153,301,640)
(13,838,396) (13,838,396) (13,838,396) (1,729,903) (2,495,022) (2,495,022) (1,729,108,107)	(42	(29,238)	(1,116,162)	(551,940)	(15,387)	1	(21,956,657)	(23,698,647)	•	1	(21,956,657)	(23,698,647)
4,234,754 (13,838,396) (13,838,396) (1,729,903) (2,495,022) (88,108,107)	(45	(4,251,720)	6,635,503	3,511,450	(1,009,256)	(1,045,192)	100,309,934	87,066,018	(7,727,114)	(4,893,114)	92,582,820	82,172,904
(13,838,396) (1,729,903) (3,495,023) (88,108,107)	(45	90,012	169,225	69,527	14,880,982	13,371,488	19,339,661	18,549,018	(13,880,420)	(11,582,983)	5,459,241	6,966,035
(1,729,903) (3,495,022) (88,108,107		(327,392)	(1,111,693)	(972,020)	(13,717,752)	(11,750,079)	(29,097,754)	(26,900,561)	12,917,225	11,534,299	(16,180,529)	(15,366,262)
(3,495,023) (3,495,022) (3,495,022) (3,495,022) (9,89,108,107)		(54,422)		1	•	1	•	(54,422)	•	1	•	(54,422)
(3,495,022) 88,108,107 9		(5,076)	(1,087,127)	53,660	113,242,845	(4,693,649)	110,429,680	(4,895,048)	(113,718,131)	4,457,630	(3,288,451)	(437,418)
88,108,107 19 88,108,107	2,166,025	1,149,718	(2,820,487)	(4,151,648)	81,892	(406,678)	(4,067,592)	(11,069,710)	926,560	114,070	(3,141,032)	(10,955,640)
88,108,107	(6,458,310)	(2,398,880)	1,785,421	(1,489,031)	113,478,711	(4,524,110)	196,913,929	62,695,295	(121,481,880)	(370,098)	75,432,049	62,325,197
88,108,107												
	(6,458,310)	(3,398,880)	1,778,682	(1,489,603)	113,478,711	(4,524,110)	196,907,190	62,694,723	(121,487,813)	(407,325)	75,419,377	62,287,398
Non-controlling interests	•		6,739	572	•		6,739	572	5,933	37,227	12,672	37,799
Assets:												
Tangible and intangible assets 1,514,851,098 1,527,382,802 and goodwill	3,957,923	4,125,705	76,653,543	68,219,146	305,814	363,332	1,595,768,378	1,600,090,985	(115,142,466)	(106,451,825)	1,480,625,912	1,493,639,160
Inventories 13,034,702 6,067,184	615,150	814,340	201,885	483,866		1	13,851,737	7,365,390	ı	1	13,851,737	7,365,390
Financial investments -	209,829	209,829	1,504,296	2,494	1,048,336,476	1,127,492,297	1,050,050,601	1,127,704,620	(1,049,838,278)	(1,127,492,297)	212,323	212,323
Other non-current assets 97,647,755 97,696,644	3,570	3,570	5,892,325	5,573,619	530,961,790	486,935,257	634,505,440	590,209,090	(530,947,999)	(486,090,236)	103,557,441	104,118,854
Other current assets of the 231,930,799 307175,851 segment	8,116,215	7,645,124	53,329,425	48,302,313	136,461,502	105,985,335	429,837,941	469,108,623	(127,161,568)	(36,963,558)	302,676,373	432,145,065
Liabilities:												
Liabilities of the segment <b>810,003,305</b> 880,950,206	16,428,857	17,566,429	76,285,566	70,437,346	379,422,086	459,647,654	1,282,139,814	1,428,601,635	(464,459,029)	(425,521,811)	817,680,785	1,003,079,824
CAPEX 130,088,691 234,665,804	956,495	587,517	14,935,082	3,895,291	21,765,914	168,896,696	167,746,182	408,045,308	(24,538,027)	(159,001,299)	143,208,155	249,044,009

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	obile network Fixed network and internet		rnet Eliminatio		Telec	ommunications
	December-12	December-11 (restated - note 1)	Decem- ber-12	December-11 (restated - note 1)	December-12	December-11 (restated - note 1)	December-12	December-11 (restated - note 1)
Income:	•		•		•			
Sales and services rendered	528,133,982	570,721,343	222,532,480	220,396,630	(30,007,788)	(36,387,503)	720,658,674	754,730,470
Other operating revenues	28,501,814	32,214,612	1,255,796	1,002,469	(18,364,150)	(21,874,436)	11,393,460	11,342,645
Total revenues	556,635,796	602,935,955	223,788,276	221,399,099	(48,371,938)	(58,176,186)	732,052,134	766,073,115
Depreciation and amortisation	(106,775,613)	(106,054,415)	(32,743,713)	(36,503,852)	(159,044)	(275,952)	(139,678,370)	(142,834,219)
Operational results of the segments	121,064,541	112,577,145	(17,976,589)	(23,503,442)	(151,278)	(222,223)	102,936,674	88,851,480
Assets:								
Tangible and intangible assets and goodwill	815,623,907	821,431,822	141,945,160	147,098,094	-	-	957,569,067	968,529,916
Inventories	12,327,368	5,747,066	707,334	320,118	-	-	13,034,702	6,067,184
Financial investments	-	1,282,025	-	-	-	-	-	-
CAPEX	108,719,937	210,674,140	20,286,718	23,436,664	1,082,036	555,000	130,088,691	234,665,804

During the years ended at 31 December 2012 and 2011, the inter-segments sales and services were as follows:

	Telecommunications	Multimedia	Information Systems	Holding Activities
2012				
Telecommunications	-	-	18,779,380	3,038,639
Multimedia	373,756	-	104,654	145,875
Information Systems	620,347	15,257	-	297,803
Holding Activities	89,970	4,800	2,366	-
External trade debtors	719,574,601	20,915,696	84,938,165	9,917
	720,658,674	20,935,753	103,824,565	3,492,234
2011				
Telecommunications	-	-	24,144,824	3,332,236
Multimedia	382,264	-	127,242	171,270
Information Systems	749,679	44,635	-	352,347
Holding Activities	63,560	4,091	3,667	-
External trade debtors	753,536,375	25,864,099	84,210,141	23,799
	754,731,878	25,912,825	108,485,874	3,879,652

# **37. EARNINGS PER SHARE**

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 75,419,377 in 2012 and Euro 62,287,398 in 2011 restated - note 1) by the average number of shares outstanding during the years ended at 31 December 2012 and 2011, net of own shares (359,390,746 in 2012 and 357,163,073 in 2011).

### 38. 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 2012 can be summarised as follows:

			Vesting period		31 December 2012
		Award date	Vesting date	Aggregate number of participations	Number of shares
Sonaecom shares					
2008 Plan	1.117	10-Mar-09	09-Mar-12	-	-
2009 Plan**	1.685	10-Mar-10	08-Mar-13	4	247,423
2010 Plan	1.399	10-Mar-11	10-Mar-14	365	2,944,458
2011 Plan	1.256	09-Mar-12	10-Mar-15	362	3,057,697
Sonae SGPS shares					
2008 Plan	0.526	10-Mar-09	09-Mar-12	-	-
2009 Plan	0.761	10-Mar-10	08-Mar-13	4	342,242
2010 Plan	0.811	10-Mar-11	10-Mar-14	7	384,120
2011 Plan	0.401	09-Mar-12	10-Mar-15	7	761,890

<sup>\*</sup> 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 2012, 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
1,155	8,892,470	16	1,100,633
1,155	8,892,470	16	1,100,633
367	2,911,077	7	696,026
(381)	(3,802,108)	(4)	(405,776)
(369)	(2,516,247)	-	-
(41)	764,386	(1)	97,369
731	6,249,578	18	1,488,252
731	6,249,578	18	1,488,252
	1,155 1,155 367 (381) (369) (41)	Aggregate number of participations  1,155 8,892,470 1,155 8,892,470 367 2,911,077 (381) (3,802,108) (369) (2,516,247) (41) 764,386	Aggregate number of participations         Number of shares of participations         Aggregate number of participations           1,155         8,892,470         16           1,155         8,892,470         16           367         2,911,077         7           (381)         (3,802,108)         (4)           (369)         (2,516,247)         -           (41)         764,386         (1)           731         6,249,578         18

<sup>(1)</sup> 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 of 2009 and 2010, the responsibility is calculated taking into consideration the share price at award date of each plan. For 2011 Sonaecom shares plan, the Company signed with Sonae SGPS, SA a contract that agrees to the transfer of Sonaecom SGPS shares for employees and board members of the Group as requested of Sonaecom and under the MTIP of Sonaecom, and the liabilities are calculated based on the price fixed in the contract (note 34). The responsibility for the three share plans 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 27) and 'Other noncurrent liabilities'(note 23).



<sup>\*\*</sup>Some group companies pay this plan in advance in December 2012.

The detail of the aforementioned hedging contracts is as follows:

			SGPS shares	Sonaecom shares
	2009 Plan	2010 Plan	2011 Plan	2011 Plan
Notional value	251,337	257,574	323,727	3,291,520
Maturity	Mar-13	Mar-14	Mar-15	Dec-16
Level of inputs in the hierarchy of fair value		Level	2	
Valuation method		Current replace	ement cost	
Fair value*	(37,072)	13,097	193,629	825,660

<sup>\*</sup> Used the year-end price in the determination of the fair value.

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 2012, were as follows:

	Sonaecom shares	Sonae SGPS shares	Total
Costs recognised in previous years	27,115,317	3,959,810	31,075,127
Costs recognised in the year	4,619,444	304,175	4,923,619
Costs of plans vested in previous years	(19,838,452)	(3,474,937)	(23,313,389)
Costs of plans vested in the year	(8,186,296)	(313,825)	(8,500,121)
Total cost of the plans	3,710,013	475,223	4,185,236
Recorded in 'Other current liabilities' (note 27)	44,534	227,876	272,410
Recorded in 'Other non-current liabilities' (note 23)	14,700	247,347	262,047
Recorded in reserves	3,650,779	-	3,650,779

# 39. REMUNERATION ATTRIBUTED TO THE KEY MANAGEMENT PERSONNEL

During 2012 and 2011, the remunerations paid to Directors and other members of key management in functions at the years ended 31 December 2012 and 2011 (19 managers in 2012 and 2011) were as follows:

	2012	2011
Short-term employee benefits	3,194,563	3,324,526
Share-based payments	825,843	876,286
	4,020,406	4,200,812

The short-term employee benefits, which include the salary and performance bonus, were calculated on an accruals basis. The share-based payments for 2012 and 2011 correspond to the value of the Medium Term Incentive Plan and will be awarded in 2013, in respect of performance during 2012 (and the Medium Term Incentive Plan awarded in 2012 in respect of performance during 2011, for the 2011 amounts), whose shares, or the cash equivalent, will be delivered in March 2016 and March 2015, respectively.

Full details on the Group remuneration policy are disclosed in the Corporate Governance Report.

# **40. FEES OF STATUTORY AUDITOR**

In 2012 and 2011, the Group paid, in respect of fees, to the Statutory Auditor of the Group, Deloitte, and its network of companies, the following amounts:

_	2012	2011
Statutory audit	171,699	145,022
Other guarantee and reliability services	34,000	43,637
Tax Advice	47,785	19,081
Other consulting		20,000
Total	253,484	227,740

#### 41. AVERAGE NUMBER OF EMPLOYEES

During the years ended at 31 December 2012 and 2011, the companies included in the consolidation employed an average number of 2,132 and 2,152, respectively. At 31 December 2012, the number of employees was 2,121.

## 42. OTHER MATTERS

At 31 December 2012, accounts receivable from customers and accounts payable to suppliers include Euro 37,139,253 and Euro 29,913,608, respectively, as well the captions 'Other current assets' and 'Provisions and accumulated impairment losses' include Euro 411,649 and Euro 6,817,553, respectively, resulting from a dispute between the subsidiary Optimus - Comunicações, S.A. and, essentially, the operator TMN - Telecomunicações Móveis, S.A., in relation to the vagueness of interconnection tariffs, recorded in the year ended at 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.

Following a deliberation of Board of Directors of ANACOM at April 2012, it was applied to the Sonaecom's subsidiary Optimus, a fine of approximately 6.5 million euros, due to an alleged failure in the application of the resolutions taken by the regulator's on 26 October 2005, concerning termination rates for fixed calls. The Boards of Directors of Optimus and Sonaecom understand that Optimus has always complied with that resolution. Given this, Optimus contested in court the application of that fine and is expecting that the appeal will be upheld.

# **43. SUBSEQUENT EVENTS**

Following the announcement made, on 14 December 2012 (note 4), between Sonaecom SGPS, SA, Kento Holding Limited and Jadeium BV (currently named Unitel International Holdings, BV, collectively referred to as ('Kento/Jadeium')), of having reached an agreement to recommend to the Boards of Zon Multimédia - Serviços de Telecomunicações e Multimédia, SGPS, S.A. ('Zon') and Optimus SGPS, SA a merger between the two companies, on 11 January 2013, Sonaecom SGPS, S.A. carried out a capital increase in kind, transferring 81.807% of its financial participation in Optimus SGPS, S.A. to ZOPT.

At 21 January 2013, it was announced, by the Boards of Directors of both companies, the approval of the merger project. However, the transaction is still subject to approval of the shareholders of both companies, to the non-opposition from the Competition Authority, and to the issuance of a statement of waiving the obligation to launch a mandatory takeover bid by the Portuguese Securities and Exchange Commission.

At 15 February 2013, Sonae and France Télécom (FT-Orange) have executed an agreement whereby, respectively, a call and put option is granted over the 20% stake in Sonaecom's share capital presently held by a subsidiary of FT-Orange. Sonae's call option may be exercised during the subsequent 18 months and FT-Orange's put option within the 3 months subsequent to the end of such 18 months' period. The price for the exercise of both options is of Euro 98.9 million, which may be increased up to Euro 113.5 million in case Sonaecom or Optimus participate in any material transaction of consolidation or restructuring of the telecommunications sector in Portugal which is announced within the subsquent 24 months. This agreement is subject to the condition that the Portuguese Securities Commission (CMVM) confirms that no concerted exercise of influence results from this agreement and that the shares held by Sonae are not attributable to FT-Orange, thereby removing the legal presumption of article 20, paragraph 4, of the Portuguese Securities Code.

These consolidated financial statements were approved by the Board of Directors on 6 March 2013.

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 Antonio 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 Trigoso 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 Goncalves Paiva

#### Key management personnel - Sonae SGPS

Álvaro Carmona e Costa Portela Christine Cross José Manuel Neves Adelino Álvaro Cuervo Garcia Belmiro de Azevedo Michel Marie Bon Bernd Hubert Joachim Bothe

#### Sonae/Efanor Group Companies

3DO Holding GmbH BA Capital, SGPS, SA 3shoppings - Holding, SGPS, S.A. BB Food Service, S.A. 8ª Avenida Centro Comercial, SA Beralands BV

ADD Avaliações Engenharia de Avaliações e Perícias Ltda Bertimóvel - Sociedade Imobiliária, S.A.

Adlands B.V. BHW Beeskow Holzwerkstoffe Aegean Park, S.A. Bloco Q - Sociedade Imobiliária, S.A. Agepan Eiweiler Management GmbH Bloco W – Sociedade Imobiliária, S.A. Agepan Flooring Products, S.A.RL Boavista Shopping Centre BV

Agloma Investimentos, Sgps, S.A. BOM MOMENTO - Comércio Retalhista, SA Agloma-Soc.Ind.Madeiras e Aglom., S.A. Canasta - Empreendimentos Imobiliários, S.A. Águas Furtadas Sociedade Agrícola, SA Carnes do Continente - Ind.Distr.Carnes, S.A.

Airone - Shopping Center, Srl Casa Agrícola de Ambrães, S.A.

ALBCC Albufeirashopping C.Comercial SA Casa da Ribeira - Hotelaria e Turismo, S.A. ALEXA Administration GmbH Cascaishopping - Centro Comercial, S.A. ALEXA Asset GmbH & Co KG Cascaishopping Holding I, SGPS, S.A. ALEXA Holding GmbH CCCB Caldas da Rainha - Centro Comercial,SA

ALEXA Shopping Centre GmbH Centro Colombo - Centro Comercial, S.A. Algarveshopping - Centro Comercial, S.A. Centro Residencial da Maia, Urban., S.A.

Alpêssego - Soc. Agrícola, S.A Centro Vasco da Gama - Centro Comercial, S.A.

Andar - Sociedade Imobiliária, S.A. Change, SGPS, S.A.

Aqualuz - Turismo e Lazer, Lda Chão Verde - Soc.Gestora Imobiliária, S.A.

Arat inmebles, S.A. Cinclus Imobiliária, S.A. ARP Alverca Retail Park, SA Citorres - Sociedade Imobiliária, S.A.

Arrábidashopping - Centro Comercial, S.A. Coimbrashopping - Centro Comercial, S.A.

Aserraderos de Cuellar, S.A. Colombo Towers Holding, BV

Atlantic Ferries - Tráf.Loc,Flu.e Marít, S.A. Contacto Concessões, SGPS, S.A. Avenida M – 40 B V Contibomba – Comérc.Distr.Combustiveis, S.A.

Avenida M - 40, S.A. Contimobe - Imobil.Castelo Paiva, S.A. Azulino Imobiliária, S.A. Continente Hipermercados, S.A. BA Business Angels, SGPS, SA Contry Club da Maia-Imobiliaria, S.A.

Cooper Gay Swett & Crawford Lt

Craiova Mall BV

Cronosaúde - Gestão Hospitalar, S.A. Cumulativa – Sociedade Imobiliária, S.A.

Darbo S.A.S

Deutsche Industrieholz GmbH Discovery Sports, SA Dortmund Tower GmbH

Dos Mares – Shopping Centre B.V. Dos Mares - Shopping Centre, S.A. Ecociclo - Energia e Ambiente, S.A.

Ecociclo II

Edições Book.it, S.A.

Efanor Investimentos, SGPS, S.A. Efanor Serviços de Apoio à Gestão, S.A.

El Rosal Shopping, S.A. Emfísico Boavista

Empreend.Imob.Quinta da Azenha, S.A.

Equador & Mendes, Lda

Espimaia - Sociedade Imobiliária, S.A. Estação Viana - Centro Comercial, S.A. Estêvão Neves - Hipermercados Madeira, S.A. Euroresinas – Indústrias Quimicas, S.A.

Farmácia Selecção, S.A. Fashion Division Canárias, SL Fashion Division, S.A.

Fozimo – Sociedade Imobiliária, S.A. Fozmassimo - Sociedade Imobiliária, S.A. Freccia Rossa – Shopping Centre S.r.l. Frieengineering International Ltda Fundo de Invest. Imobiliário Imosede Fundo I.I. Parque Dom Pedro Shop.Center Fundo Invest.Imob.Shopp. Parque D.Pedro Gaiashopping I - Centro Comercial, S.A.

Gaiashopping II - Centro Comercial, S.A.

GHP Gmbh

Gli Orsi Shopping Centre 1 Srl

Glunz AG

Glunz Service GmbH Glunz UK Holdings Ltd Glunz Uka Gmbh GMET, ACE

Golf Time - Golfe e Invest. Turísticos, S.A.

Guimarãeshopping – Centro Comercial, S.A.

Harvey Dos Iberica, S.L.

Herco Consultoria de Riscos e Corretora de Seguros Ltda

HighDome PCC Limited Iberian Assets, S.A.

Igimo - Sociedade Imobiliária, S.A. Iginha - Sociedade Imobiliária, S.A. Imoareia – Invest. Turísticos, SGPS, S.A.

Imobiliária da Cacela, S.A.

Imoclub – Serviços Imobilários, S.A. Imoconti - Soc.Imobiliária, S.A. Imodivor – Sociedade Imobiliária, S.A. Imoestrutura – Soc.Imobiliária, S.A. Imoferro - Soc.Imobiliária, S.A. Imohotel – Emp. Turist. Imobiliários, S.A. Imomuro - Sociedade Imobiliária, S.A.

Imoplamac Gestão de Imóveis, S.A. Imoponte – Soc.Imobiliaria, S.A. Imoresort - Sociedade Imobiliária, S.A. Imoresultado - Soc.Imobiliaria, S.A. Imosedas – Imobiliária e Seviços, S.A. Imosistema – Sociedade Imobiliária, S.A.

Imopenínsula – Sociedade Imobiliária, S.A.

Imosonae II

Impaper Europe GmbH & Co. KG Implantação – Imobiliária, S.A. Infofield – Informática, S.A.

Infratroia, EM

Inparsa - Gestão Galeria Comercial, S.A.

Inparvi SGPS, S.A. Integrum - Energia, SA Integrum Colombo Energia, S.A. Integrum Martim Longo - Energia, S.A.

Interlog - SGPS, S.A.

Invesaude - Gestão Hospitalar S.A.

Ioannina Development of Shopping Centres, SA

Isoroy SAS

La Farga – Shopping Center, SL Laminate Park GmbH Co. KG Larim Corretora de Resseguros Ltda Larissa Develop. Of Shopping Centers, S.A.

Lazam - MDS Corretora e Administradora de Seguros, S.A.

LCC LeiriaShopping Centro Comercial SA

Le Terrazze - Shopping Centre 1 Srl

Libra Serviços, Lda.

Lidergraf - Artes Gráficas, Lda. Loop5 Shopping Centre GmbH Loureshopping - Centro Comercial, S.A. Luz del Tajo - Centro Comercial S.A.

Luz del Tajo B.V.

Madeirashopping - Centro Comercial, S.A. Maiashopping - Centro Comercial, S.A. Maiequipa - Gestão Florestal, S.A.

Marcas do Mundo – Viag. e Turismo Unip, Lda

Marcas MC, ZRT Marina de Tróia S.A.

Marinamagic – Expl.Cent.Lúdicos Marít, Lda Marmagno – Expl.Hoteleira Imob., S.A. Martimope - Sociedade Imobiliária, S.A. Marvero - Expl. Hoteleira Imob., S.A. MDS Affinity - Sociedade de Mediação, Lda

MDS Africa SGPS, S.A. MDS Consultores, S.A. MDS Corretor de Seguros, S.A. MDS Malta Holding Limited

MDS SGPS, SA

MDSAUTO - Mediação de Seguros, SA

Megantic BV

Miral Administração e Corretagem de Seguros Ltda MJLF - Empreendimentos Imobiliários, S.A. Mlearning - Mds Knowledge Centre, Unip, Lda

Modalfa - Comércio e Serviços, S.A. MODALLOOP - Vestuário e Calçado, S.A. Modelo - Dist.de Mat. de Construção, S.A. Modelo Continente Hipermercados, S.A. Modelo Continente Intenational Trade, SA

Modelo Hiper Imobiliária, S.A.

Modelo.com - Vendas p/Correspond., S.A. Movelpartes – Comp.para Ind.Mobiliária, S.A. Movimento Viagens - Viag. e Turismo U.Lda Mundo Vip - Operadores Turisticos, S.A.

Munster Arkaden, BV

Norscut - Concessionária de Scut Interior Norte, S.A.

Norteshopping - Centro Comercial, S.A. Norteshopping Retail and Leisure Centre, BV Nova Equador Internacional, Ag. Viag. T, Ld Nova Equador P.C.O. e Eventos

Operscut - Operação e Manutenção de Auto-estradas, S.A.

OSB Deustchland Gmbh PantheonPlaza BV

Paracentro - Gest.de Galerias Com., S.A.

Pareuro, BV

Park Avenue Develop. of Shop. Centers S.A. Parque Atlântico Shopping - C.C., S.A.

Parque D. Pedro 1B.V. Parque D. Pedro 2 B.V.

Parque de Famalicão - Empr. Imob., S.A.

Parque Principado SL Pátio Boavista Shopping Ltda. Pátio Campinas Shopping Ltda Pátio Goiânia Shopping Ltda

Pátio Londrina Empreend. e Particip. Ltda

Pátio Penha Shopping Ltda. Pátio São Bernardo Shopping Ltda Pátio Sertório Shopping Ltda Pátio Uberlândia Shopping Ltda

Peixes do Continente – Ind.Dist.Peixes, S.A. Pharmaconcept - Actividades em Saúde, S.A. PHARMACONTINENTE - Saúde e Higiene, S.A. PJP – Equipamento de Refrigeração, Lda

Plaza Éholi B V

Plaza Éboli - Centro Comercial S.A. Plaza Mayor Holding, SGPS, SA Plaza Mayor Parque de Ócio BV Plaza Mayor Parque de Ocio, SA Plaza Mayor Shopping BV Plaza Mayor Shopping, SA

Ploi Mall BV Plysorol, BV

Poliface North America

PORTCC - Portimãoshopping Centro Comercial, SA

Porturbe - Edificios e Urbanizações, S.A.

Praedium - Serviços, S.A. Praedium II – Imobiliária, S.A. Praedium SGPS, S.A.

Predicomercial - Promoção Imobiliária, S.A.

Prédios Privados Imobiliária, S.A. Predisedas - Predial das Sedas, S.A. Pridelease Investments, Ltd

Proj. Sierra Germany 4 (four) - Sh.C.GmbH Proj.Sierra Germany 2 (two) – Sh.C.GmbH Proj.Sierra Italy 1 - Shop.Centre Srl Proj.Sierra Italy 2 – Dev. Of Sh.C.Srl

Proj.Sierra Italy 3 – Shop. Centre Srl
Proj.Sierra Italy 5 – Dev. Of Sh.C.Srl

Project 4, Srl
Project SC 1 BV

Project SC 2 BV
Project Sierra 2 B.V.
Project Sierra 6 BV

Project Sierra 7 BV
Project Sierra 8 BV
Project Sierra 9 BV
Project Sierra Brazil 1 B.V.
Project Sierra Charagionis 1 S.A.
Project Sierra Four, SA

Project Sierra Germany Shop. Center 1 BV Project Sierra Germany Shop. Center 2 BV

Project Sierra Spain 1 B.V.

Project Sierra Spain 2 – Centro Comer. S.A.

Project Sierra Spain 2 B.V.

Project Sierra Spain 3 – Centro Comer. S.A.

Project Sierra Spain 3 B.V.
Project Sierra Spain 6 B.V.
Project Sierra Spain 7 B.V.
Project Sierra Three Srl
Project Sierra Two Srl

Promessa Sociedade Imobiliária, S.A.
Prosa – Produtos e serviços agrícolas, S.A.
Puravida – Viagens e Turismo, S.A.
Quorum Corretora de seguros LT

Racionaliz. y Manufact.Florestales, S.A. RASO - Viagens e Turismo, S.A.

RASO, SGPS, S.A.

Rio Sul – Centro Comercial, S.A.

River Plaza Mall, Srl River Plaza, BV

Rochester Real Estate, Limited RSI Corretora de Seguros Ltda S.C. Microcom Doi Srl

Saúde Atlântica – Gestão Hospitalar, S.A.

SC – Consultadoria, S.A.

SC – Eng. e promoção imobiliária, SGPS, S.A.

SC Aegean B.V. SC Assets SGPS, S.A.

SC Finance BV

SC Mediterraneum Cosmos B.V.

SC, SGPS, SA SCS Beheer, BV Selfrio,SGPS, S.A.

Selifa – Empreendimentos Imobiliários, S.A. Sempre à Mão – Sociedade Imobiliária, S.A.

Sempre a Postos – Produtos Alimentares e Utilidades, Lda

Serra Shopping – Centro Comercial, S.A.
Sesagest – Proj.Gestão Imobiliária, S.A.
Sete e Meio – Invest. Consultadoria, S.A.
Sete e Meio Herdades – Inv. Agr. e Tur., S.A.
Shopping Centre Parque Principado B.V.

Shopping Penha B.V.

Siaf - Soc.Iniciat.Aprov.Florestais - Energia, S.A.

SIAL Participações Ltda

Sierra Asset Management - Gest. Activos, S.A.

Sierra Berlin Holding BV Sierra Central S.A.S

Sierra Charagionis Develop.Sh. Centre S.A.
Sierra Charagionis Propert.Management S.A.
Sierra Corporate Services Holland, BV
Sierra Development Greece, S.A.
Sierra Developments Germany GmbH
Sierra Developments Holding B.V.
Sierra Developments Italy S.r.I.
Sierra Developments Romania, Srl

 ${\sf Sierra\ Developments\ Spain-Prom.C.Com.SL}$ 

Sierra Developments, SGPS, S.A.

Sierra Enplanta Ltda

Sierra European R.R.E. Assets Hold. B.V.

Sierra GP Limited

Sierra Investimentos Brasil Ltda Sierra Investments (Holland) 1 B.V. Sierra Investments (Holland) 2 B.V. Sierra Investments Holding B.V. Sierra Investments SGPS, S.A. Sierra Italy Holding B.V.

Sierra Management Germany GmbH Sierra Management Greece S.A. Sierra Management Italy S.r.I. Sierra Management Romania, Srl

Sierra Management Spain – Gestión C.Com.S.A.

Sierra Management, SGPS, S.A.

Sierra Portugal, S.A.

SII - Soberana Invest. Imobiliários, S.A.

SIRS - Sociedade Independente de Radiodifusão Sonora, S.A.

SISTAVAC, S.A.

SKK - Central de Distr., S.A.

SKK SRL

SKKFOR - Ser. For. e Desen. de Recursos Sociedade de Construções do Chile, S.A.

Société de Tranchage Isoroy S.A.S. Socijofra – Sociedade Imobiliária, S.A. Sociloures - Soc.Imobiliária, S.A.

Soconstrução BV Sodesa, S.A. Soflorin, BV

Soira - Soc.Imobiliária de Ramalde, S.A.

Solinca - Eventos e Catering, SA Solinca - Health and Fitness, SA Solinca – Investimentos Turísticos, S.A.

Solinfitness - Club Malaga, S.L Solingen Shopping Center GmbH

SOLSWIM-Gestão e Expl.Equip.Aquáticos,SA Soltroia – Imob.de Urb.Turismo de Tróia, S.A.

Somit Imobiliária

SONAE - Specialized Retail, SGPS, SA

Sonae Capital Brasil, Lda Sonae Capital, SGPS, S.A. Sonae Center II S.A.

Sonae Center Serviços, S.A.

Sonae Ind., Prod. e Com.Deriv.Madeira, S.A.

Sonae Indústria - SGPS, S.A.

Sonae Industria de Revestimentos, S.A. Sonae Indústria Manag. Serv, SA Sonae Investimentos, SGPS, SA Sonae Novobord (PTY) Ltd

Sonae RE, S.A.

Sonae Retalho Espana – Servicios Gen., S.A.

Sonae SGPS, S.A. Sonae Sierra Brasil S.A. Sonae Sierra Brazil B.V. Sonae Sierra, SGPS, S.A. Sonae Tafibra Benelux, BV

Sonae Turismo - SGPS, S.A. Sonae UK, Ltd.

Sonaegest - Soc.Gest.Fundos Investimentos SONAEMC - Modelo Continente, SGPS, S.A.

Sondis Imobiliária, S.A.

Sontel BV Sontur BV Sonvecap BV Sopair, S.A.

Sotáqua - Soc. de Empreendimentos Turist

Spanboard Products, Ltd

SPF - Sierra Portugal Real Estate, Sarl Spinarq - Engenharia, Energia e Ambiente, SA Spinveste – Gestão Imobiliária SGII, S.A. Spinveste - Promoção Imobiliária, S.A. Sport Retalho España – Servicios Gen., S.A. Sport Zone – Comércio Art.Desporto, S.A.

Sport Zone - Turquia Sport Zone Canárias, SL

Sport Zone España-Com.Art.de Deporte,SA

Spred, SGPS, SA Stinnes Holz GmbH Tableros Tradema, S.L.

Tafiber, Tableros de Fibras Ibéricas, SL

Tafibra Polska Sp.z.o.o. Tafibra South Africa Tafibra Suisse, SA

Tafisa - Tableros de Fibras, S.A. Tafisa Canadá Societé en Commandite

Tafisa France, S.A. Tafisa UK. Ltd

Taiber, Tableros Aglomerados Ibéricos, SL Tarkett Agepan Laminate Flooring SCS Tecmasa Reciclados de Andalucia, SL

Têxtil do Marco, S.A.

Tlantic Portugal - Sist. de Informação, S.A. Tlantic Sistemas de Informação Ltdª Todos os Dias - Com.Ret.Expl.C.Comer., S.A.

Tool Gmbh

Torre Ocidente Imobiliária, S.A. Torre São Gabriel - Imobiliária, S.A. TP – Sociedade Térmica, S.A.

Troia Market, S.A. Tróia Natura, S.A.

Troiaresort – Investimentos Turísticos, S.A. Troiaverde - Expl. Hoteleira Imob., S.A. Tulipamar - Expl.Hoteleira Imob., S.A. Unishopping Administradora Ltda. Unishopping Consultoria Imob. Ltda.



Urbisedas – Imobiliária das Sedas, S.A. Valecenter Srl Valor N, S.A. Vastgoed One – Sociedade Imobiliária, S.A. Vastgoed Sun – Sociedade Imobiliária, S.A. Via Catarina – Centro Comercial, S.A. Viajens y Turismo de Geotur España, S.L. Vistas do Freixo, SA Vuelta Omega, S.L. Weiterstadt Shopping BV

World Trade Center Porto, S.A.

Worten – Equipamento para o Lar, S.A.

Worten Canárias, SL Worten España, S.A.

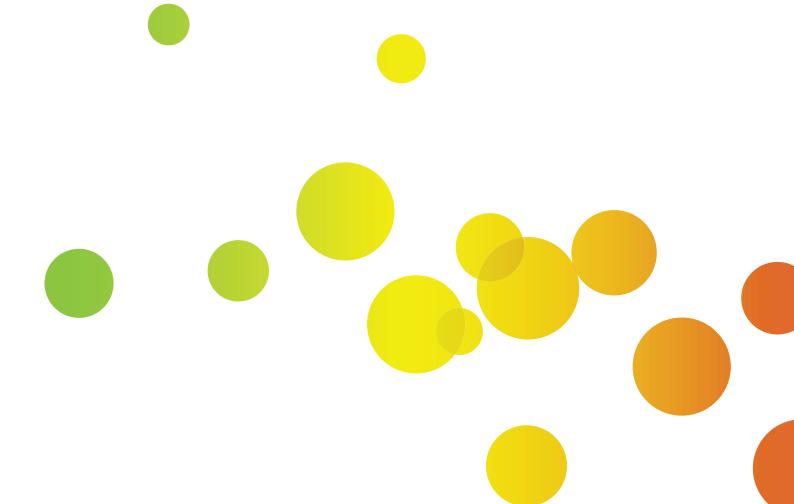
ZIPPY - Comércio e Distribuição, SA ZIPPY - Comercio y Distribución, S.A.

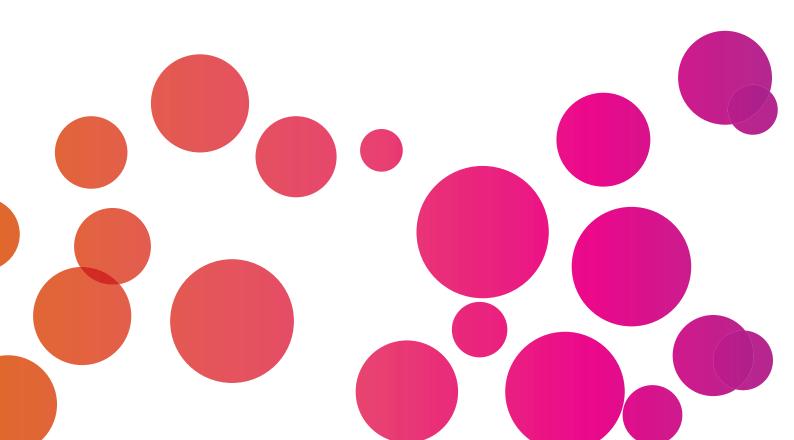
Zippy Turquia

Zubiarte Inversiones Inmobiliarias, S.A. ZYEVOLUTION-Invest.Desenv.,SA.

# FT Group Companies

		······································
Fra	nce Télécom, S.A.	Atlas Services Belgium, S.A.





# **6.3. SONAECOM INDIVIDUAL FINANCIAL STATEMENTS**

# **BALANCE SHEETS**

At 31 December 2012 and 2011			
(Amounts expressed in Euro)	Notes	December 2012	December 2011
Assets			
Non-current assets			
Tangible assets	1.a, 1.e and 2	296,504	361,047
Intangible assets	1.b and 3	9,310	2,285
Investments in Group companies	1.c and 5	1,072,873,096	1,097,478,929
Other non-current assets	1. c, 1.m, 4, 6 and 22	521,421,792	542,879,752
Total non-current assets		1,594,600,702	1,640,722,013
Current assets		,	
Other current debtors	1.d, 1.f, 4, 8 and 22	10,115,242	5,250,772
Other current assets	1.m, 9 and 22	3,687,639	1,249,804
Cash and cash equivalents	1.d, 1.g, 4, 10 and 22	103,717,414	61,289,703
Total current assets	-	117,520,295	67,790,279
Total assets		1,712,120,997	1,708,512,292
Shareholder' funds and liabilities			
Shareholders' funds			
Share capital	11	366,246,868	366,246,868
Own shares	1.p and 12	(6,299,699)	(13,594,518)
Reserves	1.0	870,193,067	904,095,590
Net income / (loss) for the year		103,229,835	(7,960,682)
Total Shareholders' funds		1,333,370,071	1,248,787,258
Liabilities	•		
Non-current liabilities			
Medium and long-term loans – net of short-term portion	1.d, 1.h, 1.i, 4, 13.a and 22	190,239,630	319,485,865
Provisions for other liabilities and charges	1.k, 1.n and 14	74,959	68,654
Other non-current liabilities	1.m, 1.s and 15	174,176	271,207
Total non-current liabilities	•	190,488,765	319,825,726
Current liabilities			
Short-term loans and other loans	1.d, 1.g, 1.h, 1.i, 4, 13.b and 22	186,419,026	137,109,904
Other creditors	1.d, 4, 16 and 22	828,261	1,579,811
Other current liabilities	1.m, 1.s, 17 and 22	1,014,874	1,209,593
Total current liabilities	•	188,262,161	139,899,308
Total Shareholders' funds and liabilities		1,712,120,997	1,708,512,292

The notes are an integral part of the financial statements at 31 December 2012 and 2011.

## O Técnico Oficial de Contas

Patrícia Maria Cruz Ribeiro da Silva

## O Conselho de Administração

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Frank Emmanuel Dangeard Maria Cláudia Teixeira Azevedo

# PROFIT AND LOSS ACCOUNT BY NATURE

For the year and quarter ended at 31 December 2012 and 2011

(Amounts expressed in Euro)	Notes	December 2012	September to December 2012 (Not audit)	December 2011	September to December 2011 (Not audit)
Services rendered	18 and 22	3,492,234	606,905	3,879,652	923,030
Other operating revenues	1f	319	-	896	-
		3,492,553	606,905	3,880,548	923,030
External supplies and services	1e, 19 e 22	(2,044,286)	(613,122)	(1,986,852)	(431,132)
Staff expenses	1s, 25, 26 e 27	(2,248,401)	(503,192)	(2,655,517)	(679,966)
Depreciation and amortisation	1a, 1b, 2 and 3	(68,403)	(17,227)	(75,411)	(18,529)
Provisions and impairment losses	1k and 14	(15,387)	-	-	-
Other operating costs		(56,689)	(21,255)	(100,022)	(22,935)
	•	(4,433,166)	(1,154,796)	(4,817,802)	(1,152,562)
Gains and losses on Group companies	5, 6 and 20	103,388,419	10,270,291	(9,880,000)	(6,644,000)
Other financial expenses	1c, 1h, 1i, 1q, 1r, 13, 20 and22	(14,238,054)	(3,578,832)	(12,043,254)	(4,063,979)
Other financial income	1q, 10, 20 and 22	14,938,191	6,519,301	15,312,037	775,022
Current income / (loss)		103,147,943	12,662,869	(7,548,471)	(10,162,489)
Income taxation	1l, 7 and 21	81,892	(551,686)	(412,211)	1,603,411
Net income / (loss) for the year		103,229,835	12,111,183	(7,960,682)	(8,559,078)
Earnings per share	24				
Including discontinued operations:					
Basic		0.29	0.03	(0.02)	(0.02)
Diluted		0.29	0.03	(0.02)	(0.02)
Excluding discontinued operations:					
Basic		0.29	0.03	(0.02)	(0.02)
Diluted		0.29	0.03	(0.02)	(0.02)

The notes are an integral part of the financial statements at 31 December 2012 and 2011.

## O Técnico Oficial de Contas

Patrícia Maria Cruz Ribeiro da Silva

# O Conselho de Administração

Maria Cláudia Teixeira Azevedo

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Frank Emmanuel Dangeard



# STATEMENT COMPREHENSIVE INCOME

For the year ended at 31 December 2012 and 2011

(Amounts expressed in Euro)	Notes	December 2012	December 2011
Net income / (loss) for the year		103,229,835	(7,960,682)
Components of other comprehensive income, net of tax		-	-
Comprehensive income for the year		103,229,835	(7,960,682)

The notes are an integral part of the financial statements at 31 December 2012 and 2011.

# O Técnico Oficial de Contas

Patrícia Maria Cruz Ribeiro da Silva

# O Conselho de Administração

Duarte Paulo Teixeira de Azevedo	Miguel Nuno Santos Almeida	Gervais Gilles Pellissier
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Maria Cláudia Teixeira Azevedo	Frank Emmanuel Dangeard	



# **MOVEMENTS IN SHAREHOLDERS' FUNDS**

For the year ended at 31 December 2012 and 2011

								Reserves		
	Share capital	Own shares (note 12	Share premium	Legal reserves	Term Incentive Plans reserves	Own shares reserve	Other reserves	Total reserves	Net income / (loss)	Total
(Amounts expressed in Euro	p)	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·	(note 25)		· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·	
2012 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
Appropriation of result of 2011										
Transfer to legal reserves and other reserves	-	-	-	-	-	-	(7,960,682)	(7,960,682)	7,960,682	-
Dividends distribution	-	-	-	-	-	-	(25,172,240)	(25,172,240)	-	(25,172,240)
Comprehensive income for the year ended at 31 December 2012	-	-	-	-	-	-	-	-	103,229,835	103,229,835
Delivery of own shares under the Medium Term Incentive Plans	-	438,791	-	-	(497,588)	(438,791)	380,690	(555,689)	-	(116,898)
Sale of own shares to subsidiaries under the Short and Medium Term Incentive Plans	-	9,031,343	-	-	-	(9,031,343)	8,688,712	(342,631)	-	8,688,712
Delivery of own shares under the loan in shares to subsidiaries	-	1,962,514	-	-	-	(1,962,514)	1,962,514	-	-	1,962,514
Reimbursement of own shares under the loan in shares to subsidiaries	-	(1,962,514)	-	-	-	1,962,514	(1,962,514)	-	-	(1,962,514)
Effect of the recognition of the Medium Term Incentive Plans	-	-	-	-	405,219	-	-	405,219	-	405,219
Derivate on own shares (notes 22 and 25)	-	-	-	-	-	-	(276,500)	(276,500)	-	(276,500)
Acquisition of own shares	-	(2,175,315)	-	-	-	2,175,315	(2,175,315)	-	-	(2,175,315)
Balance at 31 December 2012	366,246,868	(6,299,699)	775,290,377	7,991,192	650,156	6,299,699	79,961,643	870,193,067	103,229,835	1,333,370,071

The notes are an integral part of the financial statements at 31 December 2012 and 2011.

## O Técnico Oficial de Contas

Patrícia Maria Cruz Ribeiro da Silva

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Duarte Paulo Teixeira de Azevedo Miguel Nuno Santos Almeida Gervais Gilles Pellissier

Ângelo Gabriel Ribeirinho Paupério António Sampaio e Mello Jean-François René Pontal

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Frank Emmanuel Dangeard Maria Cláudia Teixeira Azevedo





# For the year ended at 31 December 2012 and 2011

								Reserves		
(Amounts expressed in Eur	Share capital ro)	Own shares (note 12	Share premium	Legal reserves	Medium Term Incentive Plans reserves (note 25)	Own shares reserve	Other reserves	Total reserves	Net income / (loss)	Total
2011										
Balance at 31 December 2010	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
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	-	=	(186,538)	(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 2012 and 2011.

## O Técnico Oficial de Contas

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## O Conselho de Administração

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# **CASH FLOW STATEMENTS**

For the year ended at 31 December 2012 and 2011

		December 2012	[	December 2011
Operating activities				
Payments to employees	(2,145,722)		(2,734,933)	
Cash flows from operating activities	(2,145,722)		(2,734,933)	
Payments / receipts relating to income taxes, net	(1,854,525)		(1,468,316)	
Other payments / receipts relating to operating activities, net	7,133,247		2,847,365	
Cash flows from operating activities (1)		3,133,000		(1,355,884)
Investing activities				
Receipts from:				
Investments	486,805,537		17,840,000	
Tangible assets	267		800	
Interest and similar income	12,125,271		21,139,843	
Loans granted	-		58,320,000	
Dividends	129,476,277	628,407,352	-	97,300,643
Payments for:				
Investments	(175,415,602)		(177,755,291)	
Tangible assets	(2,445)		(1,577)	
Intangible assets	(6,408)		-	
Loans granted	(291,414,000)	(466,838,455)	-	(177,756,868)
Cash flows from investing activities (2)		161,568,897		(80,456,225
Financing activities				
Receipts from:				
Loans obtained	50,000,000	50,000,000	104,750,000	104,750,000
Payments for:				
Interest and similar expenses	(14,360,631)		(11,460,754)	
Dividends	(25,172,240)		(17,859,403)	
Acquisition of own shares	(2,175,315)		(2,223,287)	
Loans obtained	(130,566,000)	(172,274,186)	(5,736,000)	(37,279,444)
Cash flows from financing activities (3)		(122,274,186)		67,470,556
Net cash flows (4)=(1)+(2)+(3)		42,427,711		(14,341,553
Cash and cash equivalents at the beginning of the year	-	61,289,703		75,631,256
Cash and cash equivalents at year end		103,717,414		61,289,703

The notes are an integral part of the financial statements at 31 December 2012 and 2011.

## O Técnico Oficial de Contas

Patrícia Maria Cruz Ribeiro da Silva

# O Conselho de Administração

Duarte Paulo Teixeira de Azevedo	Miguel Nuno Santos Almeida	Gervais Gilles Pellissier
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António Bernardo Aranha da Gama Lobo Xavier	David Charles Denholm Hobley	Nuno Manuel Moniz Trigoso Jordão

Frank Emmanuel Dangeard Maria Cláudia Teixeira Azevedo

# NOTES TO THE CASH FLOW STATEMENTS

For the year ended at 31 December 2012 and 2011		
	December 2012	December 2011
1. Acquisition or sale of subsidiaries or other businesses		
a) Other business activities		
Sale of the share capital of Be Artis to OPTIMUS, SGPS, S.A.	455,735,851	-
Sale of the share capital of Sontária to OPTIMUS, SGPS, S.A.	9,380,876	-
Reimburse of supplementary capital from Be Artis	14,943,304	-
Reimburse of supplementary capital from PCJ - Público, Comunicação e Jornalismo, S.A.	3,243,735	-
Reimburse of supplementary capital from Público- Comunicação Social, S.A.	3,501,771	17,840,000
	486,805,537	17,840,000
b) Other business activities		
Cash outflow to coverage losses Be Artis	14,943,304	-
Cash outflow to coverage losses PCJ - Público, Comunicação e Jornalismo, S.A.	3,243,735	-
Cash outflow to coverage losses Público - Comunicação Social, S.A.	3,501,771	-
Establishment of Sonaecom - Serviços Partilhados, S.A.	50,000	-
Establishment of ZOPT, SGPS, S.A.	25,000	-
Supplementary capital to OPTIMUS, SGPS, S.A.	106,000,000	-
Supplementary capital to Sonae com - Sistemas de Informação, SGPS, S.A.	39,951,792	-
Supplementary capital to Público - Comunicação Social, S.A.	7,500,000	1,900,000
Supplementary capital to Miauger – Organização e Gestão de Leilões Electrónicos, S.A.	200,000	305,000
Supplementary capital to PCJ - Público, Comunicação e Jornalismo, S.A.	-	12,990,000
Payment of Acquisiction Optimus - Comunicações S.A.		133,700,000
Payment of Acquisiction Público - Comunicação Social, S.A.	-	20,000,000
Payment of Acquisiction Sontária-Empreendimentos Imobiliários, S.A.	-	8,860,291
	175,415,602	177,755,291
c) Dividends received		
Optimus - Comunicações, S.A.	68,175,378	-
OPTIMUS, SGPS, S.A.	29,684,926	-
Sonae com - Sistemas de Informação, SGPS, S.A.	31,032,500	-
Sontária - Empreendimentos Imobiliários, S.A.	583,473	
	129,476,277	-
2. Details of cash and cash equivalents		
Cash in hand	1,280	10,291
Cash at bank	31,134	74,412
Treasury applications	103,685,000	61,205,000
Cash and cash equivalents	103,717,414	61,289,703
Cash assets	103,717,414	61,289,703



	December 2012	December 2011
3. Description of non-monetary financing activities		
a) Bank credit obtained and not used	69,000,000	106,000,000
b) Purchase of company through the issue of shares	Not applicable	Not applicable
c) Conversion of loans into shares	Not applicable	Not applicable

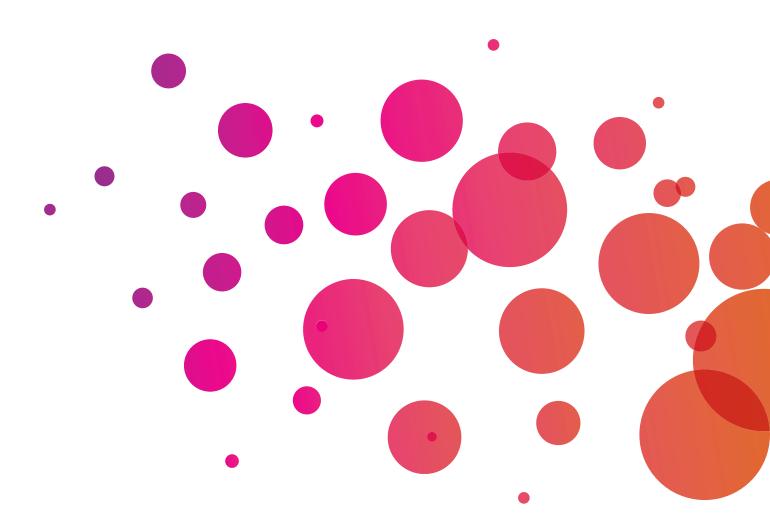
The notes are an integral part of the financial statements at 31 December 2012 and 2011.

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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 3.52% 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 Euro 10.

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 Euro 181,000,000 to Euro 226,250,000 by public subscription reserved for the existing Shareholders, 45,250,000 new shares of 1 Euro each having been fully subscribed for and paid up at the price of Euro 2.25 per share.

On 30 April 2003, the company's name was changed by public deed to Sonaecom, SGPS, S.A..

By decision of the Shareholders' General Meeting held on 12 September 2005, Sonaecom's share capital was increased by Euro 70,276,868, from Euro 226,250,000 to Euro 296,526,868, by the issuance of 70,276,868 new shares of 1 euro each and with a share premium of Euro 242,455,195, fully subscribed by France Telecom. The corresponding public deed was executed on 15 November 2005.

By decision of the Shareholders' General Meeting held on 18 September 2006, Sonaecom's share capital was increased by Euro 69,720,000, to Euro 366,246,868, by the issuance of 69,720,000 new shares of 1 Euro each and with a share premium of Euro 275,657,217, subscribed by 093X – Telecomunicações Celulares, S.A. ('EDP') and Parpública – Participações Públicas, SGPS, S.A. (Parpública). The corresponding public deed was executed on 18 October 2006.

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

The financial statements are presented in euro, rounded at unit.



#### 1. BASIS OF PRESENTATION

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

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, with the exception of the start dates of the adoption of the standards indicated below.

The following standards, interpretations, amendments and revisions have been approved (endorsed) by the European Union and have mandatory application to financial years beginning on or after 1 January 2012 and were first adopted in the year ended at 31 December 2012:

## Standard / Interpretation

Effective date (annual periods beginning on or after)

IFRS 7 - Instrumentos Financeiros: Divulgações - Alterações (emitidas em 7 de outubro de 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.

The application of these standards and interpretations had no material effect on the financial statements of the Company.

The following standards, interpretations, amendments and revisions have been at the date of approval of these financial statements, approved (endorsed) by the European Union, whose application is mandatory only in future financial years:

#### Standard / Interpretation

Effective date (annual periods beg

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 exception 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 huperinflation.

#### Standard / Interpretation

Effective date (annual periods beginning on or after)

#### 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

#### 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 27 (Separate Financial State-

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

#### 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)

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 1 - Amendments (Presentation of Items of Other Comprehensive

The amendments to IAS 1 require companies preparing financial statements in accordance with IFRSs to group together items within OCI.

#### IFRS 7 - Admendments (Disclosures of Financial Instruments)

1/Jan/13

The amendments require additional disclosures regarding financial instruments, particularly, information about those subject to compensation agreements and similars.

Standard / Interpretation	Effective date (annual periods beginning on or after)
IAS 32- Admendments (Offset- ting Financial Assets and Financial Liabilities)	1/Jan/14

IAS 32 is amended to refer to the disclosure requirements in respect of offsetting arrangements.

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.

- (\*) In accordance with the EU Regulation which approves the adoption of IFRS 10, 11 and 12 and the amendments to IAS 27 and IAS 28, an entity shall use these standards no later than periods beginning on or after January 1, 2014. The early adoption is however permitted.
- (\*\*) In accordance with the EU Regulation which approves the amendments to IAS 12 and IFRS 7, an entity shall apply the standard for periods beginning on or after January 1, 2013. The early adoption is permitted.

The Company did not proceed to early application of any of these standards on the financial statements for the year ended at 31 December 2012.

The application of these standards and interpretations, as applicable to the Company will have no material effect on future statements of the Company.

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 (Government 1-Jan-13

FRS 1 - Amendments (Government 1-J Loans)

The amendments referred to the Government Loans addresses how a first-time adopters would account for a government loan with a below-market rate of interest when transitioning to IFRS and proposes to permit prospective application of IAS 20 requirements.

#### IFRS 9 (Financial Instruments) 1-Jan-15

This standard is the first step in the project to replace IAS 39, and it introduces new requirements for classifying and measuring financial assets.

#### Improvements to IFRS (2009-2011) 1-Jan-13

The IASB finalise its annual improvements publication corresponding to the 2009-2011 cycle including six amendments to five IFRSs. The annual improvements process provides a mechanism for non urgent but necessary amendments to International Financial Reporting Standards (IFRSs) to be grouped together and issued in one package.

## Transition Guidance (Amendments 1-Jan-1 to IFRS 10, IFRS 11 and IFRS 12)

The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements and also provide additional transition relief in IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

## Amendments to IFRS 10, IFRS 12 and 1-Jan-14 IAS 27 (Investment Entities);

The amendments apply to a particular class of business that qualify as investment entities. The admendments provide an exception to the consolidation requirements in IFRS 10.

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the Company for the year ended at 31 December 2012. Their application is not yet mandatory.

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 2012 are comparable with those used in the preparation of the individual financial statements at 31 December 2011.

#### 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	5-20
Plant and machinery	5-8
Fixtures and fittings	3-10

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 year is recorded in the profit and loss statement under the caption 'Depreciation and amortisation'.

## c) Investments in Group companies and other non-current

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 tradedate – 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.

Tangible 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 loss-

es'. 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 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 tangible 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:

- 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.
- (ii) 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 of December 2012 and 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.

#### I) 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 noncurrent 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 cannot be used to absorb losses.

#### Hedging reserve

Hedging reserve reflects the changes in fair value of 'cash flow' hedges derivatives that are considered effective (note 1.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 2012, Sonaecom, SGPS, S.A., have reserves which by their nature could be considered distributable, in the amount of around Euro 178 million.

#### 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 year, in financial results.

The following rates were used for the translation into Euro:

		2012	1	2011
	31 December	Aver- age	31 December	Average
Pounds Sterling	1,2253	1,2337	1,1972	1,1526
Swiss franc	0,8284	0,8297	0,8226	0,8126
Swedish krona	0,1165	0,1149	0,1122	0,1108
American Dollar	0,7579	0,7787	0,7729	0,7189

## 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 2012, two plans of Sonaecom share plans were covered through the detention of own shares. For 2011, Sonaecom shares plan, the company signed with Sonae SGPS, S.A., a contract that agrees to the transfer of Sonaecom, SGPS, S.A. shares for employees and board members of the Group as requested of Sonaecom and under the MTIP of Sonaecom and fixed the shares acquisition price. The impacts associated to the Medium Term Incentive Plans are registered, in the balance sheet, under the caption 'Medium Term Incentive Plans Reserve'. The cost is recognized under the profit and loss statement caption 'Staff expenses'.

Regarding the plan liquidated through the delivery of shares of the parent company, the company entered, for all plans, into hedging contracts with an external entity under which the acquisition price of those shares was fixed. Therefore, the responsibility 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 noncurrent liabilities' and 'Other current liabilities'. The cost is recognized 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 2012 and 2011 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, when it is considered necessary.

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 sensitivity 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

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 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 treasury 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.

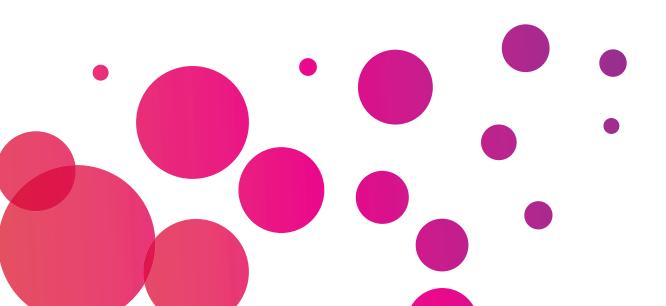


## 2. TANGIBLE ASSETS

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended at 31 December 2012 and 2011 was as follows:

						2012
	Buildings and other construc- tions	Plant and machinery	Tools	Fixtures and fittings	Other tangible assets	Total
Gross assets						
Balance at 31 December 2011	721,165	46,325	171	333,757	104	1,101,522
Additions	1,744	360	-	-	-	2,104
Disposals	-	-	-	(1)	-	(1)
Balance at 31 December 2012	722,909	46,685	171	333,756	104	1,103,625
Accumulated depreciation and impairment losses						
Balance at 31 December 2011	444,736	33,182	171	262,282	104	740,475
Depreciation for the year	41,473	7,315	-	17,859	-	66,647
Disposals	-	-	-	(1)	-	(1)
Balance at 31 December 2012	486,209	40,497	171	280,140	104	807,121
Net value	236,700	6,188	-	53,616	-	296,504
	·*·······	<del>-</del>	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·		

						2011
	Buildings and other construc-tions	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



## 3. INTANGIBLE ASSETS

The movement in intangible assets and in the corresponding accumulated amortisation and impairment losses in the years ended at 31 December 2012 and 2011, was as follows:

				2012
	Brands, patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2011	9,719	183,623	-	193,342
Additions	-	6,408	2,373	8,781
Balance at 31 December 2012	9,719	190,031	2,373	202,123
Accumulated amortisation and impairment losses				
Balance at 31 December 2011	8,316	182,741	-	191,057
Amortisation for the year	1,023	733	-	1,756
Balance at 31 December 2012	9,339	183,474	-	192,813
Net value	380	6,557	2,373	9,310

				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
Additions	-	376	(376)	-
Balance at 31 December 2011	9,719	183,623	-	193,342
Accumulated amortisation and impairment losses				
Balance at 31 December 2010	7,281	177,585	-	184,866
Amortisation 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

## 4. BREAKDOWN OF FINANCIAL INSTRUMENTS

At 31 December 2012 and 2011, the breakdown of financial instruments was as follows:

				2012
	Loans and receivables	Subtotal	Others not covered by IFRS 7	Total
Non-current assets				
Other non-current assets (note 6)	521,421,792	521,421,792	-	521,421,792
	521,421,792	521,421,792	-	521,421,792
Current assets				
Other trade debtors (note 8)	7,593,137	7,593,137	2,522,105	10,115,242
Cash and cash equivalents (note 10)	103,717,414	103,717,414	-	103,717,414
	111,310,551	111,310,551	2,522,105	113,832,656

				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

				(	2012
	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)	190,239,630	-	190,239,630	-	190,239,630
	190,239,630	-	190,239,630	-	190,239,630
Current liabilities					
Short-term loans and other loans (note 13)	186,419,026	-	186,419,026	-	186,419,026
Other creditors (note 16)	-	727,186	727,186	101,075	828,261
	186,419,026	727,186	187,146,212	101,075	187,247,287
					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

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.

The Sonaecom's Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument.

## **5. INVESTMENTS IN GROUP COMPANIES**

At 31 December 2012 and 2011, this caption included the following investments in Group companies:

Company	2012	2011
OPTIMUS, SGPS, S.A. ('Optimus SGPS') *	1,005,866,218	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
Miauger – Organização e Gestão de Leilões Electrónicos, S.A. ('Miauger')	4,568,100	4,568,100
Público - Comunicação Social, S.A. ('Público')	3,738,230	494,495
PCJ - Público, Comunicação e Jornalismo, S.A. ('PCJ')	3,551,772	50,000
Sonaecom - Serviços Partilhados, S.A. ('Sonaecom SP') **	50,000	-
ZOPT, SGPS, S.A. ('ZOPT') **	25,000	-
Optimus - Comunicações, S.A. ('Optimus')		898,576,231
Be Artis – Concepção, Construção e Gestão de Redes de Comunicações, S.A. ('Be Artis')		8,230,885
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')		6,120,239
	1,170,070,809	1,177,601,426
Impairment losses (note 14)	(97,197,713)	(80,122,497)
Total investments in Group companies	1,072,873,096	1,097,478,929

 $<sup>^{\</sup>star}$  This company changed its name from Sonae Telecom, SGPS, S.A., to OPTIMUS, SGPS, S.A., at 12 October 2012

The movements that occurred in investments in this caption during the years ended at 31 December 2012 and 2011 were as follows:

Company	Balance at 31 December 2011	Additions	Disposals	Transfers and write-offs	Balance at 31 December 2012
Optimus SGPS	107,289,987	898,576,231	-	-	1,005,866,218
Sonaetelecom BV	75,009,902	-	-	-	75,009,902
Sonae com SI	52,241,587	-	-	-	52,241,587
Sonaecom BV	25,020,000	-	-	-	25,020,000
Miauger	4,568,100	-	-	-	4,568,100
Público	494,495	3,243,735	-	-	3,738,230
PCJ	50,000	3,501,772	-	-	3,551,772
Sonaecom SP	-	50,000	-	-	50,000
ZOPT	-	25,000	-	-	25,000
Optimus	898,576,231	-	(898,576,231)	-	-
Be Artis	8,230,885	14,943,304	(23,174,189)	-	-
Sontária	6,120,239	-	(6,120,239)	-	-
	1,177,601,426	920,340,042	(927,870,659)	-	1,170,070,809
Impairment losses (note 14)	(80,122,497)	(10,681,481)	-	(6,393,735)	(97,197,713)
	1,097,478,929	909,658,561	(927,870,659)	(6,393,735)	1,072,873,096



<sup>\*\*</sup> Companies established in 2012

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
Optimus SGPS	107,289,987	-	-	-	107,289,987
Sonaetelecom BV	75,009,902	-	-	-	75,009,902
Sonae com SI	52,241,587	-	-	-	52,241,587
Sonaecom BV	25,020,000	-	-	-	25,020,000
Be Artis	8,230,885	-	-	-	8,230,885
Sontária	6,120,239	-	-	-	6,120,239
Miauger	4,568,100	-	-	-	4,568,100
Público	-	494,495	-	-	494,495
PCJ	50,000	-	-	-	50,000
	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

The additions and disposals occurred in Optimus SGPS and Optimus, respectively, are referred to Optimus SGPS capital increase. This capital increase was fully subscribed by Sonaecom, through contributions in kind, specifically the delivery of 64.14% of the share capital of Optimus - Comunicações, S.A. Following this transaction, Optimus SGPS (wholly owned by Sonaecom) holds the entire capital of Optimus - Comunicações, S.A..

In the year ended at 31 December 2012, Sonaecom sold the entire share capital of its subsidiaries Be Artis and Sontária to Optimus SGPS, a company wholly owned by Sonaecom. The participations were sold for the amount of Euro 456 million and Euro 9 million respectively, including share capital, loans and supplementary capital (note 6), generating a loss of circa Euro 363 thousand (note 20).

The amounts of Euro 14,943,304, Euro 3,243,735 and Euro 3,501,772 under the caption 'Additions' in Be Artis, Público and PCJ, respectively, relates to an increase of capital to cover losses.

The amount of Euro 50,000 under the caption 'Additions' at Sonaecom SP, relates to the constitution of Sonaecom Serviços Partilhados, S.A. wholly owned by Sonaecom.

On 14 December 2012, Sonaecom SGPS, S.A., Kento Holding Limited and Jadeium BV (currently named Unitel International Holdings, BV, collectively referred to as ('Kento/Jadeium')) announced that they have reached an agreement to recommend to the Boards of Zon Multimédia - Serviços de Telecomunicações e Multimédia, SGPS, SA ('Zon') and Optimus, SGPS, S.A. a merger between the two companies, based on the incorporation of Optimus SGPS into Zon. Accordingly, in the prepare of the process, Sonaecom and Kento/Jadeium have agreed to incorporate a vehicle owned in equal parts that, subject to the implementation of the merger, will aggregate a substantial part of Sonaecom's stake in Optimus SGPS and the entire stake of Kento/Jadeium in Zon. The vehicle company, denominated ZOPT, SGPS, S.A. was created on 21 December 2012. The amount of Euro 25,000 under the captions 'Additions' at ZOPT, relates to the constitution of ZOPT, SGPS, S.A., in which Sonaecom owns 50%.

The variation in 'Impairment losses', in the year ended at 31 December 2012, result from the increase made in the amount of Euro 10,681,481 (note 14) and the transfer of Euro 6,393,735 to the caption 'Other non-current assets' (note 4, 6 and 14).

In the year ended at 31 December 2011, the amount of Euro 133,700,000 under the caption 'Additions' at Optimus relates to the acquisition of 10.60% of share capital of this subsidiary to Sonaecom BV. After that, the company holds 64.14% of Optimus share capital.

The amount of Euro 494,495, relates to the acquisition of the entire share capital of Público - Comunicação Social, S.A. to Sonaetelecom BV.

The variation in 'Impairment losses', in the year ended at 31 December 2011, result from the increase made in the amount of Euro 3,628,595 (note 14) and the transfer of Euro 29,884,000 to the caption 'Other non-current assets' (note 14).

The Company presents separate consolidated financial statements at 31 December 2012, in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union, which presents total consolidated assets of Euro 1,900,923,786, total consolidated liabilities of Euro 817,680,785, consolidated operational revenues of Euro 834,728,342 and consolidated Shareholders' funds of Euro 1,083,243,001 including a consolidated net profit (attributable to the Shareholders of the parent company - Sonaecom, SGPS, S.A.) for the year ended at 31 December 2012 of Euro 75,419,377.

At 31 December 2012 and 2011, the main financial information regarding the subsidiaries directly owned by the company is, as follows (values in accordance with IAS/IFRS):

				2012			2011
Company	Head office	% holding	Shareholders' funds	Net profit / (loss)	% holding	Shareholders' funds	Net profit / (loss)
Optimus SGPS	Maia	100%	977,500,092	40,948,331	100%	165,236,687	(15,347)
Sonae com SI	Maia	100%	84,556,648	35,642,169	100%	39,995,188	444,605
Sonaecom BV	Amesterdam	100%	14,579,843	(84,077)	100%	14,663,920	1,167,672
PCJ	Maia	100%	1,913,455	(7,624,773)	100%	9,538,228	(3,501,772)
Sonaetelecom BV	Amesterdam	100%	1,615,873	3,246	100%	1,612,627	1,368,186
Público	Maia	100%	1,392,405	(6,489,365)	100%	381,770	(3,299,734)
Miauger	Maia	100%	218,854	(8,512)	100%	27,366	(1,537,672)
Sonaecom SP (a)	Maia	100%	50,035	35	-	-	-
ZOPT (b)	Matosinhos	50%	50,000		-	-	-
Optimus (c)	Maia	-			64,14%	507,715,000	58,513,128
Be Artis (d)	Maia	-			100%	251,001,145	(16,260,503)
Sontária (d)	Maia	- /	- ,	-	100%	645,042	11,240

- (a) Company established in January 2012
- (b) Company established in December 2012
- (c) Share capital sold in September 2012
- (d) Companies sold in June 2012

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 their 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, is 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.

	Discountrate
Telecommunications	9.50%
Multimedia	12.00%
Information systems	14.00%



## **6. OTHER NON-CURRENT ASSETS**

At 31 December 2012 and 2011, this caption was made up as follows:

	2012	2011
Financial assets		
Medium and long-term loans granted to Group companies:		
Optimus SGPS	312,850,000	-
Sonae com SI	15,815,000	19,700,000
PCJ	4,690,000	5,160,000
Sonaecom BV	2,075,000	21,785,000
Be Artis	-	179,734,000
Sontária	-	2,676,637
Sonaetelecom BV	-	200,000
	335,430,000	229,255,637
Supplementary capital:		
Optimus SGPS	144,630,000	38,630,000
Sonae com SI	39,951,792	-
PCJ	9,488,228	12,990,000
Público	7,821,770	3,565,505
Miauger	1,305,000	1,105,000
Be Artis	-	265,889,115
	203,196,790	322,179,620
	538,626,790	551,435,257
Accumulated impairment losses (note 14)	(17,204,998)	(8,555,505)
	521,421,792	542,879,752

During the years ended at 31 December 2012 and 2011, the movements that occurred in 'Medium and long-term loans granted to Group companies' were as follows:

					2012
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
Optimus SGPS	-	312,850,000	-	-	312,850,000
Sonae com SI	19,700,000	11,950,000	(15,835,000)	-	15,815,000
PCJ	5,160,000	-	(470,000)	-	4,690,000
Sonaecom BV	21,785,000	1,115,000	(20,825,000)	-	2,075,000
Be Artis	179,734,000	2,245,000	(181,979,000)	-	-
Optimus	-	22,850,000	(22,850,000)	-	-
Sonaetelecom BV	200,000	-	(200,000)	-	-
Sontária	2,676,637	584,000	(3,260,637)	-	-
	229,255,637	351,594,000	(245,419,637)	-	335,430,000

					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
Sontária	2,676,637	-	-	-	2,676,637
PCJ	-	5,160,000	-	-	5,160,000
Sonaetelecom BV	18,141,000	-	(17,941,000)	-	200,000
Lugares Virtuais	1,170,000	-	(1,170,000)	_	-
Wedo Consulting	520,000	-	(520,000)	-	-
	387,575,637	109,174,000	(167,494,000)	(100,000,000)	229,255,637

During the years ended at 31 December 2012 and 2011, the movements in 'Supplementary capital' were as follows:

					2012
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
Optimus SGPS	38,630,000	106,000,000	-	-	144,630,000
Sonae com SI	-	39,951,792	-	-	39,951,792
PCJ	12,990,000	-	(3,501,772)	-	9,488,228
Público	3,565,505	7,500,000	(3,243,735)	-	7,821,770
Miauger	1,105,000	200,000	-	-	1,305,000
Be Artis	265,889,115	-	(265,889,115)	-	-
	322,179,620	153,651,792	(272,634,622)	-	203,196,790

					2011
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
Be Artis	165,889,115	-	-	100,000,000	265,889,115
Optimus SGPS	38,630,000	-	-	-	38,630,000
PCJ	-	12,990,000	-	-	12,990,000
Público	-	21,405,505	(17,840,000)	-	3,565,505
Miauger	800,000	305,000	-	-	1,105,000
	205,319,115	34,700,505	(17,840,000)	100,000,000	322,179,620

The decreases of the loans in Be Artis and in Sontária, in the amount of Euro 182 million and Euro 3,3 million, are related to the sale of these companies to Optimus SGPS, as described in note 5. The sale also includes Euro 251 million of supplementary capital in Be Artis. Besides this movement, the decrease of supplementary capital in an amount of Euro 266 million, includes a repayment of Euro 15 million to Sonaecom.

At the year ended at 31 December 2011, the amount of Euro 100,000,000 under the caption Transfers of 'Medium and long-term loans granted to Group companies' of Be Artis, refers to the conversion of Loans into Supplementary capital.

The amount of Euro 21,405,505 and Euro 17,840,000, related to Increases and Decreases in Público, respectively, correspond to acquisition of Supplementary capital (in scope of acquisition the total social capital) and to the using of Supplementary capital to cover Retained losses.

During the years ended at 31 December 2012 and 2011, the loans granted to Group companies earned interest at market rates with an average interest rate of 4.94% and 4.00%, respectively. Supplementary capital is non-interest bearing.

The movement under the caption 'Accumulated impairment losses' results from the transfer in the amount of Euro 6,393,735 to the caption 'Investments in Group companies' (note 5), partially compensated by the increase done during the year of an amount of Euro 15,043,228 (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

At 31 December 2012, 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:

Tax losses	Provisions not acceptable for tax purposes	Total	Deferred tax assets
-	3,463,000	3,463,000	917,695
-	11,431,819	11,431,819	3,029,432
-	31,154,781	31,154,781	8,256,017
-	9,662,981	9,662,981	2,560,690
-	(3,033,899)	(3,033,899)	(803,983)
-	(149,858)	(149,858)	(39,712)
54,563,604	(537,036)	54,026,568	13,498,587
-	9,893,940	9,893,940	2,621,894
-	9,903,475	9,903,475	2,624,421
-	8,225,377	8,225,377	2,179,725
-	10,005,009	10,005,009	2,651,327
-	25,537,410	25,537,410	6,767,414
54,563,604	115,556,999	170,120,603	44,263,507
	- - - - - 54,563,604 - - - -	acceptable for tax purposes  - 3,463,000 - 11,431,819 - 31,154,781 - 9,662,981 - (3,033,899) - (149,858) - (149,858) - 9,893,940 - 9,893,940 - 9,903,475 - 8,225,377 - 10,005,009 - 25,537,410	acceptable for tax purposes           -         3,463,000         3,463,000           -         11,431,819         11,431,819           -         31,154,781         31,154,781           -         9,662,981         9,662,981           -         (3,033,899)         (3,033,899)           -         (149,858)         (149,858)           54,563,604         (537,036)         54,026,568           -         9,893,940         9,893,940           -         9,903,475         9,903,475           -         8,225,377         8,225,377           -         10,005,009         10,005,009           -         25,537,410         25,537,410

The rate used at 31 December 2012 to calculate the deferred tax assets/liabilities was of 25% relating to tax losses carried forward, 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 2012 and 2011 is as follows:

	2012	2011
Earnings before tax	103,147,943	(7,548,471)
Income tax rate (25%)	(25,786,986)	1,887,118
Correction of the tax of the previous year and other related taxes	(3,335)	(412,226)
Movements in provisions not accepted for tax purposes (note 14)	(6,435,738)	(2,524,661)
Adjustments to the taxable income	32,307,951	-
Use of losses carried forward, which deferred taxes were not recorded	-	637,558
Income taxation recorded in the year	81,892	(412,211)

The tax rate used at 31 December 2012, to reconcile the tax expense and the accounting profit was 25% because it is the standard rate of the corporate income tax in Portugal.

The adjustments to the taxable income in 2012 relates, mainly, to dividends received (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 2009 (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 2012.

## 8. OTHER CURRENT DEBTORS

At 31 December 2012 and 2011, this caption was made up as follows:

	2012	2011
State and other public entities	2,522,105	-
Trade debtors	7,593,137	5,252,702
Accumulated impairment losses on accounts receivables (note 14)	-	(1,930)
	10,115,242	5,250,772

At 31 December 2012 and 2011, the caption 'Other current debtors' included amounts to be received from Group companies related 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 2012, includes the special advanced payment, retentions and taxes to be recovered.

At 31 December 2012 and 2011, 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
2012									
Trade debtors	7,593,137	5,957,340	1,536,458	51,073	48,266	-	-	-	-
2011		-							
Trade debtors	5,252,702	4,192,219	959,162	99,365	-	-	-	-	1,956

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 2012 and 2011, this caption was made up as follows:

	2012	2011
Accrued income		
Interest receivable	2,922,733	995,626
Invoices to be issued	347,248	31,958
Other accrued income	289,189	-
	3,559,170	1,027,584
Pluriannual costs		
Insurance	39,219	31,031
Rents	12,811	10,795
Other pluriannual costs	76,439	180,394
	128,469	222,220
	3,687,639	1,249,804
-		•••••••••••••••••••••••••••••••••••••••



## 10. CASH AND CASH EQUIVALENTS

At 31 December 2012 and 2011, the breakdown of cash and cash equivalents was as follows:

	2012	2011
Cash	1,280	10,291
Bank deposits repayable on demand	31,134	74,412
Treasury applications	103,685,000	61,205,000
	103,717,414	61,289,703

At 31 December 2012 and 2011, the caption 'Treasury applications' had the following breakdown:

	2012	2011
Bank applications	5,000,000	60,000,000
Optimus SGPS	97,130,000	-
Wedo	640,000	-
Lugares Virtuais	510,000	285,000
Público	365,000	446,000
PCJ	25,000	-
Mainroad	15,000	-
Saphety	-	315,000
Be Towering	-	155,000
Miauger	-	4,000
	103,685,000	61,205,000

During the year ended at 31 December 2012, the above mentioned treasury applications bear interests at an average rate of 4.78% (4.02% in 2011).

## 11. SHARE CAPITAL

At 31 December 2012 and 2011, 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:

		2012		2011
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	52.99%	194,063,119	52.99%
Shares traded on the Portuguese Stock Exchange ('Free float')	78,681,339	21.48%	76,737,177	20.95%
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 12)	4,321,038	1.18%	9,045,200	2.47%
Sonae SGPS	3,430,000	0.94%	650,000	0.18%
Efanor Investimentos, SGPS, S.A	1,000	0.00%	1,000	0.00%
	366,246,868	100.00%	366,246,868	100.00%

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 2012, Sonaecom delivered to its employees 325,098 own shares under its Medium Term Incentive Plans.

Additionally, during the year ended at 31 December 2012 Sonaecom sold to its subsidiaries 6,181,164 shares (at an average price of Euro 1.406), under the Medium Term Incentive Plan of each company, and a loan in shares corresponding to 1,026,126 shares, with reference to a price of Euro 1.91, loan reimbursed with the devolution of the aforementioned shares.

During the year ended at 31 December 2012, the Company acquired 1,782,100 new shares (at an average price of Euro 1.221), holding at the end of the year 4,321,038 own shares, representative of 1.18% of its share capital, with an average price of Euro 1.458.

#### **13. LOANS**

At 31 December 2012 and 2011, the caption 'Loans' had the following breakdown:

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

				Am	nount outstanding
Issue denomination	Limit	Maturity	Type of reimbursement	2012	2011
'Obrigações Sonaecom SGPS 2005'	150,000,000	Jun-13	Final	-	150,000,000
'Obrigações Sonaecom SGPS 2011'	100,000,000	Mar-15	Final	100,000,000	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
'Obrigações Sonaecom SGPS 2012'	20,000,000	Jul-15	Final	20,000,000	-
Costs associated with setting-up the financing	-	-	-	(1,586,070)	(2,885,931)
Interests incurred but not yet due	-	-	-	1,745,020	2,371,796
				160,158,950	319,485,865
Commercial paper	30,000,000	Jul-15	-	30,000,000	-
Costs associated with setting-up the financing	-	-	-	(70,090)	-
Interests incurred but not yet due	-	-	-	150,770	-
	•			30,080,680	-
				190,239,630	319,485,865

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

				Am	nount outstanding
Issue denomination	Limit	Maturity	Type of reimbursement	2012	2011
Tresuary applications	-	-	-	6,304,168	18,946,282
'Obrigações Sonaecom SGPS 2005'	150,000,000	Jun-13	Final	150,000,000	-
'Obrigações Sonaecom SGPS 2010'	30,000,000	Feb-13	Final	30,000,000	-
Costs associated with setting-up the financing		-		(262,458)	-
Interest incurred but not yet due	-	-	-	377,316	-
				180,114,858	-
Commercial paper	150,000,000	Jul-12	_	-	118,000,000
Interest incurred but not yet due	-	-	-	-	163,622
				-	118,163,622
				186,419,026	137,109,904
	•	•	•		

#### Bond Loan

In June 2005, Sonaecom signed a Bond Loan, privately placed, amounting to Euro 150 million 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 Euro 30 and 40 million, 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 Espirito Santo de Investimento and Caixa - Banco de Investimento. These bond issues were traded on Euronext Lisbon market. At 4 February 2013, the Company settled the bond loan of Euro 30 million.

In September 2011, Sonaecom signed a Bond Loan, privately placed, amounting to Euro 100 million 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.

In July 2012, Sonaecom signed a Bond Loan, privately placed, amounting to Euro 20 million without guarantees and with the maturity of three years. The bonds bear interest at floating rate, indexed to Euribor and paid semiannually. This issue was organised and mounted by Banco BPI.

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 3.01% (2.98% in 2011).

### **Commercial Paper**

In July 2007, Sonaecom contracted a Commercial Paper Programme Issuance with a maximum amount of Euro 250 million with subscription grant and maturity of five years, organised by Banco Santander de Negócios Portugal and by Caixa - Banco de Investimento. According to the original terms, this programme was reduced to the amount of Euro 150 million 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).

In July 2012, Sonaecom contracted a Commercial Papel Programme Issuance with a maximum amounts of 30 million with subscription grant and maturity of tree years, organised by Caixa - Banco de Investimento and Caixa Geral de Depósitos.

Additionally, Sonaecom has two other Commercial Paper Programmes Issuance with subscription guarantee and the following characteristics:

Amount	Hire date	Subscription guarantee	Maturity
Euro 25 million	July 2012	Banco Santander Totta	31-Jul-2013
Euro 15 million	June 2010	Caixa Económica Montepio Geral	16-Jun-2013

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 2012, the main financial constraints (covenants) included in debt contracts are related with the bond issue completed by Sonaecom during September 2011, totaling Euro 100 million and establishing: (i) the requirement for Sonaecom, Optimus, Artis and Optimus SGPS, 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 2012 and at present date, Sonaecom was fully compliant with all the financial constraints above mentioned. Is advanced, the negotiation process with the financial system, which would resolve the impact of possible merger between Optimus and Zon.

#### 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 Euro 29 million. 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 2012 and 2011, the detail of 'Treasury applications' received from subsidiaries was as fol-

	2012	2011
Digitmarket	3,834,938	4,146,497
Sonaetelecom BV	1,579,000	1,817,977
Saphety	580,668	-
Miauger	260,031	160,037
Sonaecom SP	49,064	-
Público	467	6,264
Optimus	-	10,004,318
Mainroad	-	1,120,726
Wedo Consulting	-	940,060
Sontária	-	665,365
Sonae com SI	-	70,011
Optimus SGPS	-	15,015
Be Towering	-	12
	6,304,168	18,946,282

The treasury applications received from Group companies are payable in less than one year and earn interests at market rates. During the years ended at 31 December 2012 and 2011, the treasury applications earned an average interest rate of 3.42% and 1.13%, respectively.



At 31 December 2012 and 2011, 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
2012		•			
Bond loan					
Reimbursements	-	-	160,000,000	-	-
Interests	5,840,405	5,726,552	1,398,895	-	-
Commercial paper					
Reimbursements	-	-	30,000,000	-	-
Interests	1,168,913	1,168,913	678,930	-	-
	7,009,318	6,895,465	192,077,825	-	_
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	-

Although the maturity of commercial paper issuance is between one week and six months, the counterparties assumed the placement and the maintenance of those limits for a period of one to three years. As so, such liabilities are recorded in the medium and long term.

At 31 December 2012 and 2011, the available credit lines of the Company are as follows:

					Maturity
Credit	Limit	Amount out- standing	Amount available	Until 12 months	More than 12 months
2012				•	
Commercial paper	30,000,000	30,000,000	-		х
Commercial paper	25,000,000	-	25,000,000	х	
Commercial paper	15,000,000	-	15,000,000	х	
Bond loan	150,000,000	150,000,000	-	х	
Bond loan	100,000,000	100,000,000	-		Х
Bond loan	40,000,000	40,000,000	-		Х
Bond loan	30,000,000	30,000,000	-	х	
Bond loan	20,000,000	20,000,000	-		х
Overdraft facilities	16,500,000	-	16,500,000	х	
Authorised overdrafts*	10,000,000	-	10,000,000	х	
Authorised overdrafts	2,500,000	-	2,500,000	х	
	439,000,000	370,000,000	69,000,000		
2011					
Commercial paper	150,000,000	118,000,000	32,000,000	Х	
Commercial paper	30,000,000	-	30,000,000	Х	
Commercial paper	15,000,000	-	15,000,000	Х	
Commercial paper	10,000,000	-	10,000,000	Х	
Bond loan	150,000,000	150,000,000	-		Х
Bond loan	100,000,000	100,000,000	-		Х
Bond loan	40,000,000	40,000,000	-		Х
Bond loan	30,000,000	30,000,000	-		Х
Overdraft facilities	16,500,000	-	16,500,000	х	
Authorised overdrafts	2,500,000	-	2,500,000	х	
	544,000,000	438,000,000	106,000,000		

<sup>\*</sup> Can also be used in the form of Commercial paper

At 31 December 2012 and 2011, there are no interest rate hedging instruments.

Based on the debt exposed to variable rates at the end of 2012, and considering the applications and bank balances at the same date, if market interest rates rise (fall), in average, 75bp during the year 2012, the interest paid that year would be increased (decreased) in an amount of approximately Euro 392,000.

#### 14. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2012 and 2011 were as follows:

	Opening balance	Increases	Transfers	Utilizations	Closing balance
2012					
Accumulated impairment losses on accounts receivables (note 8)	1,930	15,387	-	(17,317)	-
Accumulated impairment losses on investments in Group companies (notes 5 and 20) $$	80,122,497	10,681,481	6,393,735	-	97,197,713
Accumulates impairment losses on other non-current assets (notes 6 and 20)	8,555,505	15,043,228	(6,393,735)	-	17,204,998
Provisions for other liabilities and charges	68,654	6,305	-	-	74,959
	88,748,586	25,746,401	-	(17,317)	114,477,670
2011					
Accumulated impairment losses on accounts receivables (note 8)	1,930	-	-	-	1,930
Accumulated impairment losses on investments in Group companies (notes 5 and 20) $$	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

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 2012 and 2011, the increase of 'Provisions for other liabilities and charges' includes the amount of Euro 4,561 and 12,167, respectively, registered in the financial statements, under the caption 'Income taxation', due to its' nature (note 21). The increase of 'Provisions for other liabilities and charges' also includes an amount registered under the caption 'Fixed Assets', related to the provision for decommissioning and abandonment of offices.

## 15. OTHER NON-CURRENT LIABILITIES

This caption, in the amounts of Euro 174,176 and Euro 271,207, at 31 December 2012 and 2011, respectively, corresponds to the medium and long-term amounts associated with the Medium Term Incentive Plans (note 25).

## 16. OTHER CREDITORS

At 31 December 2012 and 2011, this caption was made up as follows:

	2012	2011
Other creditors	727,186	838,286
State and other public entities	101,075	739,439
Tangible assets suppliers	-	2,086
	828,261	1,579,811

The other creditors had the following maturity plan:

	Total	Until 90 days	From 90 to 180 days	More than 180 days
2012				
Other creditors	727,186	727,186	-	_
	727,186	727,186	-	-
2011				
Tangible assets suppliers	2,086	2,086	-	-
Other creditors	838,286	838,286	-	-
	840,372	840,372	-	-

## 17. OTHER CURRENT LIABILITIES

At 31 December 2012 and 2011, this caption was made up as follows:

	2012	2011
Accrued costs		
Staff expenses	561,065	763,501
Medium Term Incentive Plans (note 25)	225,445	209,119
Consultancy	107,690	56,830
Other accrued costs	109,633	168,905
	1,003,833	1,198,355
Deferred income		
Other deferred income	11,041	11,238
	11,041	11,238
	1,014,874	1,209,593

## **18. SERVICES RENDERED**

At 31 December 2012 and 2011, the caption 'Services rendered' was comprised by the charge of management fees to subsidiaries (note 22).

## 19. EXTERNAL SUPPLIES AND SERVICES

At 31 December 2012 and 2011, this caption was made up as follows:

	2012	2011
Specialised work	1,721,550	1,577,024
Rents and travelling expenses	91,185	100,599
Travel and accommodation	90,333	109,955
Fees	458	22,664
Other external supplies and services	140,760	176,610
	2,044,286	1,986,852



The commitments assumed, at 31 December 2012 and 2011, related to operational leases are as follows:

	2012	2011
Minimum payments of operational leases:		
2012		67,060
2013	21,788	46,593
2014	16,692	46,593
2015	16,692	46,593
2016	6,955	16,922
Renewable by periods of one year	129,974	132,381
	192,101	356,142

## **20. FINANCIAL RESULTS**

Net financial results for the years ended 31 December 2012 and 2011 are made up as follows (costs/gains):

	2012	2011
Gains and losses on investments in Group companies		
Losses related to Group companies (notes 5, 6 and 14)	(26,087,858)	(9,880,000)
Gains related to Group companies (note 7)	129,476,277	· · · · · · · -
	103,388,419	(9,880,000)
Other financial expenses		
Interest expenses:		
Bank loans	(3,134,196)	(3,450,521)
Other loans	(10,601,176)	(8,351,008)
Overdrafts and others	(66)	(99)
	(13,735,438)	(11,801,628)
Foreign currency exchange losses	(1,622)	(213)
Other financial expenses	(500,994)	(241,413)
	(502,616)	(241,626)
	(14,238,054)	(12,043,254)
Other financial income		
Interest income	14,938,191	15,312,037
	14,938,191	15,312,037

In 31 December 2012, the losses related to group companies include an amount Euro 363,149 related to the loss with the sale, to Optimus SGPS, of the entire capital of the share capital of Be Artis (note 5), the increase of the impairment losses in other noncurrent assets (note 14), in the amount of Euro 15,043,228 and in investments in Group companies (note 14), in the amount of Euro 10,681,481.

At 31 December 2012, the caption 'Gains related to Group companies' relates to the dividends received from Optimus (Euro 68,175,378), Optimus SGPS (Euro 29,684,926), Sonae com SI (Euro 31,032,500) and Sontária (Euro 583,473).

#### 21. INCOME TAXATION

Income taxes recognized during the years ended at 31 December 2012 and 2011 were made up as follows ((costs) / gains):

	2012	2011
Current tax	86,453	(400,044)
Tax provision (note 14)	(4,561)	(12,167)
Closing balance	81,892	(412,211)

## 22. RELATED PARTIES

The most significant balances and transactions with related parties (which are detailed in the appendix) at 31 December 2012 and 2011 were as follows:

				Balances at 3	31 December 2012
	Accounts receivable (note 8)	Accounts payable (note 16)	Treasury applications (note 10)	Other assets/ (liabilities) (note 9 and 17)	Loans granted / (obtained) (note 6 and 13)
Parent Companies					
Sonae SGPS	-	47,256	-	-	-
Subsidiaries					
Miauger	16,014	493	-	255	(260,032)
Optimus SGPS	2,297,518	-	97,130,000	2,719,497	312,850,000
PCJ	189,839	-	25,000	35,316	4,690,000
Público	(2,306,582)	-	365,000	14,762	(467)
Sonae com SI	540	-	-	69,319	15,815,000
Sonaecom BV	93,453	2,935	-	50,823	2,075,000
Sonaetelecom BV	-	12,562	-	-	(1,579,000)
Sonaecom SP	12	288	-	-	(49,064)
Others related parties					
Be Artis	442,210	2,771	-	1,628	
Be Towering	358,396	-	-	-	
Digitmarket	24,574	20,890	-	(500)	(3,834,938)
Lugares Virtuais	(154,066)	369	510,000	1,850	
Mainroad	534,233	4,269	15,000	1,133	
Optimus	5,354,773	179,032	-	342,629	
Permar	2,084	-	-	-	
Saphety	93,180	7,056	-	(9,941)	(580,668)
Wedo	589,208	-	640,000	283,489	
Others	611	30,940	-	(96,919)	
	7,535,996	308,861	98,685,000	3,413,341	329,125,831

				Balances at	31 December 2011
	Accounts receivable (note 8)	Accounts payable (note 16)	Treasury applications (note 10)	Other assets/ (liabilities) (note 9 and 17)	Loans granted / (obtained) (note 6 and 13)
Parent Companies	•		•	•	
Sonae SGPS	-	-	-	-	-
Subsidiaries					
Miauger	-	31,447	4,000	655	(160,037)
Be Artis	(283,924)	2,221,329	-	663,691	179,734,000
Optimus	1,248,088	1,009,348	-	152,899	(10,004,318)
PCJ	191,143	-	-	19,078	5,160,000
Público	46,030	1,117,813	446,000	3,271	(6,263)
Sonae com SI	192,346	(40,890)	-	65,017	19,629,989
Sonaecom BV	282,200	-	-	97,083	21,785,000
Sonaetelecom BV	20,545	-	-	2,932	(1,617,977)
Sontária	24,608	8,928	-	85,970	2,011,271
Optimus SGPS	22	5,609	-	40	(15,015)

(continued)					31 December 2011
	Accounts receivable (note 8)	Accounts payable (note 16)	Treasury applications (note 10)	Other assets/ (liabilities) (note 9 and 17)	Loans granted / (obtained) (note 6 and 13)
Others related parties					
Be Towering	4,590	604,748	155,000	27,653	(12)
Digitmarket	4,466	40,843	-	(500)	(4,146,496)
Lugares Virtuais	(184,268)	1,009	285,000	1,148	-
Mainroad	64,504	16,947	-	(600)	(1,120,726)
Wedo	7,689,985	29	-	-	940,060
Others	5,335	35,765	315,000	(97,303)	-
	9,305,670	5,052,925	1,205,000	1,021,034	212,189,475

		Transactions	at 31 December 2012
	Sales and services rendered (note 18)	Supplies and services received (note 19)	Interest and similar income / (expense) (note 20)
Parent Companies			
Sonae SGPS	(23,800)	52,756	258,537
Subsidiaries			
Miauger	-	-	(2,790)
Optimus SGPS	-	-	6,195,738
PCJ	-	-	239,956
Público	123,347	(3,798)	136,233
Sonae com SI	3,794	(14,494)	621,678
Sonaecom BV	-	-	876,294
Sonaetelecom BV	-	-	(39,665)
Sonaecom SP	-	-	(1,058)
Others related parties			
Optimus	3,038,639	706,905	711,990
Be Artis	-	23,871	5,111,927
Be Towering	-	(51,487)	146,179
Wedo	127,672	-	225,657
Others	222,582	383,742	(12,290)
	3,492,234	1,097,495	14,468,385

			s at 31 December 2011
	Sales and services rendered (note 18)	Supplies and services received (note 19)	Interest and similar income / (expense) (note 20)
Parent Companies			
Sonae SGPS	23,800	127,090	(11,039)
Subsidiaries			
Miauger	-	-	(7,757)
Be Artis	-	(4,342)	9,110,001
Optimus	3,332,236	431,699	(357,376)
PCJ	-	-	202,898
Público	145,213	(35,465)	27,984
Sonae com SI	-	(19,847)	741,348
Sonaecom BV	-	-	3,265,965
Sonaetelecom BV	-	-	238,652
Sontária	-	27,009	110,046
Optimus SGPS	-	-	(17)

(continued)			s at 31 December 2011
	the control of the co		Interest and similar income / (expense) (note 20)
Others related parties		•	
Be Towering	-	(51,224)	(8,962)
Wedo	154,440	-	195,173
Others	223,964	234,413	(16,943)
	3,879,652	709,334	13,489,973

During the year ended at 31 December 2012, the company received dividends form its subsidiaries, in the total amount of Euro 129,476,277 (note 20).

Additionally, in the year ended at 31 December 2012, the Company sold Be Artis and Sontária to Optimus SGPS and proceeded to the capital increase of Optimus SGPS, by contribution in kind, through the delivery of the participation of 64,14% of Optimus -Comunicações, S.A. (note 5).

In the year ended at 31 December 2012, the Group signed an agreement with Sonae-SGPS, S.A., under which Sonae compromise to transfer to employees and board members of Sonaecom, until 2016, Sonaecom shares, at the price of 1.184 euros, as requested by Sonaecom and under the MTIP of Sonaecom. Under this contract, Sonaecom paid to Sonae-SGPS, S.A. the amount of Euro 3,291,520, which was recorded under the caption 'Other reserves' in equity. Additionally, each of its subsidiaries, under the contracts agreed with Sonaecom, paid to Sonaecom, the amount due of Euro 3,015,020.

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 2012 and 2011, 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.

## 23. GUARANTEES PROVIDED TO THIRD PARTIES

Beneficiary	Description	2012	2011
Direção de Contribuições e Impostos (Portuguese tax authorities)	VAT reimbursements	5,955,731	5,955,731
Direção de Contribuições e Impostos (Portuguese tax authorities)	Additional tax assessments (VAT, Stampe and Income tax)	2,162,476	2,142,717
Direção de Contribuições e Impostos (Portuguese tax authorities)	Others	16,795	16,795
		8,135,002	8,115,243

Guarantees provided to third parties at 31 December 2012 and 2011 were as follows:

In addition to these guarantees were set up sureties for the current fiscal processes. The Sonae SGPS consisted of Sonaecom SGPS surety to the amount of Euro 2,844,270 and Sonaecom SGPS consisted of Optimus surety for the amount of Euro 9,264,267.

At 31 December 2012 and 2011, the Board of Directors of the Company believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the financial statements.

## 24. EARNINGS PER SHARE

Earnings per share, basic and diluted, are calculated by dividing the net income of the year (Euro 103,229,835 in 2012 and minus Euro 7,960,682 in 2011) by the average number of shares outstanding during the years ended at 31 December 2012 and 2011, net of own shares (359,390,746 in 2012 and 357,163,073 in 2011).

#### 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 2012 can be summarized as follows:

			Vesting period		31 December 2012
	Share price at award date*	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonaecom shares					
2008 Plan	1.117	10-Mar-09	9-Mar-12	-	-
2009 Plan	1.685	10-Mar-10	8-Mar-13	4	247,423
2010 Plan	1.399	10-Mar-11	10-Mar-14	3	257,457
2011 Plan	1.256	9-Mar-12	10-Mar-15	3	281,327
Sonae SGPS shares					
2008 Plan	0.526	10-Mar-09	9-Mar-12	-	-
2009 Plan	0.761	10-Mar-10	8-Mar-13	4	342,242
2010 Plan	0.811	10-Mar-11	10-Mar-14	3	282,926
2011 Plan	0.401	9-Mar-12	10-Mar-15	3	561,619

<sup>\*</sup>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 2012, the movements that occurred in the plans can be summarized 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 2011:				
Unvested	11	799,220	11	981,095
Total	11	799,220	11	981,095
Movements in year:				
Awarded	3	264,188	3	516,837
Vested	(4)	(325,098)	(4)	(405,776)
Cancelled / lapsed*	-	47,897	-	94,631
Outstanding at 31 December 2012:				
Unvested	10	786,207	10	1,186,787
Total	10	786,207	10	1,186,787

<sup>\*</sup> 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 of 2009 and 2010, the responsibility was calculated taking into consideration the share price at the corresponding award date. For 2011 Sonaecom's share plan, the Company signed with Sonae-SGPS, S.A. a contract that agrees to the transfer of Sonaecom SGPS shares for employees and board members of the Group as requested of Sonaecom and under the MTIP of Sonaecom, and the liabilities are calculated based on the price fixed in the contract (note 22). The responsibility for the three plans was recorded under the heading 'Medium Term Incentive Plans Reserve'. For the Sonae SGPS share plan, the Group entered into hedging contracts with external entities, and the responsibilities 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).

The detail of the hedging contracts is as follows:

		Sonae SGPS shares		Sonaecom shares
	2009 Plan	2010 Plan	2011 Plan	2011 Plan
Notional value	251,337	257,574	323,727	3,291,520
Maturity	Mar-13	Mar-14	Mar-15	Dec-16
Level of inputs in the hierarchy of fair value	Level 2			
Valuation method	Current Replacement Costs			
Fair value*	(37,072)	13,097	193,629	825,660

<sup>\*</sup> used the year-end price in the determination of the fair value.

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 2012, were as follows:

	Sonaecom shares	Sonae SGPS shares	Total
Costs recognised in previous years	2,270,338	3,015,160	5,285,498
Costs recognised in the year	405,023	247,064	652,087
Costs of plans vested in previous years	(1,472,064)	(2,590,582)	(4,062,646)
Costs of plans vested in the year	(553,141)	(272,021)	(825,162)
	650,156	399,621	1,049,777
Recorded in other current liabilities (note 17)	-	225,445	225,445
Recorded in other non current liabilities (note 15)	-	174,176	174,176
Recorded in reserves	650,156	-	650,156

## 26. REMUNERATION ATTRIBUTED TO THE KEY MANAGEMENT PERSONNEL

The remuneration of Directors and other members of key management during the years ended 31 December 2012 and 2011 were as follows:

	2012	2011
Short-term employee benefits	1,710,382	1,903,420
Share-based payments	455,700	539,100
	2,166,082	2,442,520
		······································

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 2012 and 2011 correspond to the value of the Medium Term Incentive Plan and will be awarded in 2013, in respect to the performance during 2012 (and the Medium Term Incentive Plan awarded in 2012 in respect to the performance during 2011, for the 2011 values), whose shares, or the cash equivalent, will be delivered in March 2016 and March 2015, respectively.

## 27. AVERAGE NUMBER OF EMPLOYEES

During the years ended at 31 December 2012 and 2011, the Company had an average of 4 employees in both years. As of 31 December 2012, the Company had 4 employees.

## 28. FEES OF STATUTORY AUDITOR

In 2012 and 2011, the Company paid, in respect of fees, to the Statutory Auditor, Deloitte, and its network of companies, the following amounts:

	2012	2011
Statutory audit	9,786	7,999
Other guarantee and reliability services	22,000	40,637
Tax advice	30,030	-
Total	61,816	48,636

#### 29. SUBSEQUENT EVENTS

Following the announcement made, on 14 December 2012 (note 5), between Sonaecom, SGPS, S.A., Kento Holding Limited and Jadeium BV (currently named Unitel International Holdings, BV, collectively referred to as 'Kento/Jadeium'), of having reached an agreement to recommend to the Boards of Zon Multimédia - Serviços de Telecomunicações e Multimédia, SGPS, S.A. ('Zon') and Optimus SGPS, S.A. a merger between the two companies, on 11 January 2013, Sonaecom, SGPS, S.A. carried out a capital increase in kind, transferring 81.807% of its financial participation in Optimus SGPS, S.A. to ZOPT.

At 21 January 2013, it was announced, by the Boards of Directors of both companies, the approval of the merger project. However, the transaction is still subject to approval of the shareholders of both companies, to the non-opposition from the Competition Authority, and to the issuance of a statement of waiving the obligation to launch a mandatory takeover bid by the Portuguese Securities and Exchange Commission.

At 15 February 2013, Sonae and France Télécom ('FT-Orange') have executed an agreement whereby, respectively, a call and put option is granted over the 20% stake in Sonaecom's share capital presently held by a subsidiary of FT-Orange. Sonae's call option may be exercised during the subsequent 18 months and FT-Orange's put option within the 3 months subsequent to the end of such 18 months' period. The price for the exercise of both options is of Euro 98.9 million, which may be increased up to Euro 113.5 million in case Sonaecom or Optimus participate in any material transaction of consolidation or restructuring of the telecommunications sector in Portugal which is announced within the subsquent 24 months. This agreement is subject to the condition that the Portuguese Securities Commission (CMVM) confirms that no concerted exercise of influence results from this agreement and that the shares held by Sonae are not attributable to FT-Orange, thereby removing the legal presumption of article 20, paragraph 4, of the Portuguese Securities Code.

These financial statements were approved by the Board of Directors on 6 March 2013, 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 2012, the related parties of Sonaecom, SGPS, S.A. are as follows

#### Key management personnel - Sonaecom

Ana Cristina Dinis da Silva Fanha Vicente Soares Gervais Gilles Pellissier Jean-François René Pontal Ana Paula Garrido Pina Marques Ângelo Gabriel Ribeirinho dos Santos Paupério José Manuel Pinto Correia António Bernardo Aranha da Gama Lobo Xavier Manuel Antonio 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 Trigoso 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 Goncalves 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

#### **Sonaecom Group Companies**

Be Artis - Concepção ,Construção e Gestão de Redes de Sonaecom, SGPS, S.A. Comunicações, S.A. Sonaecom - Serviços Partilhados, S.A.

Be Towering - Gestão de Torres de Telecomunicações, S.A. Sonaetelecom BV

Cape Technologies Limited Sontária - Empreendimentos Imobiliários, S.A. Connectiv Solutions, Inc. SSI Angola, S.A.

Digitmarket - Sistemas de Informação, S.A. Tecnológica Telecomunicações LTDA.

Infosystems-Sociedade de Sistemas de Informação,SA Unipress - Centro Gráfico, Lda

Lugares Virtuais, S.A. WeDo do Brasil - Soluções Informáticas, Ltda 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 Technologies Mexico, S de R.L.

Optimus - Comunicações, S.A. We Do Technologies Panamá S.A. OPTIMUS - SGPS, S.A. WeDo Poland Sp. Z.o.o.

PCJ - Público, Comunicação e Jornalismo, S.A. We Do Technologies Singapore PTE. LTD.

Per-Mar - Sociedade de Construções, S.A. WeDo Technologies Australia PTY Limited

Praesidium Services Limited WeDo Technologies Egypt LLC Público - Comunicação Social, S.A. WeDo Technologies (UK) Limited

Saphety Level - Trusted Services, S.A. WeDo Technologies Americas, Inc. Sociedade Independente de Radiodifusão Sonora, S.A. WeDo Technologies BV

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 ZOPT, SGPS, S.A.



### Sonae/Efanor Group Companies

3DO Holding GmbH

3shoppings - Holding, SGPS, S.A. 8ª Avenida Centro Comercial, SA

ADD Avaliações Engenharia de Avaliações e Perícias Ltda

Adlands B.V. Aegean Park, S.A.

Agepan Eiweiler Management GmbH Agepan Flooring Products, S.A.RL Agloma Investimentos, Sgps, S.A. Agloma-Soc.Ind.Madeiras e Aglom., S.A. Águas Furtadas Sociedade Agrícola, SA

Airone - Shopping Center, Srl

ALBCC Albufeirashopping C.Comercial SA

ALEXA Administration GmbH ALEXA Asset GmbH & Co KG ALEXA Holding GmbH ALEXA Shopping Centre GmbH

Algarveshopping - Centro Comercial, S.A.

Alpêssego – Soc. Agrícola, S.A Andar - Sociedade Imobiliária, S.A. Aqualuz - Turismo e Lazer, Lda

Arat inmebles, S.A. ARP Alverca Retail Park,SA

Arrábidashopping – Centro Comercial, S.A.

Aserraderos de Cuellar, S.A.

Avenida M – 40 B.V.

Atlantic Ferries - Tráf.Loc, Flu. e Marít, S.A.

Avenida M - 40, S.A. Azulino Imobiliária, S.A. BA Business Angels, SGPS, SA BA Capital, SGPS, SA BB Food Service, S.A.

Beralands BV

Bertimóvel - Sociedade Imobiliária, S.A. BHW Beeskow Holzwerkstoffe Bloco Q – Sociedade Imobiliária, S.A. Bloco W - Sociedade Imobiliária, S.A.

Boavista Shopping Centre BV BOM MOMENTO – Comércio Retalhista, SA Canasta - Empreendimentos Imobiliários, S.A.

Carnes do Continente - Ind.Distr.Carnes, S.A. Casa Agrícola de Ambrães, S.A.

Casa da Ribeira – Hotelaria e Turismo, S.A. Cascaishopping - Centro Comercial, S.A. Cascaishopping Holding I, SGPS, S.A. CCCB Caldas da Rainha - Centro Comercial,SA

Centro Colombo - Centro Comercial, S.A.

Centro Residencial da Maia, Urban., S.A. Centro Vasco da Gama - Centro Comercial, S.A.

Change, SGPS, S.A.

Chão Verde - Soc Gestora Imobiliária, S.A.

Cinclus Imobiliária, S.A.

Citorres - Sociedade Imobiliária, S.A. Coimbrashopping - Centro Comercial, S.A.

Colombo Towers Holding, BV Contacto Concessões, SGPS, S.A.

Contibomba - Comérc.Distr.Combustiveis, S.A. Contimobe – Imobil.Castelo Paiva, S.A. Continente Hipermercados, S.A. Contry Club da Maia-Imobiliaria, S.A. Cooper Gay Swett & Crawford Lt

Craiova Mall BV

Cronosaúde - Gestão Hospitalar, S.A. Cumulativa - Sociedade Imobiliária, S.A.

Darho S A S

Deutsche Industrieholz GmbH

Discovery Sports, SA Dortmund Tower GmbH

Dos Mares – Shopping Centre B.V. Dos Mares – Shopping Centre, S.A. Ecociclo - Energia e Ambiente, S.A.

Fracicla II

Edições Book.it, S.A.

Efanor Investimentos, SGPS, S.A. Efanor Serviços de Apoio à Gestão, S.A.

El Rosal Shopping, S.A. Emfísico Boavista

Empreend.Imob.Quinta da Azenha, S.A.

Equador & Mendes, Lda

Espimaia - Sociedade Imobiliária, S.A. Estação Viana - Centro Comercial, S.A. Estêvão Neves - Hipermercados Madeira, S.A. Euroresinas – Indústrias Quimicas, S.A.

Farmácia Selecção, S.A. Fashion Division Canárias, SL Fashion Division S A

Fozimo – Sociedade Imobiliária, S.A.

Fozmassimo – Sociedade Imobiliária, S.A. Freccia Rossa - Shopping Centre S.r.l. Frieengineering International Ltda Fundo de Invest. Imobiliário Imosede Fundo I.I. Parque Dom Pedro Shop.Center Fundo Invest.Imob.Shopp. Parque D.Pedro Gaiashopping I – Centro Comercial, S.A. Gaiashopping II - Centro Comercial, S.A.

GHP Gmbh

Gli Orsi Shopping Centre 1 Srl

Glunz AG

Glunz Service GmbH Glunz UK Holdings Ltd

Glunz Uka Gmbh GMET, ACE

Golf Time – Golfe e Invest. Turísticos, S.A. Guimarãeshopping – Centro Comercial, S.A.

Harvey Dos Iberica, S.L.

Herco Consultoria de Riscos e Corretora de Seguros Ltda

HighDome PCC Limited Iberian Assets, S.A.

Igimo – Sociedade Imobiliária, S.A. Iginha – Sociedade Imobiliária, S.A. Imoareia – Invest. Turísticos, SGPS, S.A.

Imobiliária da Cacela, S.A.

Imoclub – Serviços Imobilários, S.A.
Imoconti – Soc.Imobiliária, S.A.
Imodivor – Sociedade Imobiliária, S.A.
Imoestrutura – Soc.Imobiliária, S.A.
Imoferro – Soc.Imobiliária, S.A.
Imohotel – Emp.Turist.Imobiliários, S.A.
Imomuro – Sociedade Imobiliária, S.A.
Imopenínsula – Sociedade Imobiliária, S.A.

Imoplamac Gestão de Imóveis, S.A.
Imoponte – Soc.Imobiliaria, S.A.
Imoresort – Sociedade Imobiliária, S.A.
Imoresultado – Soc.Imobiliaria, S.A.
Imosedas – Imobiliária e Seviços, S.A.
Imosistema – Sociedade Imobiliária, S.A.

Imosonae II

Impaper Europe GmbH & Co. KG Implantação – Imobiliária, S.A. Infofield – Informática, S.A.

Infratroia, EM

Inparsa – Gestão Galeria Comercial, S.A.

Inparvi SGPS, S.A.
Integrum - Energia, SA
Integrum Colombo Energia, S.A.
Integrum Martim Longo - Energia, S.A.

Interlog - SGPS, S.A.

Invesaude - Gestão Hospitalar S.A.

Ioannina Development of Shopping Centres, SA

Isoroy SAS

La Farga – Shopping Center, SL
Laminate Park GmbH Co. KG
Larim Corretora de Resseguros Ltda
Larissa Develop. Of Shopping Centers, S.A.

Lazam – MDS Corretora e Administradora de Seguros, S.A.

LCC LeiriaShopping Centro Comercial SA Le Terrazze - Shopping Centre 1 Srl

Libra Serviços, Lda.

Lidergraf – Artes Gráficas, Lda. Loop5 Shopping Centre GmbH Loureshopping – Centro Comercial, S.A. Luz del Tajo – Centro Comercial S.A.

Luz del Tajo B.V.

Madeirashopping – Centro Comercial, S.A. Maiashopping – Centro Comercial, S.A. Maiequipa – Gestão Florestal, S.A.

Marcas do Mundo – Viag. e Turismo Unip, Lda

Marcas MC, ZRT Marina de Tróia S.A.

Marinamagic – Expl.Cent.Lúdicos Marít, Lda Marmagno – Expl.Hoteleira Imob., S.A. Martimope – Sociedade Imobiliária, S.A. Marvero – Expl.Hoteleira Imob., S.A. MDS Affinity - Sociedade de Mediação, Lda

MDS Africa SGPS, S.A.

MDS Consultores, S.A.

MDS Corretor de Seguros, S.A.

MDS Malta Holding Limited

MDS SGPS, SA

MDSAUTO - Mediação de Seguros, SA

Megantic BV

Miral Administração e Corretagem de Seguros Ltda
MJLF – Empreendimentos Imobiliários, S.A.
Mlearning - Mds Knowledge Centre, Unip, Lda
Modalfa – Comércio e Serviços, S.A.
MODALLOOP – Vestuário e Calçado, S.A.

Modelo – Vestuano e Carçado, S.A. Modelo – Dist.de Mat. de Construção, S.A. Modelo Continente Hipermercados, S.A. Modelo Continente Intenational Trade, SA

Modelo.com – Vendas p/Correspond., S.A. Movelpartes – Comp.para Ind.Mobiliária, S.A. Movimento Viagens – Viag. e Turismo U.Lda Mundo Vip – Operadores Turisticos, S.A.

Munster Arkaden, BV

Modelo Hiper Imobiliária, S.A.

Norscut – Concessionária de Scut Interior Norte, S.A.

Norteshopping – Centro Comercial, S.A.

Norteshopping Retail and Leisure Centre, BV

Nova Equador Internacional, Ag Viag.T, Ld

Nova Equador P.C.O. e Eventos

Operscut – Operação e Manutenção de Auto-estradas, S.A.

OSB Deustchland Gmbh PantheonPlaza BV

Paracentro - Gest.de Galerias Com., S.A.

Pareuro. BV

Park Avenue Develop. of Shop. Centers S.A. Parque Atlântico Shopping – C.C., S.A.

Parque D. Pedro 1B.V.
Parque D. Pedro 2B.V.

Parque de Famalicão - Empr. Imob., S.A.

Peixes do Continente - Ind.Dist.Peixes, S.A.

Parque Principado SL Project Sierra Germany Shop. Center 2 BV

Pátio Boavista Shopping Ltda. Project Sierra Spain 1 B.V.

Pátio Campinas Shopping Ltda Project Sierra Spain 2 – Centro Comer. S.A.

Pátio Goiânia Shopping Ltda Project Sierra Spain 2 B.V.

Pátio Londrina Empreend. e Particip. Ltda Project Sierra Spain 3 - Centro Comer. S.A.

Pátio Penha Shopping Ltda. Project Sierra Spain 3 B.V. Pátio São Bernardo Shopping Ltda Project Sierra Spain 6 B.V. Pátio Sertório Shopping Ltda Project Sierra Spain 7 B.V. Pátio Uberlândia Shopping Ltda Project Sierra Three Srl

Pharmaconcept - Actividades em Saúde, S.A. Promessa Sociedade Imobiliária, S.A. PHARMACONTINENTE – Saúde e Higiene, S.A. Prosa – Produtos e serviços agrícolas, S.A. Puravida - Viagens e Turismo, S.A.

Project Sierra Two Srl

PJP - Equipamento de Refrigeração, Lda

Plaza Éboli B.V. Quorum Corretora de seguros LT

Plaza Éholi - Centro Comercial S.A. Racionaliz. y Manufact.Florestales, S.A. Plaza Mayor Holding, SGPS, SA RASO - Viagens e Turismo, S.A.

Plaza Mayor Parque de Ócio BV RASO, SGPS, S.A.

Rio Sul – Centro Comercial, S.A. Plaza Mayor Parque de Ocio, SA

River Plaza Mall, Srl Plaza Mayor Shopping BV

Plaza Mayor Shopping, SA River Plaza, BV Ploi Mall BV Rochester Real Estate, Limited

Plysorol, BV RSI Corretora de Seguros Ltda Poliface North America S.C. Microcom Doi Srl

PORTCC - Portimãoshopping Centro Comercial, SA Saúde Atlântica - Gestão Hospitalar, S.A.

Porturbe - Edificios e Urbanizações, S.A. SC - Consultadoria, S.A.

Praedium – Serviços, S.A. SC - Eng. e promoção imobiliária, SGPS, S.A.

Praedium II – Imobiliária, S.A. SC Aegean B.V. Praedium SGPS, S.A. SC Assets SGPS, S.A.

Predicomercial - Promoção Imobiliária, S.A. SC Finance BV Prédios Privados Imobiliária, S.A. SC Mediterraneum Cosmos B.V.

Predisedas - Predial das Sedas, S.A. SC, SGPS, SA Pridelease Investments, Ltd SCS Beheer, BV

Selfrio.SGPS. S.A. Proj. Sierra Germany 4 (four) - Sh.C.GmbH

Proj.Sierra Germany 2 (two) – Sh.C.GmbH Selifa - Empreendimentos Imobiliários, S.A. Proj.Sierra Italy 1 - Shop.Centre Srl Sempre à Mão - Sociedade Imobiliária, S.A.

Proj.Sierra Italy 2 – Dev. Of Sh.C.Srl Sempre a Postos – Produtos Alimentares e Utilidades, Lda

Proj. Sierra Italy 3 - Shop. Centre Srl Serra Shopping - Centro Comercial, S.A. Proj.Sierra Italy 5 - Dev. Of Sh.C.Srl Sesagest - Proj. Gestão Imobiliária, S.A.

Project 4, Srl Sete e Meio – Invest. Consultadoria, S.A. Project SC 1 BV Sete e Meio Herdades – Inv. Agr. e Tur., S.A. Project SC 2 BV Shopping Centre Parque Principado B.V.

Project Sierra 2 B.V. Shopping Penha B.V.

Project Sierra 6 BV Siaf - Soc.Iniciat.Aprov.Florestais - Energia, S.A.

Project Sierra 7 BV SIAL Participações Ltda

Project Sierra 8 BV Sierra Asset Management - Gest. Activos, S.A.

Project Sierra 9 BV Sierra Berlin Holding BV Project Sierra Brazil 1 B.V. Sierra Central S.A.S

Project Sierra Charagionis 1 S.A. Sierra Charagionis Develop.Sh. Centre S.A. Project Sierra Four, SA Sierra Charagionis Propert. Management S.A.

Project Sierra Germany Shop. Center 1 BV Sierra Corporate Services Holland, BV

Sierra Development Greece, S.A.
Sierra Developments Germany GmbH
Sierra Developments Holding B.V.

Sierra Developments Italy S.r.l. Sierra Developments Romania, Srl

 ${\sf Sierra\ Developments\ Spain-Prom.C.Com.SL}$ 

Sierra Developments, SGPS, S.A.

Sierra Enplanta Ltda

Sierra European R.R.E. Assets Hold. B.V.

Sierra GP Limited

Sierra Italy Holding B.V.

Sierra Investmentos Brasil Ltda Sierra Investments (Holland) 1 B.V. Sierra Investments (Holland) 2 B.V. Sierra Investments Holding B.V. Sierra Investments SGPS, S.A.

Sierra Management Germany GmbH Sierra Management Greece S.A. Sierra Management Italy S.r.l.

Sierra Management Romania, Srl

Sierra Management Spain – Gestión C.Com.S.A.

Sierra Management, SGPS, S.A.

Sierra Portugal, S.A.

SII - Soberana Invest. Imobiliários, S.A.

SIRS - Sociedade Independente de Radiodifusão Sonora, S.A.

SISTAVAC, S.A.

SKK – Central de Distr., S.A.

SKK SRL

SKKFOR – Ser. For. e Desen. de Recursos Sociedade de Construções do Chile, S.A. Société de Tranchage Isoroy S.A.S. Socijofra – Sociedade Imobiliária, S.A. Sociloures – Soc.Imobiliária, S.A.

Soconstrução BV Sodesa, S.A. Soflorin. BV

Soira – Soc.Imobiliária de Ramalde, S.A.

Solinca - Eventos e Catering, SA
Solinca - Health and Fitness, SA
Solinca - Investimentos Turísticos, S.A.
Solinfitness - Club Malaga, S.L.
Solingen Shopping Center GmbH

SOLSWIM-Gestão e Expl.Equip.Aquáticos,SA Soltroia – Imob.de Urb.Turismo de Tróia, S.A.

Somit Imobiliária

SONAE - Specialized Retail, SGPS, SA

Sonae Capital Brasil, Lda Sonae Capital, SGPS, S.A. Sonae Center II S.A. Sonae Center Serviços, S.A. Sonae Ind., Prod. e Com. Deriv. Madeira, S.A.

Sonae Indústria – SGPS, S.A.

Sonae Industria de Revestimentos, S.A. Sonae Indústria Manag, Serv, SA Sonae Investimentos, SGPS, SA Sonae Novobord (PTY) Ltd

Sonae RE, S.A.

Sonae Retalho Espana – Servicios Gen., S.A.

Sonae SGPS, S.A.

Sonae Sierra Brasil S.A.

Sonae Sierra Brazil B.V.

Sonae Sierra, SGPS, S.A.

Sonae Tafibra Benelux, BV

Sonae Turismo – SGPS, S.A.

Sonae UK, Ltd.

Sonaegest – Soc.Gest.Fundos Investimentos SONAEMC - Modelo Continente, SGPS, S.A.

Sondis Imobiliária, S.A.

Sontel BV
Sontur BV
Sonvecap BV
Sopair, S.A.

Sotáqua – Soc. de Empreendimentos Turist

Spanboard Products, Ltd

SPF – Sierra Portugal Real Estate, Sarl
Spinarq - Engenharia, Energia e Ambiente, SA
Spinveste – Gestão Imobiliária SGII, S.A.
Spinveste – Promoção Imobiliária, S.A.
Sport Retalho España – Servicios Gen., S.A.
Sport Zone – Comércio Art.Desporto, S.A.

Sport Zone – Turquia Sport Zone Canárias, SL

Sport Zone España-Com.Art.de Deporte,SA

Spred, SGPS, SA Stinnes Holz GmbH Tableros Tradema, S.L.

Tafiber, Tableros de Fibras Ibéricas, SL

Tafibra Polska Sp.z.o.o.
Tafibra South Africa
Tafibra Suisse, SA

Tafisa – Tableros de Fibras, S.A. Tafisa Canadá Societé en Commandite

Tafisa France, S.A. Tafisa UK, Ltd

Taiber, Tableros Aglomerados Ibéricos, SL Tarkett Agepan Laminate Flooring SCS Tecmasa Reciclados de Andalucia, SL

Têxtil do Marco, S.A.

Tlantic Portugal – Sist. de Informação, S.A. Tlantic Sistemas de Informação Ltdª

Todos os Dias – Com.Ret.Expl.C.Comer., S.A. Tool Gmbh Torre Ocidente Imobiliária, S.A. Torre São Gabriel – Imobiliária, S.A. TP – Sociedade Térmica, S.A.

Troia Market, S.A. Tróia Natura, S.A.

Troiaresort – Investimentos Turísticos, S.A. Troiaverde – Expl.Hoteleira Imob., S.A. Tulipamar – Expl.Hoteleira Imob., S.A. Unishopping Administradora Ltda. Unishopping Consultoria Imob. Ltda. Urbisedas – Imobiliária das Sedas, S.A.

Valecenter Srl Valor N, S.A.

Vastgoed One – Sociedade Imobiliária, S.A.

Vastgoed Sun – Sociedade Imobiliária, S.A.

Via Catarina – Centro Comercial, S.A.

Viajens y Turismo de Geotur España, S.L.

Vistas do Freixo, SA Vuelta Omega, S.L.

Weiterstadt Shopping BV

World Trade Center Porto, S.A.

Worten – Equipamento para o Lar, S.A.

Worten Canárias, SL Worten España, S.A.

ZIPPY - Comércio e Distribuição, SA

ZIPPY - Comercio y Distribución, S.A.

Zippy Turquia

Zubiarte Inversiones Inmobiliarias, S.A. ZYEVOLUTION-Invest.Desenv.,SA.

### FT Group Companies

France Télécom, S.A. Atlas Services Belgium, S.A.







# STATEMENT OF THE BOARDS OF DIRECTORS

# 07. STATEMENT OF THE BOARDS OF DIRECTORS

# 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 Miguel Moniz Trigoso Jordão

António Sampaio e Mello

Gervais Gilles Pellissier

David Charles Denholm Hobley

Jean-François René Pontal

Frank Emmanuel Dangeard









# 08. GLOSSARY OF TERMS

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.

Term used to describe the mobile communication systems' new generation, being an evolution of the 2G/3G technology of access, 3GPP (3G Partnership Project). It is an evolution that provides full mobility and interoperability with the already existing GSM and UMTS networks. The 4G (which is technically referred to as LTE - Long Term Evolution) offers a more efficient means of transport for data and voice over IP (VoIP), enabling the provision of a higher bandwidth at a lower cost per GB (Gigabyte).

### **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.

### B<sub>2</sub>B

Business-to-Business – a way to describe a market (electronic or otherwise) for transactions between two companies.

BackboneSet 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.

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 shortmedium 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.

### LTE

Long Team Evolution is a standart for wireless communication of high-speed data for mobile phone and data terminals developed by the Third Generation Partnership Project, and industry trade group. LTE provides significantly in creased capacity and speed for wireless boardband, using new modulation techniques.

### 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.

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.

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.

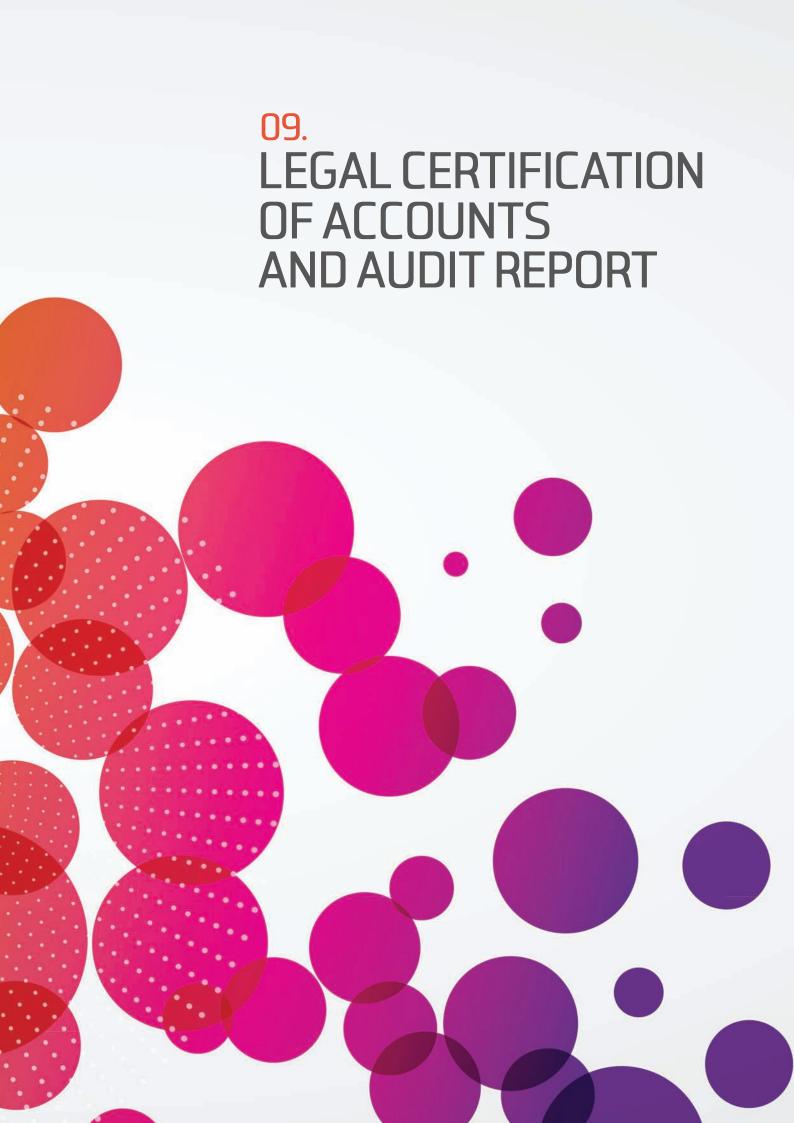
# WI-FI

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.









### 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

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 SONAECOM, S.G.P.S., S.A. ("Company") for the year ended 31 December 2012 which comprise the Consolidated and Individual Balance Sheets as of 31 December 2012 (that present a total net assets of 1,900,923,786 Euro and 1,712,120,997 Euro, respectively, and consolidated and individual equity of 1,083,243,001 Euro and 1,333,370,071 Euro, respectively, including a consolidated net profit attributable to the Company's shareholders of 75,419,377 Euro and an individual net profit of 103,229,835 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

- 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.
- Our responsibility is to examine the consolidated and individual financial information contained in the documents referred to above, includind 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

Our examination was performed in accordance with the Technical/Audit Standards ("Normas Técnicas e as Directrizes 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 451° of the Portuguese Company Law ("Código das Sociedades Comerciais"). We believe that our examination provides a reasonable basis for expressing our opinion.

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### Opinion

In our opinion, the consolidated and individual financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated and individual financial position of SONAECOM, S.G.P.S., S.A. as of 31 December 2012, 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.

### **Emphases**

- Sonaecom Group changed its accounting policy for recording subscribers acquisition costs related to costumers loyalty contracts, as described in Note 1 to the financial statements. In accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting policy was applied retrospectively, so the consolidated balance sheet at December 31, 2011 and the consolidated statements of profit and loss, comprehensive income and changes in equity for the year then ended were restated to be in accordance with that accounting policy.
- As referred in the Board of Director's Report, on 14 December 2012 SONAECOM, S.G.P.S., S.A., the only shareholder of Optimus, S.G.P.S., S.A., and two other entities have publicly announced they have reached an agreement to recommend to the Boards of Zon Multimédia - Telecommunications and Multimedia, S.G.P.S., S.A. and Optimus, S.G.P.S., S.A. a merger between the two companies, by incorporating the second in the first. On 21 January 2013, the Boards of Directors of the Company and of Zon Multimédia - Telecommunications and Multimedia, S.G.P.S., S.A. approved the merger project and send it to the approval of the competent corporate bodies. Consequently, the evolution of Sonaecom Group's operations and its future activity will depend on the outcome of this merger, subject to approval of the relevant corporate bodies and the necessary authorizations of the regulatory authorities.

### Report on other legal requirements

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 245°- A of the Securities Market Code.

Porto, 6 March 2013

Deloitte & Associados, SROC S.A. Represented by António Manuel Martins Amaral





# 10. 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, SGPS, S.A., for the year ended at 31 December 2012, 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.

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 2012, 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 no 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, SGPS, 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.

### 3 – Relevant events

On this date, and after the announcement on 14 December 2012 of the agreement reached to recommend to the Boards of Zon Multimédia - Serviços de Telecomunicações e Multimédia, SGPS, S.A. and Optimus SGPS, S.A., a merger between the two companies, the merger project has been approved by the competent corporate bodies, with the legal effects of resolutions depending on (i) the non-opposition of the Competition Authority; and (ii) the issuance of a statement waiving the obligation to launch a mandatory takeover bid by the Portuguese Securities and Exchange Commission (CMVM).

Maia, 8 March 2013 The Statutory Audit Board Arlindo Dias Duarte Silva Óscar José Alçada da Quinta

Armando Luís Vieira de Magalhães

### 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

### MEDIA AND INVESTOR CONTACTS

Isabel Borgas Public Relations Manager isabel.borgas@sonae.com Tel: 351 93 100 20 20

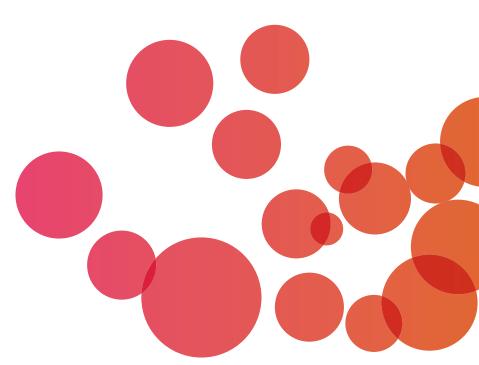
### Carlos Silva

Investor Relations Manager carlos.alberto.silva @sonae.com Tel: 351 93 100 24 44

### SONAECOM SGPS, SA

Rua Henrique Pousão, 432 - 7th Floor 4460-191 Senhora da Hora Portugal

Sonaecom SGPS is listed on the Euronext Stock Exchange. Information may be accessed on Reuters under the symbol 'SNC.LS' and on Bloomberg under the symbol 'SNC:PL'.







###COM