



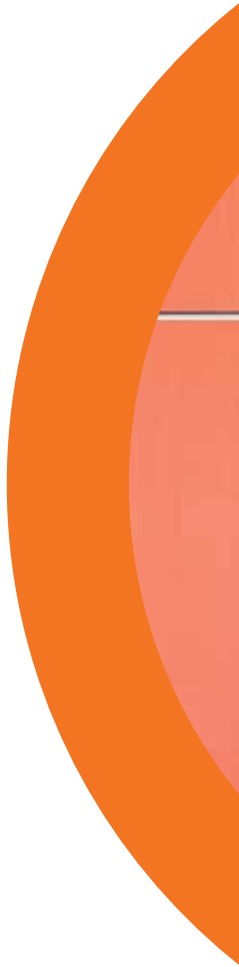
# Annual Report 2010



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# 01



## Our year

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## 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 System Information Services (SSI). The Group's defining strengths lie in its ambition, innovation, marketing skills and execution together with its leading edge telecommunications infrastructure and ability to understand and exceed customers' expectations.

### 1.1.1 About Sonaecom

#### Our mission

Sonaecom is an entrepreneurial growth company that chooses exceptional people to work and unlock their full potential.

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

### 1.1.2. Our values

#### Ethics and Trust

Our fundamental commitment is to create economic value founded on the principles of ethical business practice and sustainable development. We take a long-term strategic view based on stakeholder relationships built around confidence and trust.

#### People at the centre of our success

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

#### Ambition

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

#### Innovation

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

#### Social Responsibility

We have an active sense of social responsibility. With a strong concern for the environment and the development of human knowledge, fulfilling this responsibility involves helping to improve the lives of the communities around us.

#### Frugality and efficiency

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

#### Co-operation and independence

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



1.1.3 Structure and corporate profile

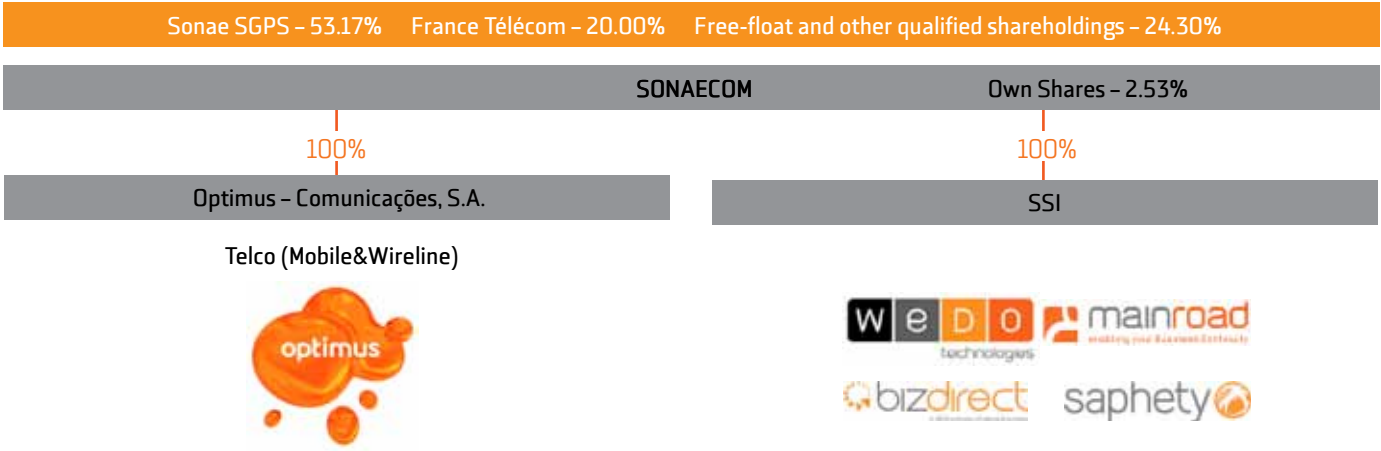
Sonaecom is a holding company that controls a portfolio comprising two principle business units: Optimus, an integrated and convergent telecommunications operator; and Software and Systems Information (SSI). Additionally, Sonaecom comprises Online & Media, a set of additional businesses such as Miau.pt;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

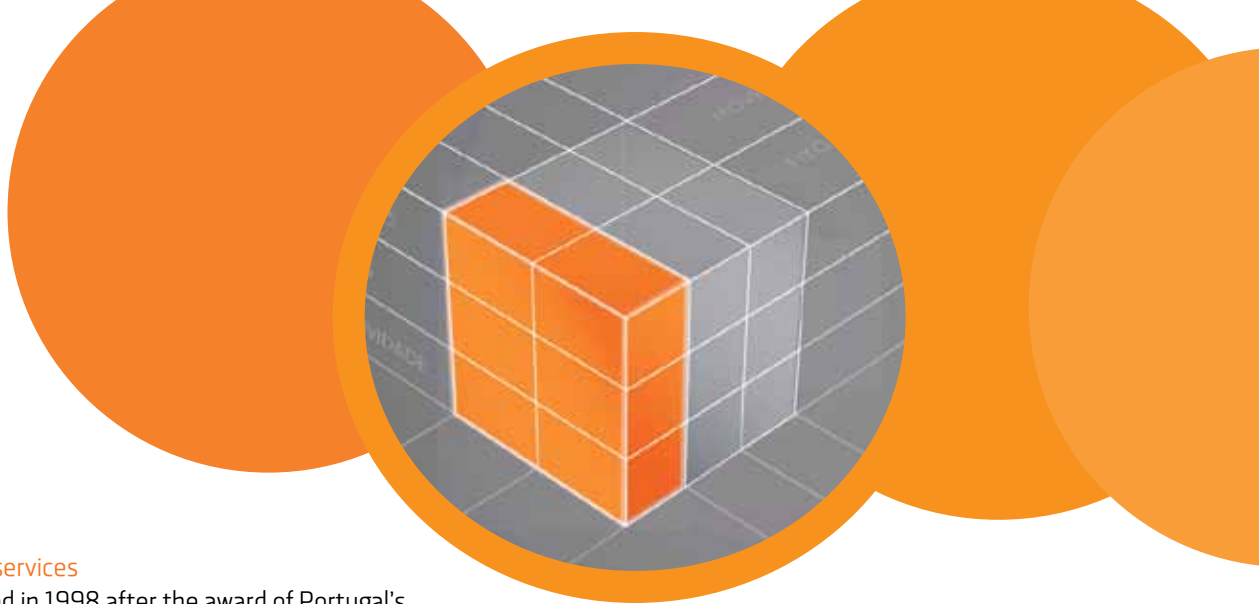
Sonaecom has two main shareholders, Sonae SGPS and France Télécom, with both providing significant strategic support to the business. Through Optimus, Sonaecom is currently one of the largest telecommunications operators in Portugal, based on a leading edge national telecommunications infrastructure.

Sonaecom has consistently been an active agent of transformation across the Portuguese telecoms sector. Today, Optimus is the integrated player best positioned to offer a true alternative to the incumbent operator. When it comes to telecommunications services, Optimus contributes significantly to the promotion of Portugal's information society.



Sonaecom's simplified structure





### Telecommunication services

Optimus was launched in 1998 after the award of Portugal's third mobile GSM licence in Portugal. Until 2007, Optimus Telecomunicações, S.A. was the subsidiary that carried out our mobile communications activities. During 2007, this entity was merged into Novis Telecom, S.A. (our previous wireline subsidiary) and the new company adopted the name Sonaecom – Serviços de Comunicações, S.A., renamed in the beginning of 2010 Optimus – Comiunicações, S.A..

Following a long journey towards integrating our telco business, Optimus is the umbrella brand for all our telecommunication activities and commands a significant presence in all market segments. As far back as 2001, we started implementing various fixed and mobile shared services areas in pursuit of internal cost synergies. Next, we pioneered technological convergence by merging network platforms and teams. As the true alternative to the incumbent at anticipating demand from corporate and small-to-medium-sized enterprises (SMEs), we now have fully integrated sales and marketing teams covering our mobile, fixed and convergent services in these segments. Aligned with this strategy, Optimus – Comunicações, S.A. is presently the company that controls our telco business.

Optimus offers a broad range of mobile communications services to residential SMEs and corporate customers in Portugal. These services include traditional voice, data, mobile TV and a large range of mobile solutions and roaming services, as well as wholesale services to third parties. With its innovative, convergent fixed-mobile substitution product Optimus Home, its popular mobile broadband product Kanguru and TAG, its closed-user group product aimed at the youth market. By the end of 2010, it had around 3.6 million subscribers and a market share of 21%.

In relation to wireline activities, Optimus is active in both the residential and corporate markets, offering voice, data and TV services. Wireline operations were launched after the liberalisation of the Portuguese market in 2000 and Novis Telecom, S.A. was, until 2007, the subsidiary that carried out our activities in this segment. As noted above, during 2007, Novis Telecom, S.A. was merged with Optimus Telecomunicações, S.A. and adopted the name of Sonaecom

– Serviços de Comunicações, S.A.. Also in 2007, we further strengthened our wireline services with the acquisitions of Tele2 Portugal and a former competitor's residential and small office-home office (SOHO) customer base.

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

### Software and System Information Services (SSI)

These activities are carried out by our SSI division. Created at the end of 2002, today its portfolio 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 125 companies in 78 countries across five continents and delivered consulting services to more than 100 operators worldwide through its successful consulting division Præsidium. WeDo Technologies' currently has software houses in Dublin (Ireland), Braga (Portugal) and Poznan (Poland). Following its 2007 acquisition of Ireland-based Cape Technologies Limited, WeDo became the world leader in the revenue assurance software integration market.

Bizdirect, with BPI and AITEC as minority shareholders, is a major player in the commercialisation of multi-brand IT solutions, supported by partnerships with the market's main manufacturers. It is also a major player in the management of corporate software licensing contracts, based on innovative business models.

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





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

On July 2010, Saphety Level – Trusted Services, SA, reached an agreement with Softlimits regarding the acquisition of its B2B business unit, "Mercados Electrónicos". This agreement was designed to reinforce Saphety's position in the electronic invoicing market, one of its key strategic areas.

### 1.1.4. Competitive strengths

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

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

- Knowledge and understanding of our markets and customer's needs;
- Superior marketing and distribution capabilities combined with our integrated approach to the market;
- Full ownership of a state-of-the-art telecommunications infrastructure, with national coverage, continuously reducing our dependency on the incumbent;
- Lean, resilient and agile structures, capable of pre-empting and adapting to market dynamics quickly;

- Young and motivated team members, with a proven track-record of innovation and dynamism, working together in pursuit of common objectives;
- Built-in capacity to analyse problems in different ways, constantly innovating, differentiating and surprising our customers;
- Clear, stable shareholder base, constantly challenging our business to achieve superior value.

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

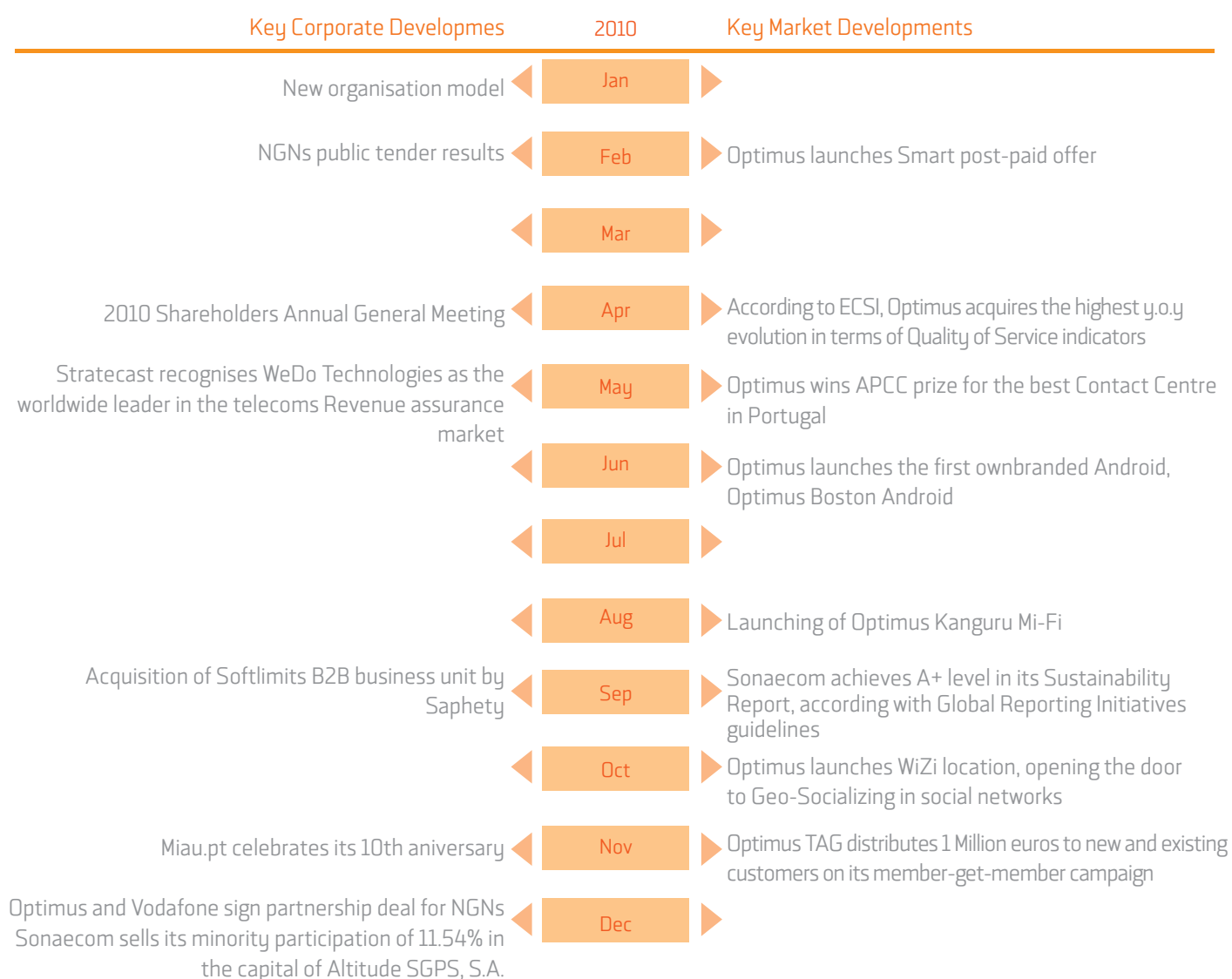
The search for operational efficiency, process improvement, and cost-effective synergies has led to an integrated management and an organisational structure that includes a highly developed shared services division and integrated customer service, IT/IS platform and technical (network) teams. We have implemented this structure with three objectives in mind: to maximise our ability to develop new business opportunities; to encourage product development; and to promote cross-marketing opportunities between our mobile and fixed businesses.

### Sonaecom's organisational structure and headcount as at 31 December 2010 <sup>(1)</sup>



(1) 2010 headcount figures don't include trainees

## 1.1.5 Main events 2010



## 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	2010	2009	Year-on-year
<b>Consolidated income statement</b>			
<b>Turnover</b>	920.7	949.4	(3.0%)
Mobile	592.8	6070	(2.4%)
Wireline	2376	245.2	(3.1%)
SSI	142.5	149.9	(4.9%)
Other & Eliminations	-52.2	-52.7	(1.0%)
<b>EBITDA</b>	194.0	175.7	10.4%
Mobile	185.5	166.7	11.3%
Wireline	3.5	5.7	(39.4%)
SSI	8.5	8.4	0.9%
Other & Eliminations	-3.4	-5.1	(32.7%)
EBITDA margin (%)	21.1%	0.2	(2.6pp)
EBIT	64.5	23.9	169.8%
Net financial results	(6.4)	-12.7	(49.8%)
EBT	58.1	11.2	418.7%
Net results group share(1)	41.2	5.7	616.4%
<b>CAPEX and levered free cash flow</b>			
Operating CAPEX(2)	130.5	135.9	(3.9%)
Operating CAPEX as % of turnover	14.2%	0.1	(.pp)
EBITDA - operating CAPEX	63.5	39.8	59.5%
Total CAPEX	139.8	151.8	(7.9%)
Operating cash flow(3)	43.4	44.5	(2.5%)
Levered FCF(4)	10.59	75	41.2%
<b>Consolidated balance sheet</b>			
Total net assets	1,857.73	1920.1	(3.2%)
Tangible and intangible assets	865.3	857.1	1.0%
Liquidity	68.6	83.6	(18.0%)
Shareholders' funds	975.3	935.6	4.2%
Minority interests	0.6	0.5	16.9%
Gross debt	357.4	382.2	(6.5%)
Net debt	288.8	298.5	(3.2%)
Net debt / EBITDA last 12 months	1.5	1.7	(0.2x)
Debt / (debt + shareholders' funds)	0.27	0.3	(.1pp)
<b>Key operating data - mobile</b>			
Customers (EOP) ('000)	3,604.1	3,432.6	5.0%
Net additions ('000)	171.5	241.0	(28.8%)
Data as % service revenues	30.6%	28.1%	2.5pp
MOU(5) (min.)	133.9	132.4	1.1%
ARPU (euros)	13.7	14.8	(7.9%)
<b>Key operating data - wireline</b>			
Total accesses (EOP)	417,066	483,613	(13.8%)
Direct accesses	344,631	403,212	(14.5%)
Direct access as % customer revenues	78.8%	79.5%	(0.8%)
Average revenue per access (retail)(6)	23.7	22.9	3.8%
Unbundled central offices with ADSL2+	182.0	179.0	1.7%
<b>Sonaecom operating data</b>			
Employees	2,057.0	2,013.0	2.2%
Turnover / employee ('000 euros)	447.6	471.6	(5.1%)
EBITDA / employee ('000 euros)	94.3	87.3	8.1%

(1) Net results after minority interests.

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

(3) Operating cash flow = EBITDA - operating CAPEX - change in working capital - non-cash items and other.

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

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

(6) Excluding mass calling services' revenues.

## 1.3. CEO's message



2010 was an extremely positive year for Sonaecom. We significantly improved our profitability and, at the same time, we were able to achieve decisive progress in all fundamental areas of our strategy.

Our telecommunications business expanded its market share both in the mobile and convergent segments, making further progress towards leading the market's customer satisfaction rankings; setting the market pace through the introduction of innovative products and services; and achieving a higher level of efficiency through tight cost control and the prudent management of our investments.

At Software and Systems Information (SSI), we continued to expand our international presence, consolidating our worldwide leadership in the telecommunications revenue assurance market in the process.

Throughout this year, we also established a more focused and flexible organizational model that, simultaneously, enables the more effective identification of the existing talent in our company while better developing our employees' careers.

Our confidence in the business model and in its sustainability is now stronger than ever. As a result, we believe that conditions are in place to initiate dividend distribution, a practice that we intend to be recurrent. Our decision is based on the performance of our company, the quality of our team, the robustness of our balance sheet, the confidence in our strategy and the long-term potential in the sectors where we operate. Accordingly, our Board of Directors will propose the distribution of a gross dividend per share of 0.05 euros at the

next Shareholders Annual General Meeting.

2011 will be a difficult year, but we are ready to meet the challenges and capture the arising opportunities. Given the importance of the telecommunications sector to society's development, we expect awareness and foresight from all stakeholders, especially the regulator and the government, particularly when it comes to spectrum management, alongside claims of ensuring the sector is capable of remaining competitive and sustainable while delivering best-in-class service.

Sonaecom will continue to pursue its strategy towards becoming Portugal's best telecommunications operator. We are aware of the limitations imposed by the size of the market and our status as an alternative operator in a sector dominated by incumbents. However, we are confident that upcoming opportunities will allow us to more than overcome these constraints.

On the international front, we will continue to invest in reinforcing WeDo's leadership, assuring its growth in areas such as fraud and business assurance, both in the telecommunications sector and other relevant sectors.

During periods of depressed consumer spending, offers that deliver better value for money become increasingly attractive. As a result, we believe that market will continue to recognise and value our offer. In return, we are determined to keep serving customers even better.

I would like to conclude with a heartfelt acknowledgement to Sonaecom's resilient and high-quality team, which remains the foundation of our confidence.

## 1.4. Corporate developments in 2010

These were the main corporate developments during 2010:

### Santander announces qualified participation

**6 January 2010**

Sonaecom receives a notice from Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.. According to the notice, from 20 October 2009 Santander-managed funds held a total of 7,408,788 shares, representing 2.02% of Sonaecom's share capital and voting rights.

### New organisation model launched

**20 January 2010**

Following the decision to concentrate all the Group's telecommunications businesses in one single brand, Optimus becomes the only Sonaecom brand for the telecommunications sector. This move involves integrating all wireline residential activities under the Optimus Clix brand.

### Sonaecom completes two bond issues

**3 February 2010**

Sonaecom completes a three-year bond issue, by private placement, worth a total of 30 million euros, an issue arranged by Banco Espírito Santo de Investimento. The bonds are unsecured, with a bullet repayment in February 2013.

**26 March 2010**

Sonaecom completes a five-year bond issue, by private placement, worth a total of 40 million euros, an issue arranged by Caixa – Banco de Investimento, S.A.. These bonds are also unsecured, with a bullet repayment in March 2015.

A request was made for the listing of these bonds in the Euronext Lisbon exchange.

### Rural NGNs public tender results announced

**6 February 2010**

The Portuguese Government announces the results of the public tender process for the deployment of next generation networks (NGNs) in Portugal's more sparsely populated areas. DST, the construction company that has partnered Sonaecom in this process, wins the tender in the North and in the Alentejo and Algarve regions, which cover up to 750 thousand residents.

### EIB approves loan

**26 February 2010**

The European Investment Bank (EIB) approves a 75 million euros loan to support the roll out of Sonaecom's NGN.

### 2010 Shareholders' Annual General Meeting

**23 April 2010**

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

1) To approve Sonaecom, SGPS, S.A.'s annual report, individual

and consolidated accounts for the year ended 31 December 2009, as presented.

2) To approve the proposed application of the company's individual accounts.

3) To approve a vote to express appreciation for and confidence in the work performed by Sonaecom, SGPS, S.A.'s Board of Directors, Statutory Audit Board and Statutory External Auditor during the year ended 31 December 2009.

4) To approve the proposed Remuneration Policy to be adopted for the management and auditing bodies.

5) To elect António Bernardo Aranha da Gama Lobo Xavier as a member of the Board of Directors for the remainder of the present four-year mandate covering the period from 2008 to 2011.

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

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

### Saphety acquires Softlimits business unit

**26 July 2010**

Saphety Level – Trusted Services, S.A. reaches an agreement with Softlimits on the acquisition of its B2B business unit, "Mercados Electrónicos". This agreement is designed to reinforce Saphety's position in the electronic invoicing market, one of its key strategic areas.

### Optimus and Vodafone sign NGN partnership deal

**17 December 2010**

Optimus and Vodafone Portugal sign a sharing agreement covering next generation optical fibre networks (NGNs) in Lisbon and Oporto. This partnership allows the two operators to launch commercial offers within this new framework by the first quarter of 2011, doubling the FTTH network.

### Sonaecom announces Altitude' participation sale

**29 December 2010**

Sonaecom sells its minority participation of 11.54% in the capital of Altitude SGPS, S.A., a market-leading worldwide vendor of contact centre software, together with other shareholders in that company. This is a natural move for SSI under its portfolio development strategy.

## 1.5. Subsequent events

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

#### 18 February 2011

Sonaecom receives a communication from "Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.", stating that funds managed by this institution held, since 16 February 2011, 3,732.774 shares, corresponding to 1.019% of the share capital and voting rights of Sonaecom; thereby decreasing its qualified participation above 2%.

## 1.6. Proposal for the application of results

The Board of Directors proposes Sonaecom individual accounts net income, in the amount of 135,403,787.41 euros, to be distributed as follows:

- i) 6,770,189.37 euros to be transferred to Legal Reserves;
- ii) A total of 18,312,343 euros is paid to shareholders, corresponding to a gross dividend of 0.05 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 remaining amount to be transferred 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 of intervention, we highlight the following:

- i) Each share issued will be paid the gross amount of 0.05 euros;
- ii) The amount corresponding to the shares that belong to the Company itself on the day of the payment of the abovementioned amount (calculated on said unit amount of 0.05 cents per issued share) won't be paid to shareholders, being instead transferred to Free Reserves.

## 1.7. Acknowledgements

Sonaecom would like to thank its Statutory External Auditor for the valuable advice and help it has given us during 2010 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 2010.

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







# 02

## Our business

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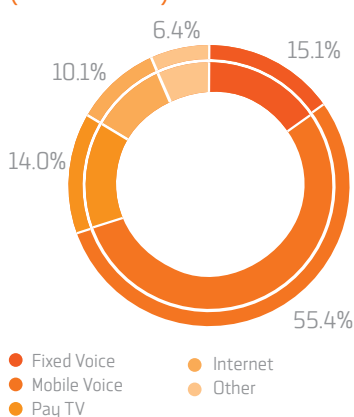
## 2.1. The Portuguese telecoms market

2009 and 2010 were marked by severe macro-economic conditions and, in particular, by the European sovereign debt crisis, which affected all sectors of the economy. Nevertheless, the Portuguese telecommunications market proved its resilience, as the growth of subscribers and services penetration demonstrates.

In the Portuguese Telecoms landscape, after the fixed-to-mobile substitution effect in the voice market, mobile broadband is increasing its weight in the broadband market. Mobile and fixed broadband subscriber figures are already reflecting that mobile is becoming the privileged access for communication, information and entertainment, towards surpassing the wireline technology. This is a result of increased mobile broadband usage driven by the spread of devices, such as smartphones and tablets, in line with the growing demand of Internet access *anywhere, anytime*.

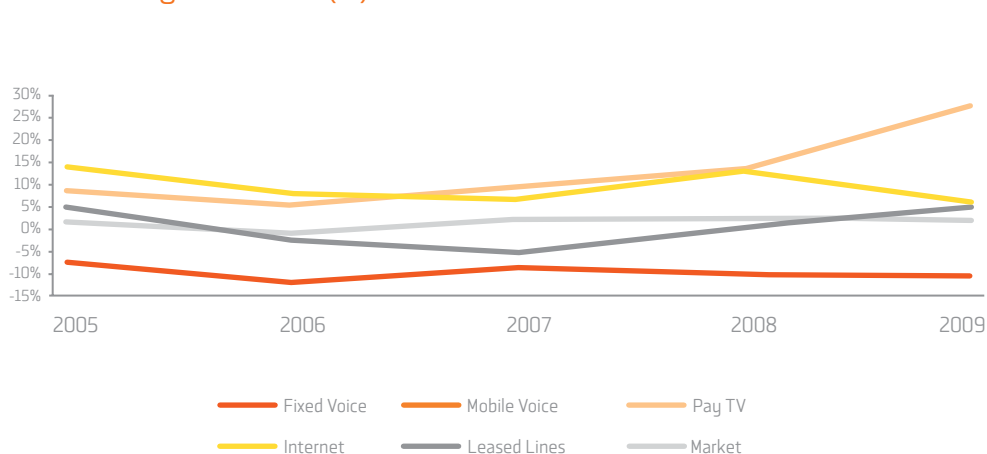
### Introduction

Portuguese telecommunications market in 2009 (Billion euros)



Source: ICP-Anacom

Market growth rates (%)



In relation to Portugal's overall economic performance during 2009, a difficult year in terms of unemployment, the sector's direct contribution to national employment remained stable at 0.25%. Furthermore, total sector revenues as a percentage of GDP increased 0.04 pp from 4.48% in 2008 to 4.52% in 2009. In fact, the consolidated market of telecommunications is worth 5.6 billion euros in revenues in 2009, excluding interconnection revenues between operators, increasing 1.9% when compared to 2008, while the Portuguese GDP has evolved negatively between the two periods under analysis.

In 2009, in terms of relative weight, mobile voice revenues continued to lead the market, exceeding 50% of the total revenues and fixed

voice market held the second best position, with a percentage of 15.1%. Nevertheless, both mobile voice and fixed voice markets evolved negatively between 2008 and 2009 in terms of revenues. Pay-TV increased its market share, which rose to 14.0%, and Broadband market share increased to 10.1%. It should be noted that, in 2009, the decrease in the voice market revenues was totally off-set by the increase in pay-TV and Internet markets.

The mobile voice market registered a slight decrease in revenues, falling 0.6% year-on-year. Pay-TV registered a growth of 28.5% compared to the previous year, an upward trend that follows the intensive investment by operators into, especially through FTTH deployment and additional contents.

## Mobile market

By the 3Q10, mobile penetration rate stood at 151.7%, an increase of 5.3pp in annual terms. Mobile subscribers surpassed 16 million, a 3.8% growth driven by an increase in post-paid and pre-paid customers (+6.1% and +2.9%, respectively). It is important to note that post-paid customers represented 28.1% of the mobile market by the 3Q10 compared to 27.5% in 3Q09, an increase of 0.6pp.

The number of originated calls is increasing, rising 6.2% from 3Q09 to 3Q10. Similarly, the total volume of mobile traffic showed a positive trend during the same period, rising from 4.7 billion minutes to 5.3 billion minutes. It is important to note that on-net traffic is driving this trend, accounting for 77.7% of total outgoing traffic, a significant rise of 20.0%, versus off-net mobile traffic, which decreased 2.1%. This growth is primarily driven by operator strategies with their youth targeted offers such as TAG (Optimus), Moche (TMN) and Yorn/ Extravaganza (Vodafone).

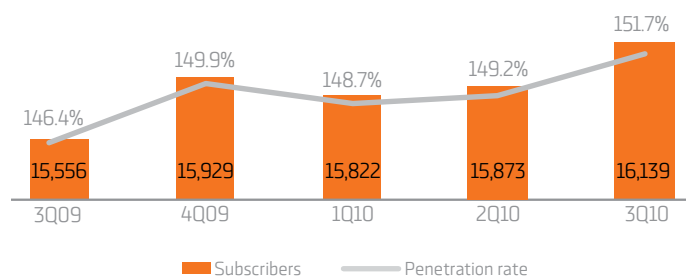
In addition, the average call length increased to 2.3 minutes in 3Q10 compared with 2.2 minutes in the first nine months of 2009. SMS and MMS use followed this positive trend with an increase of 0.7%

and 12.4%, respectively, although the volume of MMS traffic remains relatively low.

As for roaming-out traffic, voice increased 9.5% in 3Q10 versus last year. SMS volumes rose 40.9% from 1Q10 to 3Q10 (figure provided by ICP-Anacom since 1Q10). Roaming-in voice traffic decreased slightly (-1.5%) while SMS and data roaming-in volumes increased sharply: +19.7% in 3Q10 versus 3Q09, and +142.6% from 1Q10 to 3Q10. This reflects the operators' efforts to adjust their offers according to customers' needs.

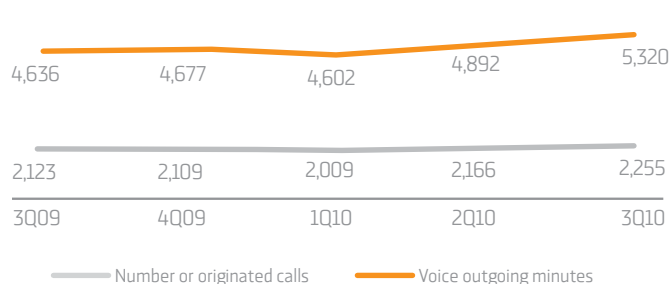
According to figures reported by company, Optimus increased its market share in the first nine months of 2010 in terms of subscribers and service revenues, which grew to 20.9% (+0.41 pp) and to 18.7% (+0.85 pp) respectively. TMN saw their subscriber and service revenue market share decrease by 0.4 pp and 1.20 pp respectively in 3Q10 versus 3Q09. Vodafone's subscriber market share remained stable at 35.8%.

## Mobile customers and penetration rate



Source: ICP-Anacom

## Voice calls information





## Broadband market

According to ICP-Anacom, Optimus has consistently increased its mobile broadband dongle market share, up to 27.5% in 3Q10 versus 27.2% in 2Q10. In 3Q10, TMN's market share totalled 46.7%, decreasing 2.4pp when compared with 2Q10 and Vodafone achieved 21.9%, increasing 1.1pp in the same period.

The number of mobile broadband users increased by 23.8% during the 12 months to September 2010, reaching 2.5 million active users. As a result, the penetration rate across the population rose from 18.7% in 3Q09 to 23.1% in 3Q10. Furthermore, mobile broadband Internet traffic rose to 7.5 petabytes, an increase of 68.8% in 3Q10 versus 3Q09. By comparison, the average volume of mobile broadband Internet traffic per active user grew 21.7% over the same period.

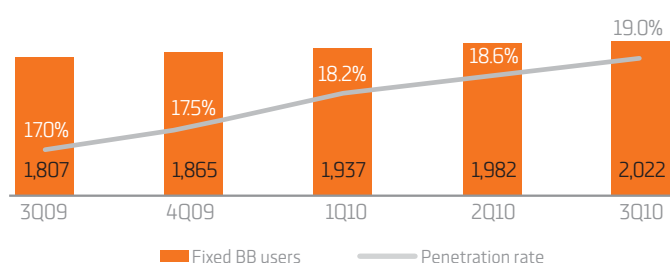
During 2010, the number of fixed Internet customers surpassed 2 million users, as a result of various factors: (i) despite representing 52.0% of total fixed Internet customers, ADSL customers stabilised at the 1 million level; (ii) cable modem subscribers increased 13.5%, to

827 thousand users, in 3Q10 compared to the same period last year; and (iii) other access technologies, such as optical fibre (mainly in the residential segment), continue to increase their weight, reaching 128 thousand customers by the end of 3Q10, against 38 thousand on 3Q09. As a consequence, fixed broadband penetration rates in terms of population and households have increased to 35.3% and 19.0% respectively.

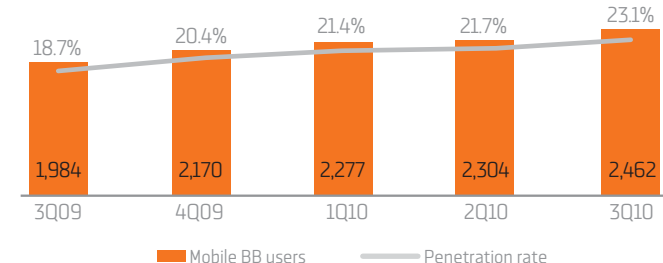
PT (46.2%, +2.9pp) has gained market share and ZON (32.7%, +0.4pp), Cabovisão(8.1%, +0.1pp) and Vodafone (4.0%, +0.2pp) have managed to maintain their positions, while Optimus's share declined to 7.1%.

As for individualized revenues, according to ICP-Anacom, between 3Q09 and 3Q10, fixed broadband total revenues fell by 7.0%, while mobile broadband total revenues increased by 21.5%, an evolution pattern that reflects the recent trend between mobile and fixed broadband usage. In 3Q10, individualized mobile broadband revenues totalled 288 million euros, against 298 million euros in individualized fixed broadband revenues.

## Fixed BB customers and penetration rate



## Mobile BB customers and penetration rate



Source: ICP-Anacom



### Fixed voice market

In the first nine months of 2010, accesses installed at the customer's request reached 4.4 million from 4.2 million accesses in 3Q09, an increase of 5.0%. This growth was mainly driven by the increase of GSM/UMTS accesses (+75% in 3Q10 compared to the same period last year) and other technology offers, such as VoIP and cable, with a total increase of 52.1%. As a result, the wireline penetration rate reached 41.1% during this period.

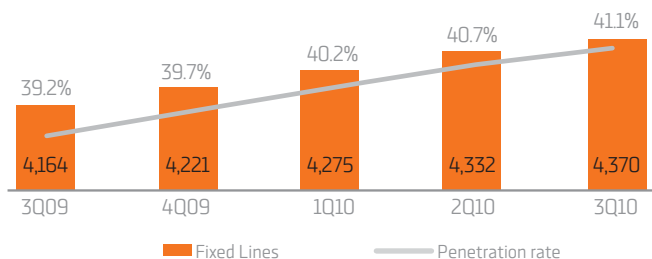
Meanwhile, the number of customers grew 5.1% from 3Q09 to 3Q10, reaching 3.8 million. The number of direct access customers continued to grow, reaching 3.5 million in 3Q10, while the number of indirect access customers decreased gradually to 126 thousand, a fall of 20.1% versus 3Q09.

Despite an increase in the number of accesses installed at the customer's request, originated traffic on fixed networks decreased

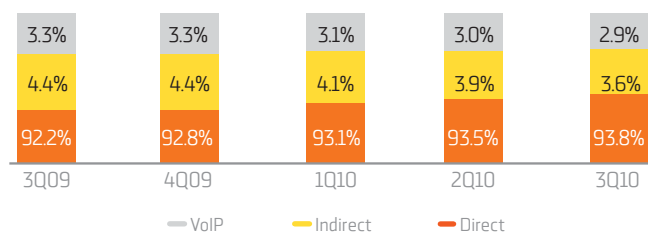
over the first nine months of 2010. Compared with the last quarter of 2009, originated traffic fell by 76%, mainly driven by fixed-to-mobile substitution. In contrast, the average call length increased to 3.3 minutes versus 3.1 in 3Q09, a 5.2% rise.

During 2010, according to ICP-Anacom figures, the incumbent, PT, continued to lose accesses (-56 thousand), equivalent to a market share of just under 60% and ZON increased its market share by circa 14.4%. Furthermore, Vodafone is also increasing its market share slightly, up to 4.2% versus 3.8% in 3Q09. Cabovisão's market share stabilised at 5.9% while Optimus lost 1.1 pp of market share in 3Q10 versus 3Q09.

### Fixed lines and penetration rate



### Fixed customers per type of access



Source: ICP-Anacom

## Pay-TV market

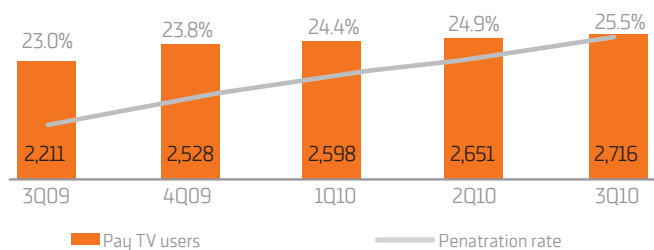
The pay-TV market grew for 12 months up to September 2010 with the number of pay-TV users reaching 2.7 million, an increase of 11.2%, giving a penetration rate over the population of 25.5% in 3Q10.

This growth was mainly because of: (i) the 65.4% increase in IPTV subscribers, including fibre customers, reaching 609 thousand compared to 368 thousand customers in 2009; (ii) the 7.4% increase of direct-to-home (DTH) subscribers versus 11.2% the previous year; and (iii) despite being the principal offer (52.9%), cable television subscribers decreased 1.0% in 3Q10 versus the same period in 2009.

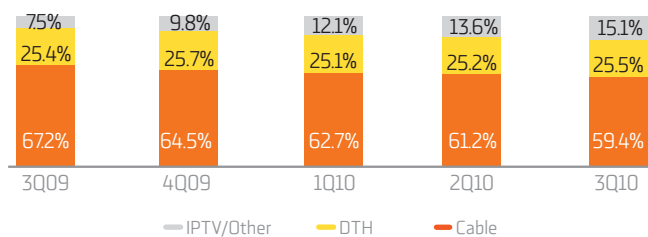
As for market shares, as a result of an aggressive investment by PT, ZON's market share continued to decrease, reaching 59.2% in 3Q10 against 66.6% in 3Q09. In the same period, Cabovisão saw its market share decline to 9.6%, 1.0 pp less than the previous year. Optimus maintained its position in this market, with an increase of 0.3 pp, representing 1.2% of the total pay-TV market. This increase was primarily driven by the focus on growing the value of the fibre subscriber base while leveraging infrastructure and partnerships.



### Pay TV users and penetration rate



### Pay TV users per type of access



Source: ICP-Anacom

## 2.1.1. Regulatory environment

Here is a summary of the key regulatory developments during 2010:

### Final decision on amendments to PT's Reference Unbundling Offer (RUO)

On February 2010, ICP-Anacom approved a final decision on amendments to PT's Reference Unbundling Offer, which is relevant for Optimus's fixed business. Among others, the amendments to PT's RUO include:

- Integration of premium service level agreements (SLAs);
- Reinforcement of the penalties scheme;
- Obligation for PT to provide further information to alternative operators on the existing copper network and on its future evolution in order to ensure service continuity to unbundled loops.

### New MTRs glide-path

On 21 May 2010, following the draft decision launched in January, ICP-ICP-Anacom approved the final decision regarding the definition of relevant wholesale markets for voice call termination on individual mobile networks (market 7). This decision included a glide-path for mobile termination rates (MTRs). Contrary to expectations raised by the draft decision, the prices were not retroactive and only came into force on 24 May 2010:



	Tariffs (in euros)
24 May 2010	0.060
24 August 2010	0.055
24 November 2010	0.050
24 February 2011	0.045
24 May 2011	0.040
24 August 2011	0.035



### Refarming of 900 and 1800 MHz

On 22 July 2010, ICP-ICP-Anacom approved the final decision authorising the refarming of the 900 and 1800 MHz frequencies, which means that UMTS services can also be supported on these frequencies. Within the scope of this process, ICP-ICP-Anacom decided to replace the former licenses with a single new title.

### First LTE trials conducted

In August 2010, ICP-ICP-Anacom authorised Optimus to conduct LTE technology trials within the 2500-2690 MHz frequency bands in the metropolitan areas of Lisbon and Porto. The tests should take place within a defined schedule between 1 October 2010 and 31 March 2011 in the metropolitan area of Porto; and between 1 December 2010 and 31 May 2011 in the metropolitan area of Lisbon.

### Limits established on charges for equipment unlocking services

In August 2010, decree-law number 56/2010 came into force, establishing limits on charges for equipment unlocking services, as well as on the termination of contracts during loyalty periods. This decree-law also establishes that loyalty periods for new contracts must not exceed 24 months.

### European Commission recommendation on next generation network (NGN) access

In September 2010, the European Commission issued a new recommendation on regulated access to next generation networks (NGNs). Focusing on geographic segmentation, this recommendation determines the incumbent operator's access to civil engineering infrastructure as well as the unbundling of fibre local loop and bitstream access.

### Roaming consultation

On November 2010, the European Commission launched a public consultation on the regulation of roaming services after the expiry of the current regulation in June 2012. The consultation runs until 11 February 2011 and will feed the report the European Commission should present to the European Parliament and the European Council by June 2011.

### Designation of 790-862 MHz sub-band for the provision electronic communication services

On December 2010, ICP-ICP-Anacom decided to designate the 790-862 MHz sub-band for the provision of electronic communication services. However, the regulator's decisions also foresee that the effective availability and use of this sub-band before 2015 depends on establishing technical and geographic conditions that assess the compatibility of usage between Portugal, Morocco and Spain.

### New reference offers

On December 2010, following determinations by ICP-ICP-Anacom, Portugal Telecom Comunicações (PTC) published two new reference offers: ORCE (Reference offer for Ethernet circuits) and ORAP (Reference offer for access to poles).

ORCE establishes the technical and commercial conditions for the provision of Ethernet circuits by PTC.

ORAP regulates the provision of access to and usage of poles, as well as other associated infrastructures owned by PTC, establishing procedures for orders management, quality of services and related penalties for non-compliance.

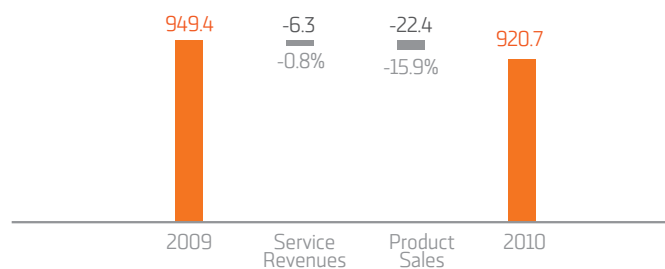


## 2.2. Business overview

### 2.2.1. Consolidated perspective

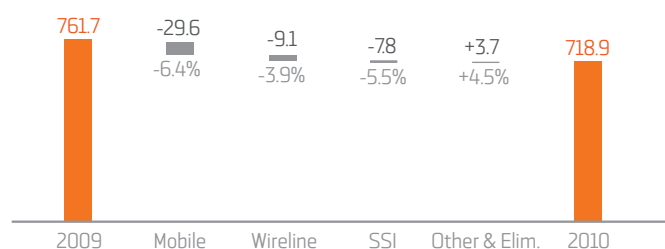
#### Turnover

In 2010, consolidated turnover was positively impacted by the rising trend of mobile customer revenues. These revenues increased to 466.5 million euros, 1.0% above the level registered in 2009. Nonetheless, due to a 15.9% reduction in the level of product sales, which was mostly explained by the expected deceleration of Portugal's e-initiatives programme, and a 0.8% reduction in the level of service revenues due to MTRs and a decline in roaming-in regulated tariffs, consolidated turnover decreased 3.0% compared versus 2009 to approximately 920.7 million euros.



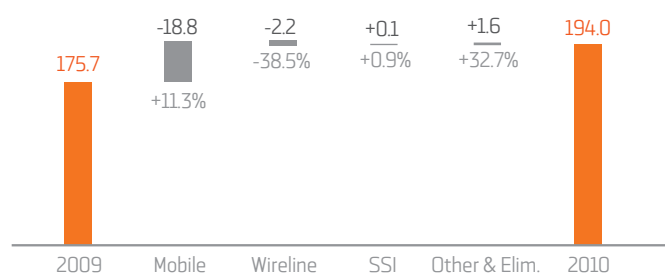
#### Operating costs

Total operating costs decreased by 5.6% to 718.9 million euros, representing around 78.1% of the consolidated turnover. It should be noted that between 2009 and 2010, operating costs as percentage of service revenues decreased from 94.2% to 89.6%, mainly reflecting the success of our continuing efforts to rationalise costs. Since 2009, Optimus has been implementing a structural transformation plan across the business, aimed at creating a leaner organisation. This plan is already delivering positive results across the major cost lines and is expected to continue translating into further benefits.



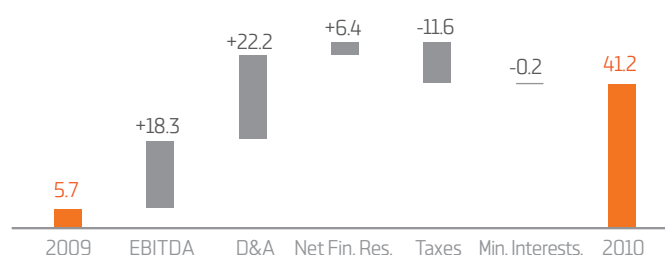
#### EBITDA

Our consolidated EBITDA experienced double digit growth in 2010 to 194.0 million euros. Our consolidated EBITDA margin reached 21.1%, 2.6pp above 2009, clearly reflecting not only our positive trend in terms of mobile and SSI service revenues, but also the positive impact of our implemented cost control initiatives. In 2010, Sonaecom stock impairment losses were registered as COGS instead of provisions. Excluding this effect, the variation between the level of provisions in 2009 and 2010 would be almost flat.



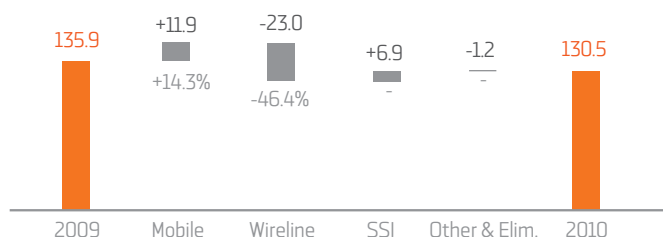
#### Net profit

Net results group share was a positive 41.2 million euros, an increase of more than 35 million euros compared to 2009. This very strong growth was fuelled mainly by the much improved EBITDA performance and by the lower level of depreciation and amortisation. Net financial results improved by 49.8% to a negative 6.4 million euros, reflecting i) lower financial expenses, down by 4.1 million euros, due to the lower average net debt in 2010 and the decrease in the average cost of debt, despite the recent upward movements in market rates; and ii) a 2.3 million euro increase in financial income, which includes a one-off impact related to the capital gain from the sale of SSI's minority participation (11.54%) in the capital of Altitude SGPS, S.A.. The tax line in 2010 showed a cost of 16.7 million euros, compared to 5.1 million euros in 2009, driven mostly by the much improved EBT performance, which rose from a positive 11.2 million to a positive 58.1 million euros.



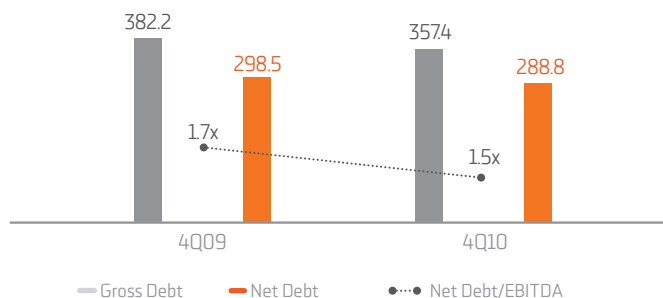
### Operating CAPEX

Operating CAPEX reached 130.5 million euros in 2010, decreasing 3.9% compared to 2009. At Optimus, we continued to invest in our telecommunications infrastructure, ensuring that we have the best integrated network in Portugal. Mobile operating CAPEX increased 14.3% driven by our continuing investment in the expansion and coverage of our network. The 46.4% decrease in wireline operating CAPEX continues to benefit from our 'capital light' positioning, aimed at pursuing alternative ways of expanding Optimus's fibre coverage without further investment. The operating CAPEX increase in SSI is explained by two one-off factors: Saphety's acquisition of Softlimits' B2B business unit, Mercados Electrónicos in 3Q10; and WeDo Technologies' upfront investment related to the acquisition of exclusivity rights in a large client. As a result of our performance in terms of revenues and CAPEX, operating CAPEX as percentage of turnover has evolved from 14.3% to 14.2%.



### Capital structure

Sonaecom's capital structure is one of our key strengths, especially considering the uncertainty and economic turmoil that marked 2010 and is expected to continue during 2011. Consolidated gross debt totalled 3574 million euros, 24.8 million euros below the level registered in 2009. Sonaecom credit facilities currently amount to 484 million euros. At the end of 2010, consolidated net debt stood at 288.8 million euros, 9.7 million euros below 2009, mainly reflecting the positive free cash flow (FCF) evolution between the two periods, including the amortisation of 20 million euros related to the securitisation transaction executed in 2008. It should be noted that no refinancing needs are expected until July 2012. Currently, the average maturity of Sonaecom's debt stands at 2.3 years, with a 2010 all-in average cost of debt of 2.3%. In terms of the evolution of key financial ratios, net debt to EBITDA reached 1.5x in 2010, which reflects a further improvement of 0.2x compared to the end of 2009.



### FCF

Consolidated FCF in 2010 was positive 10.6 million euros, 3.1 million euros above 2009, the fourth consecutive year with positive free cash flow. During the last quarters, Sonaecom has consistently improved its EBITDA-operating CAPEX performance, reflecting an increasingly higher EBITDA and a rigorously managed CAPEX, despite the higher working capital investment.

## 2.2.2. Consolidated income statement

Million euros	2010	2009	Year on year
<b>Turnover</b>	920.7	949.4	(3.0)%
Mobile	592.8	6070	(2.4)%
Wireline	2376	245.2	(3.1)%
SSI	142.5	149.9	(4.9)%
Other and Eliminations	(52.2)	(52.7)	(1.0)%
<b>Other revenues</b>	8.2	70	170%
<b>Operating costs</b>	718.9	761.7	(5.6)%
Personnel Costs	96.6	98.0	(1.5)%
Direct Servicing Costs <sup>(1)</sup>	275.0	268.4	2.4%
Commercial Costs <sup>(2)</sup>	205.7	248.2	(17.1)%
Other operating Costs <sup>(3)</sup>	141.7	147.1	(3.6)%
<b>EBITDAP</b>	210.0	194.7	79%
Provisions and Impairment Losses	16.0	19.0	(15.8)%
<b>EBITDA</b>	194.0	175.7	10.4%
<b>EBITDA margin (%)</b>	21.1%	18.5%	2.6pp
Mobile	185.5	166.7	11.3%
Wireline	3.5	5.7	(38.5)%
SSI	8.5	8.4	0.9%
Other and eliminations	(3.4)	(5.1)	(32.7)%
Depreciation and amortisation	129.5	151.8	(14.6)%
<b>EBIT</b>	64.5	23.9	169.8%
<b>Net financial results</b>	(6.4)	(12.7)	(49.8)%
Financial income	8.2	5.9	38.2%
Financial expenses	14.5	18.6	(21.9)%
<b>EBT</b>	58.1	11.2	-
Tax results	(16.7)	(5.1)	-
<b>Net results</b>	41.3	6.1	-
Group Share	41.2	5.7	-
Attributable to non-controlling interests	0.2	0.3	(49.6)%

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

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

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

## 2.2.3. Consolidated balance sheet

Million euros	2010	2009	Year on year
<b>Total net assets</b>	<b>1,861.9</b>	<b>1,920.1</b>	<b>(3.0)%</b>
Non-current assets	1,500.4	1,506.4	(0.4)%
Tangible and intangible assets	865.3	857.1	1.0%
Goodwill	526.1	526.1	0.0%
Investments	0.2	1.2	(82.4)%
Deferred tax assets	109.6	121.9	(10.1)%
Others	0.2	0.1	-
Current assets	360.5	413.7	(12.9)%
Trade debtors	143.3	158.9	(9.8)%
Liquidity	68.6	83.6	(18.0)%
Others	148.6	171.2	(13.2)%
<b>Shareholders' funds</b>	<b>975.3</b>	<b>935.6</b>	<b>4.2%</b>
Group share	974.7	935.1	4.2%
Non-controlling interests	0.6	0.5	16.9%
<b>Total liabilities</b>	<b>886.6</b>	<b>984.5</b>	<b>(9.9)%</b>
Non-current liabilities	400.7	444.7	(9.9)%
Bank loans	305.0	299.1	2.0%
Provisions for other liabilities and charges	33.2	32.2	3.0%
Others	62.5	113.4	(44.9)%
Current liabilities	485.9	539.7	(10.0)%
Bank loans	30.9	59.3	(47.8)%
Trade creditors	178.7	195.3	(8.5)%
Others	276.2	285.2	(3.1)%
Operating CAPEX <sup>(1)</sup>	130.5	135.9	(3.9)%
Operating CAPEX as % of turnover	14.2%	14.3%	(0.1)pp
Total CAPEX	139.8	151.8	(7.9)%
EBITDA - Operating CAPEX	63.5	39.8	59.5%
Operating cash flow <sup>(2)</sup>	43.4	44.5	(2.5)%
FCF <sup>(3)</sup>	10.6	7.5	41.2%
Gross debt	357.4	382.2	(6.5)%
Net debt	288.8	298.5	(3.2)%
Net debt/EBITDA last 12 months	1.5x	1.7x	(0.2)x
EBITDA/interest expenses <sup>(4)</sup> (last 12 months)	14.4x	9.8x	4.6x
Debt/(debt + shareholders' funds)	26.8%	29.0%	(2.2)pp
<b>Excluding the securitisation transaction:</b>			
Net debt	348.1	377.8	(7.9)%
Net debt/EBITDA last 12 months	1.8x	2.2x	(0.4)x
EBITDA/interest expenses (last 12 months)	14.4x	9.8x	4.6x

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

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

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

(4) Interest cover

## 2.2.4. Consolidated free cash flow (FCF)

Million euros	2010	2009	Year on year
<b>EBITDA - operating CAPEX</b>	63.5	39.8	59.5%
Change in Working Capital	(22.0)	(4.1)	-
Non-cash items and other	3.3	8.8	(62.8)%
<b>Operating cash flow</b>	44.8	44.5	0.6%
Securitisation transaction	(20.0)	(20.0)	0.0%
Own shares	(4.9)	(3.1)	57.7%
Financial results	(8.1)	(13.9)	(42.2)%
Income taxes	(4.6)	0.0	-
<b>Free Cash Flow</b>	10.6	7.5	41.2%



## 2.3. Telco business

### 2.3.1. Key market developments

#### Residential mobile segment

#### Innovative initiatives

##### **TAG's expanding customer base**

TAG, a concept for the youth segment, was launched in 2008 and represented a game-changing innovation offering special benefits to its potential users. These included free voice and text communication between members, a multi-platform service available via mobile phones and PCs, and a web-based social community.

In 2010, TAG's customer base continued to expand. To address the youth segment, Optimus remained focused on three main objectives: acquiring new customers, retaining its current customers and strengthening TAG's relationship with the youth market. TAG remained the best-value proposition for the unlimited category in its segment.

During 2010, we implemented a number of targeted commercial initiatives, including a campaign offering current TAG customers a 100% bonus in recharges (TAG Duplicate recharges), a TV campaign with a member-get-member proposition that rewarded current and incoming customers according to their TAG recharges, and also featured a special calling ring promoting the campaign (TAG 1 Million Euros) and a TV campaign emphasising one of the key differences between TAG and similar competitors' products: free voice and text communication between members over the Christmas and New Year's period (TAG Christmas).

It is important to note that the last two campaigns were especially well received by young people and also had a strong impact on the market. TMN and Vodafone followed Optimus, launching similar campaigns. TAG, however, continued to define the pace of the market.

##### **Optimus Kids: a proven offer for children**

Children remained an important target market for Optimus throughout 2010, especially because stagnating market growth and resistance to switching telecommunication operators remain obvious risks.

Optimus Kids was among Optimus's most heavily promoted products, both in the press and on the ground. The aim was to convince parents that the brand incorporates all the features needed to ensure their children use their mobile phones safely. These features include a very simple tariff plan without mandatory recharges and other innovations that, for example, restrict call destinations and origins; localise



services; and allow children to make free emergency calls even when there is no balance left on their account.

##### **Continente Mobile has grown its customer base by over 50%**

Continente Mobile was introduced in 2009 as the retailer Modelo-Continente's telecommunications solution. The product operates under the Continente brand and its value proposition combines aggressive tariffs with discounts on purchases at Modelo-Continente supermarkets.

Throughout 2010, Continente Mobile was supported by continuous promotional activity. To grow the customer base, aggressive discounts on mobile phones were offered. One of the highlights of this promotional activity was the celebration of Continente's 25th anniversary. As part of this campaign, Continente Mobile offered 100% discounts on mobile phones through the Modelo-Continente loyalty card. To build loyalty, Continente Mobile customers benefited from continuous promotions and discounts on other Continente products.

##### **Rede 4: a strong presence in the retail market**

In 2010, Rede 4, Optimus's discount brand, celebrated its fifth anniversary with a recharge bonus campaign called "5 anos, 5 euros". During the year, the brand continued its strategy of close contact with its customers by launching monthly campaigns that offered – among other incentives – 100 free SMSs to all networks, extra discounts on tariffs, a 10% recharge bonus, free on-net calls, plus mobile phones and SIM cards at reduced prices. These incentives were communicated to customers via the Internet and SMS.

Rede 4 maintained a strong presence in the retail market, excluding Modelo-Continente, through a high level of promotion and trade marketing activity. In the current economic climate, the product strategy remained focused on creating an offer that consistently ensures the best market price for communications with all networks – including significant savings on voice and SMS services – based on the principles of simplicity and a commitment to meeting customers' needs.



### Mundo: taking affordable pricing global

International calls are important to a significant number of people. Optimus's response to their needs is an international tariff plan called Mundo. In 2010, we restructured this offer to better satisfy customers' needs. Optimus re-launched Mundoby, changing its tariff structure from a zone-based tariff to a country-based tariff. This allowed Optimus to offer more aggressive prices to fulfil specific destination needs.

### Innovative products and services

#### SMART: Optimus's most successful post-paid offer

During 2010, Optimus positioned itself as the operator that offers unlimited communication. Launching the SMART post-paid rate plans successfully reinforced our dominant position in this area. Launched in February 2010, SMART is targeted at high-value smartphone users. It offers unlimited voice, SMS and Internet services. Following its launch, we introduced several pre-paid to post-paid migration routes, improving customer satisfaction levels and maximising the value of our customer base. As a result, our personnel post-paid customer base grew 25% in just one year.

#### Restructuring our pre-paid offer

In the pre-paid segment, we started by simplifying our offer in February, making it much easier and focusing it on the customer's main needs. In November, we launched our new Livre product, an innovative rate plan with no mandatory top-ups and the lowest all-net tariff.

#### Enhancing customer value

Under the umbrella concept: "Não pares de..." ("Don't stop..."), Optimus launched several campaigns offering customers a choice of benefits – from free calls to Optimus for 30 days to free EA games for 30 days and, at Christmas, free all-net SMS for 30 days. These promotions were free to customers, provided they recharged for a certain amount.

#### Opening up our loyalty program

We also redefined the eligibility conditions covering our loyalty

programme. By reviewing the minimum level of points required for redemption, we have made it accessible to more customers, such as those from the youth segment and medium-value customers. To grow our data revenues by increasing the number of customers with more sophisticated handsets, we also differentiated our smartphone offer.

#### Improving our customer care

A growing number of customers prefer to look for alternative contact channels. In response, Optimus introduced a customer support option to its Facebook profile. This new channel allows people to use their chosen social network as a customer support channel. In turn, it gives our support teams almost instant contact with our customers and prospects. What's more, it helps to reinforce our brand profile among social networkers, bringing customers closer to our products and services while giving us a more detailed insight into their needs. Optimus may even use this channel as a way of sharing knowledge between customers with similar concerns.



## Wireless broadband – Optimus Kanguru

2010 was another year of significant growth for our Optimus Kanguru mobile broadband business, driven mainly by continuous product innovation, dynamic promotions, category brand leadership, a strong commercial performance and a renewed focus on operational and customer experience improvements.

At the beginning of 2010, Optimus was the first operator to explore a new trend in customised devices, launching a set of coloured Internet access dongles, a move followed later in the year with the launch of an exclusive Hello Kitty version. In May 2010, Optimus launched the new Kanguru Start post-paid tariff, with the lowest price point in its segment, aimed at frequent but low-usage customers. At the same time, Optimus launched the most advanced usage control solution for post-paid Internet products. This solution provides real-time usage control alerts; the ability to buy additional bundles of traffic after the traffic included in the first bundle is spent; and a new web-based self-care feature including full usage statistics, the ability to change the tariff plan online, and many other features.

In July 2010, Optimus launched a completely overhauled pre-paid offer, including a new time-based option with progressive discounts according to the top-up, and a new daily tariff plan. Together with these new tariff plans, we introduced a thoroughly revised user experience for our pre-paid product, including the ability to pay online for top-ups using a credit card. In September, we launched the Optimus Kanguru Mi-Fi concept for shared access. Using a new device combining a Wi-Fi router with a mobile broadband modem, it enables a single 3G connection to support simultaneous access by a number of different devices, such as tablets, laptops and game consoles. This innovation further increased the use of Optimus Kanguru products in the market, as it addressed the growing need among customers to keep a larger and more diverse set of devices connected to the Internet everywhere.

In the final quarter, Optimus launched an entirely revised user experience, which included enabling customers to choose their tariff plan immediately after registration. Optimus also unveiled the new Kanguru Inside concept, an SIM-only product designed specifically for use with tablets and other devices with embedded modules. This launch successfully positioned Optimus at the forefront of the emerging connectivity business for this new category of products. At the end of 2010, Optimus launched its first tablet device. Specifically packaged for distribution in diverse retail channels, it incorporates a SIM



that enables the customer to enjoy the distinctive Optimus Kanguru Inside experience.

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

In the e-initiatives segment, Optimus significantly increased its share of new customers. This success was based on the quality and diversity of our PC range, which includes the most recent models from major brands; our unique capacity for immediate delivery to more than 30 stores throughout the country; and continuous improvements to features in the Optimus Kanguru Internet access itself.

We improved customer management and retention through the implementation of an extensive set of measures aimed at improving communications with our customer base, fostering up-sell among customers and improving their experience through large-scale improvements to tariff features. Together with significant improvements in the user experience of our pre-paid and post-paid products, this has led to a significant increase in our overall customer satisfaction ratings, placing Optimus Kanguru among the best ISPs in the country, irrespective of technology.

As a result, 2010 was another strong year for the mobile broadband category, which now accounts for approximately 40% of total paid Internet access subscriptions and pre-paid services. It was an especially successful 12 months for Optimus Kanguru, which increased its market share, its acquisition share in key retail channels, and its overall customer satisfaction score.



### Fixed-mobile convergent product – Optimus Home

During 2010, the market context for Optimus Home was primarily characterised by the same trends that prevailed in 2009: diminishing market potential for single-play products based only on voice and intensive promotional activity among the key players around fixed multi-play products.

Optimus Home pursued the same strategic guidelines defined in 2009, resulting in excellent market and financial results in 2010. These guidelines involved controlled investment in customer acquisition, focus on churn rate control and operating costs reduction. Additionally, the business conceived and successfully implemented smart pricing initiatives that had a positive impact on service margins.

Another significant development was the convergence between the Optimus Home brand and the core Optimus brand, with the adoption of a new logo and other brand identity features. As a result, we are now expecting to achieve more visible cross-over with media initiatives aimed at enhancing Optimus reputation.

To maximise customer acquisition in retail, we maintained a continuous promotional pipeline based on the product value proposition. Regarding push channels, where sales force management is critical to success, we deepened our relationship with key distributors through a shared sales incentive program.

Also, a review of the handset line extension allowed more favorable negotiation terms, leading to significant cost reductions and a positive impact on cost acquisition per user (CAPU).

Despite the market context, excellent results were achieved in 2010: the average churn rate continued its downward trend during 2010, even though competition intensified in the last quarter of the year. The expertise we gained in proactive and reactive retention techniques at operational and segmentation levels played an important role in achieving these results.

Optimus Home finished the year with a 9.2% market share (Marktest, December 2010) in the fixed market (up from 7.2% in January), consolidating its position as the strongest single play challenger to incumbent operator.

### Residential wireline segment - Optimus Clix

During 2010, competition in the wireline residential segment was strongly based on fibre offers. To differentiate their offers, operators

used TV channels, Internet speeds and new functionalities.

### Fibre-to-the-home (FTTH)

Optimus continued its deployment of FTTH business, accounting with more than 200 thousand houses passed. Its acquisition results were positive, with competitive offers and strong entry promotions to support sales teams in the field. For the first time, FTTH was the leading technology in terms of gross additions.

In December 2010, we completed a contract with Vodafone to share the FTTH network. As a result, during 2011, the potential market will double. Also, a new model of vertical network sharing was put in place, allowing cost savings on additional deployments.

The Portuguese government awarded next generation network (NGN) projects in the country's northern and southern regions to the consortium that Sonaecom partners with. This will open the way to new network expansion in the coming 2 years.

Commercial activity in fibre areas was intensified and, as a result, gross additions increased by more than 60%. Fibre packs were upgraded to include new features and improved value for the same price. For example, TVBox rental and video on demand (VoD) movies are now included in the XXL pack. The average number of services per gross addition also increased to 2.8, demonstrating the success of our triple play bundle strategy.



### Unbundling the Local Loop (ULL)

In 2010, the ULL model was responsible for a significant proportion of our double play (2P) and triple play (3P) sales activity. Very aggressive competition and strong win-back activities make this model's economics very unattractive. As such, Optimus will keep reinforcing innovation, quality of service and up-sell activities across its ULL customer base but it will not undertake commercial activity and its main focus will be acquisition over the fibre network.

### Focusing on the customer experience

Our aim is to enhance the customer experience by simplifying processes while improving the experience at critical touch points.

With this objective mind, our installation times decreased while successful installation rates increased. We improved and promoted alternative channels and environmentally sound options, among them electronic bills and web-based self-care options that enable customers to manage their services online.

### Managing customer value

In 2010, we focused on assessing the segmentation of our customer base. Segmentation identifies the value, technology and number of services for each customer. It is critical to launching effective campaigns, offers and differentiated value propositions targeted at specific customer typology.

When it came to customer management, we made improvements in two key areas: defining new customer acquisition rules to reduce the number of wrong activations; and targeting new campaigns at our existing customer base to increase satisfaction.

### Innovative TV services

Television is the most important service in any triple play service. Both the number of channels and the available functionalities are critical to providing a great interactive entertainment experience. During 2010, we worked hard to achieve improvements in both areas.

We launched 17 new channels, seven of them in high definition, establishing Optimus TV packs as one of the most comprehensive in the market.

In parallel, we continued to expand our VoD library by adding new titles through our agreement with Paramount and renewing titles from our existing providers. On average, we launched 48 new titles every month.

We also introduced a series of innovative interactive services. For



example, Optimus pioneered a service that enables customers to access social networks such as Twitter and Facebook via their TV sets. During the 2010 FIFA World Cup, we launched an interactive application allowing soccer fans to follow all the matches with statistics, game reports and news. We gave customers improved control over their TV services by enabling them to record programmes remotely using their mobile phone and the Internet. This option also allows people to automatically save episodes of their favourite TV serie.

### SMEs & SOHOs segment - Optimus Negócios

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

During 2010, we continuously encouraged our customers and partners to implement integrated communication solutions, having already demonstrated that our integrated proposal is capable of adding real value to their businesses. The advantages of our proposal are clear:

- We address all communication needs: mobile voice, mobile Internet, fixed voice and fixed Internet;
- We offer special rates on the fixed line whenever a mobile service is subscribed;
- We have a wide range of innovative products. For example: Central ON is a product that replaces the traditional PBX completely by using the wireless network to connect all a customer's fixed and mobile numbers through a single service.



We also introduced numerous other significant changes to our product portfolio, further differentiating our offer and strengthening our position in the business market. Among other initiatives, we:

- Continued our journey towards Iberization, which means treating Portugal and Spain the same, by including roaming in Spain within our voice minute bundles;
- Provided a full and, therefore, converged offer, with fixed and mobile numbers in a single piece of equipment;
- Reinforced our Internet access offer, providing the most competitive data offer and boosting smartphone sales, allowing customers to benefit from the most recent advances in mobile handsets;
- Restated our belief that communication should be sustainable and contribute to a better world by launching the Optimus Green Life brand, tagging some of our equipment and products with a green label. For instance, we introduced the first eco-phone for the business market, the Sony Ericsson Elm.

Among many other service advantages, we already provide a single invoice for all our communications, regardless of the technology. We provide a single contact line for our customers – 16939 Optimus Negócios – and we sell through a single certified sales consultant. Therefore, we believe that convergence is the way to answer one of our customers' key demands: to address them through a single approach and infrastructure.

During 2010, innovation was also one of Optimus Negócios's key drivers. This strategy has placed us firmly on the forefront of delivering new technologies, fixed or mobile. We launched virtualisation solutions, such as the Microsoft-based e-Services; and solutions based on new equipment such as tablet PCs, where we deliver a bundle incorporating equipment and traffic.

We developed converged services and created new value business propositions by integrating cloud-based services with traditional telco services. Once again, Microsoft-based e-Services was one example of this innovative strategy in action. Optimus launched a set of new e-Services based on Microsoft Communications Services. Branded as e-Exchange, e-Communicator, e-Meetings and e-Share, these tools are indispensable to improving business productivity by enabling collaboration and information sharing among users. They are available to companies of all sizes in a software-as-a-service (SaaS) or hosted model through a simple monthly-fee-per-service payment, eliminating the cost of acquiring, deploying and maintaining premises-based equipment.

The Optimus-Microsoft offering combines Microsoft's hosted messaging and collaboration solutions with Optimus' voice and broadband product and services. These joint solutions provide voice, presence, instant messaging, video-conferencing and web-conferencing, allowing employees to work virtually anywhere and collaborate in real-time. Combined with the new Windows Mobile 7 smartphone capabilities, these tools are true enablers and continue to switch businesses towards more effective ways of working.

Achieving customer service excellence and improving customer satisfaction were other important priorities during 2010. We believe that it is crucial to develop a comprehensive understanding of our customers' evolving needs to ensure we continue to deliver the services they are looking for. With the emphasis on achieving higher customer satisfaction ratings, we focused on giving them better quality answers within a shorter time.

Along with other initiatives, our investment in the quality and responsiveness of our contact line paid off once again as the Portuguese Association of Contact Centres named 16939 Optimus Negócios the Best Contact Centre in Portugal in 2010. This prestigious award is of vital importance to our business, vindicating our efforts to improve our customer satisfaction ratings and motivating us to improve them even further.

Simultaneously, we reinforced our investment in our network infrastructure. In the most recent study by ICP-Anacom, Optimus was considered to be the operator with the best global 3G coverage, while achieving 99,6% GSM coverage. Again, this qualifies Optimus as the operator that guarantees its customers the best service.

Another key driver involved maximising our customers' lifetime value to our business, based on a new segmentation that maps customer needs to specific points in the customer lifecycle. To this end, we undertook several cross-selling campaigns, promoting bundle sales to Optimus Negócios customers. We created bundles specifically designed to encourage customers to buy additional service from us, offering incentives such as monthly fee offers and discounts on additional services or even core services.

In pursuit of our lifetime value objective and in line with our integration strategy, we consolidated customer integration within our customer loyalty program, Clube Negócios. Among other moves, this involved rewarding mobile services over fixed services while launching new offers and campaigns to build loyalty and retain a wider range of fixed and mobile customers.

Last year was particularly encouraging as far as our growth path is concerned. Once again, we set a strong commercial pace and outperformed our competitors in all product categories – voice and Internet, mobile and fixed. In the process, we grew our market share by an average of two points between 3Q09 and 3Q10 (Source: Telecommunications Survey Q3 2010).

### Corporate segment – Optimus Corporate

Optimus Corporate is an integrated solutions provider with a range of integrated, convergent, innovative and technologically advanced products and services capable of delivering maximum value to our customers.

In 2010, we totally overhauled our corporate segment offer. With new product offers for fixed, mobile, data and housing services, we built a distinctive new portfolio with a more structured approach that now cover all service segments. Through these changes, we took further

steps towards fixed and mobile convergence. We also launched new features and benefits for customers who choose Optimus as their global communications provider.

Innovation and leading-edge services continue to drive of our business offer. We launched IP Centrex and Carrier Ethernet Service, offering the most sophisticated options to the market. Carrier Ethernet Service is a flexible, high-capacity data service fully based on the optical fibre network. Launching this offer involved producing a new set of sales

materials including updated offer presentations, leaflets, case studies and product manuals – as well as a new Optimus Corporate image.

During 2010, Optimus Corporate consolidated its traditional telco fixed and mobile offer portfolio while integrating a new range of ICT product and services. Among other initiatives, we structured a complete portfolio for business class video conferencing systems from the major suppliers Polycom, Tandberg, Lifesize and Radvision around a comprehensive LAN and IP PBX standard package covering all the internal ICT video, voice and data needs for our corporate customers.

This offer is also characterised by integrating a simple rental model giving our corporate costumers easy access to these solutions without the need for the high investments typically associated with acquiring, deploying and maintaining this kind of equipment.

In 2010, we also defined a clear strategy designed to raise customer satisfaction levels by consistently giving them the highest standards of professional service from the first point of contact. To achieve this objective, we identified and developed opportunities for enhancing our frontline customer service delivery. As part of this initiative, we introduced additional self-service options, allowing customers to complete routine tasks without interacting with our customer account team. This has enabled us to improve efficiency while reinvesting time and energy into maximising customer value. As part of our efforts to enrich customer value, we invested in equipping our customer service professionals with additional the tools, training and skills they need to deliver world-class customer service.

We believe we have the right focus and the right initiatives to further enhance our business performance as well as our customer satisfaction ratings and service standards.



### Optimus Wholesale

The Optimus Wholesale business unit offers voice and data services and has implemented a uniquely customer-oriented approach to this segment.

Optimus Wholesale serves national and international operators, carriers and resellers looking for quality services in Portugal and abroad with back-up from an effective and focused customer support team. Long-term win-win relationships with solid customers and partners are core to its portfolio.

Despite last year's challenging macro-economic environment, an aggressive commercial approach allowed Optimus Wholesale to increase its operational figures and revenues, consolidating its leading position among the alternative players in Portugal's wholesale arena.

### Optimus Connect and the Internet of Things

During the last quarter of 2010, Optimus set up a new business unit called Optimus Connect to develop emerging businesses in the M2M (machine-to-machine or device-to-device) area, embracing the Internet of Things concept. Employing a highly specialised team, its goal is to find new solutions that add value to mobile data communications and broaden the range of technological and commercial partnerships in specific business sectors.

One of the cornerstones of this business's development will be the implementation of an extremely efficient operational platform. This will allow Optimus Connect to provide specific communication solutions at very low cost, optimising their scale and performance while automating processes and taking maximum advantage of web technologies to achieve efficiency, quality and simplicity. The business will offer customers a range of added-value services and functionalities, ensuring that Optimus Connect's offer is easily recognised and strongly differentiated.

Optimus Connect's capacity to perform in this market has been confirmed through greater penetration, for example, in the Transport and Construction sectors, with fleet management and resources operational management; in banks, through the application of a system of payments using mobile terminals (POS); in the Health sector, with the launch of various initiatives and pilot projects (mHealth); in Security, through monitoring and alarm solutions; and in Energy and Water, through its participation in telemetry projects.

Optimus Connect aims to be leader in the management of M2M communication solutions, providing products and services that set a market benchmark for quality, simplicity and security.



## 2.3.2. Mobile business

The pace of the digital revolution continues to accelerate towards creating an Internet of people, places and things. The speed of change is driving the exponential growth of mobile services, catalysed by the social networking phenomenon and the expanding choice of terminals – phones, smartphones and tablets. We believe these forces will trigger explosive growth across the mobile data market. Accordingly, it is becoming evident that mobile is set to become the privileged access to the internet, largely surpassing wireline. By offering a wide and very competitive choice of terminals and solutions, Optimus is in a strong position to capture value from this trend.

### 2.3.2.1. Operational data

	2010	2009	Year on year
Customers (EOP) ('000)	3,604.10	3,432.57	5.0%
Net additions ('000)	171.5	241.0	(28.8)%
Data as % service revenues	30.6%	28.1%	2.5%
Total #SMS/month/user	477	48.8	(2.2)%
MOU <sup>(1)</sup> (min.)	133.9	132.4	1.2%
ARPU <sup>(2)</sup> (euros)	13.7	14.8	(7.6)%
Customer Monthly Bill	11.4	12.1	(5.6)%
Interconnection	2.2	2.8	(18.9)%
ARPM <sup>(3)</sup> (euros)	0.10	0.11	(8.9)%

(1) Minutes of use per customer per month;

(2) Average monthly revenue per user;

(3) Average revenue per minute.

#### Customer base

In 2010, Sonaecom's mobile customer base increased by 5.0%, to 3.60 million customers, with net additions achieving 63 thousand in 4Q10. Fuelled by our successful post-paid offer, our contract customers reached approximately 32.9% of total mobile base, an increase of 1.4pp compared to the end of 2009.

During 2010, mobile customer's ARPU was 13.7 euros, down by approximately 1.1 euros against 2009, explained by a combination of lower interconnection revenues, which decreased from 2.8 euros to 2.2 euros, and lower customer monthly bill which decreased from 12.1 euros to 11.4 euros, notwithstanding the 1.1% increase in the MOU level to around 134 minutes.

#### Data services and mobile broadband

By the end of 2010, data revenues represented 30.6% of service revenues, an improvement of 2.5pp versus the end of 2009. In terms of quarterly evolution, it should be noted that in 4Q10, data revenues represented 32.4% of mobile service revenues, an increase of 3.2pp. This achievement is fully in line with the current trend in terms of data usage. Also, non-SMS related data services continued to raise their weight, accounting for approximately 75.1% of total data revenues in 2010 versus 72.3% in 2009.



### 2.3.2.2. Financial data

Million euros	2010	2009	Year on year
<b>Turnover</b>	<b>592.8</b>	6070	(2.4)%
Service Revenues	5578	566.4	(1.5)%
Customer Revenues	466.5	461.9	1.0%
Operator Revenues	91.2	104.5	(12.7)%
Equipment Sales	35.0	40.6	(13.7)%
<b>Other Revenues</b>	<b>33.4</b>	36.2	(7.6)%
<b>Operating Costs</b>	<b>435.9</b>	465.5	(6.4)%
Personnel Costs	51.7	53.7	(3.8)%
Direct Servicing Costs <sup>(1)</sup>	170.4	167.8	1.6%
Commercial Costs <sup>(2)</sup>	109.7	134.7	(18.5)%
Other Operating Costs <sup>(3)</sup>	104.1	109.4	(4.8)%
Provisions and Impairment Losses	4.8	10.9	(56.4)%
<b>EBITDA</b>	<b>185.5</b>	166.7	11.3%
EBITDA margin (%)	31.3%	27.5%	3.8pp
Operating CAPEX <sup>(4)</sup>	94.7	82.8	14.3%
Operating CAPEX as % of turnover	16.0%	13.6%	2.3pp
EBITDA – operating CAPEX	90.8	83.9	8.2%
Total CAPEX	104.0	98.7	5.3%

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

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

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

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

#### Turnover

Mobile customer revenues increased 1.0% in 2010 to 466.5 million euros. However, mobile turnover decreased 2.4% y.o.y. to 592.8 million euros due to a decrease of 12.7% in the level of operator revenues, fully driven by regulated tariffs; and a decrease of 13.7% in the level of equipment sales.

#### Operating costs

Mobile operating costs decreased 6.4% y.o.y., to 435.9 million euros. This decrease is a direct consequence of Optimus's cost reduction strategy, a comprehensive transformation plan designed to build a more efficient organisation with positive effects across our cost lines.

The level of commercial costs decreased 18.5% in 2010 due to lower handset subsidies and advertising costs. The level of direct servicing costs decreased 6.9% in the 4Q10, partly driven by the lower MTRs, having increased by 1.6% in 2010, explained by extraordinary discounts achieved in the 9M09. The level of other operating costs decreased 4.8% y.o.y., mostly due to the decrease of some costs charged to other group companies, which also explains the decrease in the corresponding line of other revenues.

As we have already reported to the market, the lower level of provisions in the first half of 2010 resulted from Optimus's positive recovery in terms of judicial and non-judicial collection of the previous years' credits, having now been revised.

#### EBITDA

Mobile EBITDA increased y.o.y. from 166.7 million euros to 185.5 million euros, due to a 1.0% increase in mobile customer revenues and, in particular, because of a 6.4% decrease in the level of operating costs. We achieved this result despite the end of mobile termination rates asymmetry, which favoured Optimus until October 2009. EBITDA margin reached a percentage of 31.3%, improving 3.8pp compared to 2009.

In terms of quarterly evolution, EBITDA increased 21.6% between 4Q09 and 4Q10 due to a decrease in all major cost lines, particularly the commercial costs line with lower handset subsidies and advertising costs, and also because of a continued positive trend in mobile customer revenues.

### 2.3.3. Wireline business

We strongly believe that convergence is now the key growth driver in the business segments. Our positioning, which comprises an integrated architecture enabling convergent solutions, is the best way to address and anticipate customers demand. As a result, we are expanding our market presence in the corporate and SMEs segment, growing the number of accesses and, importantly, increasing the penetration of our convergent offers in the customer base.

In the residential segment, we will keep focusing on value growth in terms of our fibre-to-the-home (FTTH) subscriber base, while leveraging our infrastructure and partnerships.

#### 2.3.3.1. Operational data

	2010	2009	Year on year
Total accesses (EOP)	417,066	483,613	(13.8)%
Direct Accesses	344,631	403,212	(14.5)%
Direct Voice	185,294	214,865	(13.8)%
Direct Broadband	104,819	146,349	(28.4)%
Other direct Services	54,518	41,998	29.8%
Indirect Accesses	72,435	80,401	(9.9)%
Unbundled central offices with transmission	206	198	4.0%
Unbundled central offices with ADSL2+	182	179	1.7%
Direct access as % customer revenues <sup>(1)</sup>	78.8%	79.5%	(0.7)pp
Average revenue per access – retail	23.7	22.9	3.8%

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

#### Customer base

In 2010, we are able to increase our presence in the corporate and SMEs segment, with a rise in the number of total accesses. In this particular segment, the number of total accesses rose y.o.y. from 140 thousand to 151 thousand, an increase of 7.8%.

Driven entirely by the residential segment, however, wireline total accesses decreased to about 417 thousand, a 13.8% reduction compared to the end of 2009. This fall was due to a 14.5% decrease in direct accesses, now also impacted by the decision to abandon residential customer acquisition through Portugal Telecom's infrastructure, namely through ULL; and a 9.9% reduction in indirect accesses. Nonetheless, it is important to emphasise that the decreasing trend of the number of total accesses has been slowing since early 2009.





### 2.3.3.2. Financial data

Million euros	2010	2009	Year on year
<b>Turnover</b>	<b>2376</b>	<b>245.2</b>	<b>(3.1)%</b>
Service Revenues	236.8	243.4	(2.7)%
Customer Revenues	122.7	138.7	(11.5)%
Direct Access Revenues	96.7	110.2	(12.2)%
Indirect Access Revenues	25.5	28.0	(9.1)%
Other	0.5	0.5	171%
Operator Revenues	114.1	104.7	9.0%
Equipment Sales	0.8	1.8	(56.1)%
<b>Other Revenues</b>	<b>1.8</b>	<b>2.5</b>	<b>(29.7)%</b>
<b>Operating Costs</b>	<b>225.3</b>	<b>234.3</b>	<b>(3.9)%</b>
Personnel Costs	3.9	4.8	(19.9)%
Direct Servicing Costs <sup>(1)</sup>	154.9	154.4	0.3%
Commercial Costs <sup>(2)</sup>	21.2	22.8	(6.8)%
Other operating Costs <sup>(3)</sup>	45.3	52.3	(13.4)%
Provisions and Impairment Losses	10.7	78	37.7%
<b>EBITDA</b>	<b>3.5</b>	<b>5.7</b>	<b>(38.5)%</b>
EBITDA margin (%)	1.5%	2.3%	(0.9)pp
Operating CAPEX <sup>(4)</sup>	26.5	49.4	(46.4)%
Operating CAPEX as % of turnover	11.1%	20.2%	(9.0)pp
EBITDA - operating CAPEX	(23.0)	(43.8)	(47.4)%
Total CAPEX	26.5	49.4	(46.4)%

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

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

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

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

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

#### Turnover

Wireline turnover decreased 3.1% y.o.y. to 2376 million euros. The 9.0% increase in the level of operator revenues was not enough to offset the 11.5% decrease in the level of customer revenues. This was mainly a consequence of the reductions in residential ULL and indirect accesses.

#### Operating costs

Wireline operating costs decreased 3.9% y.o.y. to 225.3 million euros. This fall was primarily driven by a reduction in the level of commercial costs and other operating costs, due to our on-going efforts to control our cost structure in line with current activity levels. Personnel costs decreased 19.9% as a result of our efforts to restructure our wireline residential business unit. Commercial costs decreased 6.8% due to lower marketing and sales costs. Meanwhile, the level of other operating

costs decreased 13.4%, driven primarily by efficiency improvements in the call centre and a decrease in our wireline residential business activity.

#### EBITDA

During 2010 wireline EBITDA was positive by 3.5 million euros. This represented a decrease of 38.5% compared to 2009, mainly driven by the need to reinforce the level of provisions and impairment losses. The EBITDA margin evolved from 2.3% to 1.5%.

EBITDA-operating CAPEX increased 20.8 million euros, benefiting from our 'capital light' approach, ensuring FTTH coverage expansion through partnerships and sharing agreements without further investment.

## 2.4. SSI business



SSI business model relies on a strategy of capital development, launching new companies with high growth potential and investing in IT/IS companies, privileging post start-up, internationally oriented and highly focused assets. In 2010, we acquired Softlimits B2B business unit, successfully integrated within Saphety. Later in December, SSI concluded the sale of its 11.54% stake at Altitude SGPS S.A., generating a capital gain of 2.2million euros.

Currently, our SSI division comprises four companies: WeDo Technologies, a provider of business assurance solutions addressing the optimisation of business performance and risk management systems and processes; Mainroad, which specialises in IT management, security and business continuity; Bizdirect, which provides value-added IT products; and Saphety, which focuses on business process automation, electronic invoicing and security in B2B transactions.

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

During 2Q10, Stratecast ranked WeDo Technologies as 2009 global market leader in the revenue assurance market, with 25% market share. What's more, seven out of the world's 10 biggest telco companies (1) are WeDo Technologies customers. At the end of 2010, WeDo Technologies had more than 100 clients in 78 countries. In 2010, WeDo Technologies' international revenues already represented 63% of its turnover and the volume of its international revenues grew 19% between 2009 and 2010, evidence that its focus on enlarging its international footprint continues to deliver positive results.

(1) According to PRITM (Radical change in the Mobile Telecoms Industry, 2009).

### 2.4.1. Key market developments

#### WeDo Technologies

During May an independent analyst firm, Stratecast Frost & Sullivan, estimated that WeDo Technologies commands a 25% share of the global market in telecom revenue assurance software, making it the global leader in this market.

Having established itself as the global leader in telecom revenue assurance software within 10 years, the business now aims to be world leader and long-term choice in business assurance software in the telecoms, retail, energy and insurance sectors, increasing its size in terms of revenue and orders.

The company is pursuing the strategy it defined in 2008 and communicated in 2009. It involves taking revenue assurance and fraud management to the next level with a broader concept called Business Assurance.

WeDo Technologies is currently the only supplier that integrates

business assurance RAID®, revenue assurance and fraud management features in the same product and was one of the first companies to look outside the telecom space.

2010 was a strong year for WeDo Technologies on several fronts: Our business won a number of important new clients and deals including:

- A major group deal covering revenue assurance with a Euroasian telecom group;
- A major fraud management deal with an Arabic Peninsula telecom company;
- An important deal with an Eastern Europe operator in the roaming management area;
- A key outsourcing deal with Sonae Sierra.

In terms of account Management our main achievements were:

- A fraud management agreement with a major European telecom group covering fraud management. The business already had a framework agreement with this group but only for RA;
- A fraud management deal with Orange Slovakia;
- Two key additional contracts in the fraud management area: one in



Asia Pacific and one in Latin America;

- A large deal with a Malaysian customer in the credit and collections area;
- New deals with the Digicel group covering incentives management and data retention products;
- Large deals with an existing tier one telecoms group in Latin America covering churn management and incentives;
- Strong relationships with key customers such as Oi Brazil, Orange group, Vodafone group, Orascom group, Telefonica group and Vimpelcom group resulted in other deals and a strong pipeline throughout 2010.

We have also established several partnerships. WeDo Technologies is in the process of implementing a total re-design of its partnerships strategy. This has already produced an agreement with a major network vendor covering revenue assurance, fraud management and roaming management. In 2011, the business will be more active in its partnerships, focusing its attention on new joint offerings and new target markets.

2010 was also a year of strong investment at WeDo Technologies, as follows:

- **New markets** The business is market testing and further adapting its product for its new target industries;
- **North America** In 2009, WeDo Technologies launched a strong, long-term investment programme in this region. Once again, we are confident that the pipeline and trust we have built over previous years will produce positive results in the short and medium term.
- **Software development** Having launched version 6.0 of Business Assurance RAID® at the end of 2009, the WeDo Technologies development team fulfilled the commitment it made to all its customers following its acquisition of CAPE Technologies in 2007 by merging the best products from both businesses.

In terms of awards, Rui Paiva, WeDo Technologies' CEO, won the Best Leaders Award in the Leading New Technologies category. This award is made every year by Leadership Business Consulting.

WeDo Technologies turned ten years old in February 2011. Over the last decade, the business has installed its solutions at more than 135 companies in 78 countries across five continents, delivering consulting services to more than 100 operators worldwide through its successful consulting division, Præsidium. WeDo Technologies' software houses are currently located in Dublin (Ireland), Braga (Portugal) and Poznan (Poland).

### Mainroad

Throughout 2010, Mainroad focused on providing high-availability continuity and outsourcing services to the Portuguese market.

During the year, the business joined the Associação Portugal Outsourcing, a group that brings together Portugal's top IT and BPO companies. The aim is to contribute to the development of a Portuguese outsourcing sector that offers added value and resources to information and communication technologies.

Mainroad successfully completed the re-certification of its Quality Management System (QMS) under the new standard NP EN ISO 9001:2008. It also renovated its data centre control rooms in Lisbon and Matosinhos, which helped to improve working conditions for its operations and monitoring teams. In addition, it became the first company in Portugal and only the second in Iberia to retain its SAP Hosting Partner status.

Among many others wins, Mainroad signed new contracts with companies and institutions such as Sonae Sierra, Altitude Software, AHRESP, Fertagus and TimWE. In parallel, it continued to expand into the Spanish market. Significantly, it won more than 20 Spanish customers during 2010, clearly demonstrating that it is a trusted Iberian partner in its market, known for the quality of its services and solutions, as well as its know-how.

More than a hundred customers and prospects attended Mainroad's annual gathering. Dedicated to outsourcing and cloud computing, the event ran under the theme: "You run your business, We support IT... in the Cloud". Speakers representing clients such as Unicer, Geostar, Fertagus, Efacec and Advance Care addressed the audience on the solutions Mainroad has implemented on their behalf.

The company constantly strives to follow the most recent market trends and innovations. With this in mind, it invested more than half a million euros to increase the capacity of its data centre in Carnaxide. This investment will reinforce Mainroad's commitment to optimising its energy management and wider environmental issues, specifically through green IT, virtualisation and server consolidation.



## Bizdirect

In line with the strategy it implemented in 2010, Bizdirect strengthened its position as a leading player in marketing multi-brand IT solutions, supported by partnerships with leading industry manufacturers; and in the management of corporate contracts. As a result, the business achieved strong growth across all its business units, reinforcing its reputation among clients and across the market.

Bizdirect's results reflect the success of its business lines. While there has been a marked slowdown in the laptop sales under the e-initiatives programme, launched by the Portuguese government, software licensing remains an area of continued growth. Here, Bizdirect grew the number of its managed accounts and expanded its target markets, which now include the Education sector. In addition, Bizdirect continues to expand its range of distinctive solutions, with the development of its value products portfolio geared towards niche solutions. It also focused on Infrastructure, which was its fastest growing business area. In parallel, the business continues to reinforce its skills in the highly competitive Corporate market. During 2010, Bizdirect won highly significant IT projects with a number of Portugal's benchmark corporations, most notably Bloco Gráfico, AdvanceCare, Salvador Caetano, Cimpor and TIMwe.

Bizdirect's strong presence in the public sector should also be noted. The business has provided the technological infrastructure for key projects in the Ministry of Finance/Internal Revenue (DGCI), the Ministry of Home Affairs, and INE (the National Statistics Institute) among others. In addition, Bizdirect is now managing 12 new software licensing contracts in the Education sector. It is also important to note its partnership with the national procurement agency, ANCP (Agência Nacional de Compras Públicas), which has continued to strengthen since 2008.

In 2010, Bizdirect invested in a results-oriented strategy, which was based on the ability of its people to achieve defined objectives. To meet these objectives, Bizdirect identified four strategic cornerstones:

- **Infrastructure**, which covers the entire technology architecture clients use to support their business – an area closely associated with Bizdirect's turnover;
- **Licensing**, an important component of Bizdirect's business, which covers technology from manufacturers such as Microsoft, CA, Oracle, IBM and HP;
- **Solutions**, the high-value area that centralises a set of distinctive

tools and products that clients use to develop their projects;

- **Projects**, which acts as an incubator for projects that are driven by the whole Bizdirect team and feedback from clients.

The restructuring of the company led to an increase in the number of resources and qualitative growth with its clients.

In 2010, the business won significant projects with high-profile clients, including the Universidade Católica do Porto (Porto Catholic University), Fundação Inatel, Accor Hospitality, KPMG, Grupo Casais, PLMJ, Ferpinta and Grupo Soporcel among others. The performance of its Licensing and Projects units was also notable.

Bizdirect also strengthened its partnerships with leading manufacturers. This involved consolidating its status as one of Microsoft's certified partners and one of VMware's enterprise solutions providers while joining the AlienVault partner programme and reinforcing its links with Citrix.

The key objectives Bizdirect set itself and achieved in 2010 were: to continue making a difference in the market; to consolidate its skills and use them to stand out in the market; and to capture new opportunities and products in the Solutions and Licensing areas.

In 2010, Bizdirect invested in a new communication strategy based on the synergies between its business and various sports. Bizdirect consistently applied this approach to the most strategically important areas of its business with the single objective of strengthening the Bizdirect brand and promoting its solutions. The business will continue to use this strategy during 2011 while strengthening its strategic partnerships.

Globalisation is another growth area. Bizdirect is currently assessing its presence in certain countries, most notably in Spain and in Angola.

Also in 2010, we put our BizPortal project in motion, opening up a new channel of interaction between Bizdirect and its clients. This tool aims to improve quality and information. Above all, it is an exclusive and differentiated solution that provides access to services and features that will help to accelerate the relationship processes between Bizdirect and the market. BizPortal is set to launch in April 2011.



## Saphety

Saphety's acquisition of Softlimits' B2B business unit, Mercados Electrónicos (Electronic Markets), was among the year's most significant milestones. By strengthening Saphety's position in the electronic invoicing market, an area of strategic importance to the business's future, the deal reinforced its leadership in sectors such as public administration and retail. Following the integration of its new unit, Saphety now has 56 employees and a portfolio of 2,000 clients, many of them leaders in their sector.

To increase awareness around the electronic dematerialisation of business processes, Saphety participated in a series of events run by research house, IDC: Invoice & Electronic Payment Services; Cloud Computing & SaaS; and Business Optimization: BI, BPM and SOA. In addition, the business participated in the 4th National Conference on Public Electronic Contracting, again through speakers and sponsorship.

Overall, therefore, 2010 was a year in which Saphety consolidated its presence in the electronic invoicing market, winning a list of notable clients, among them Sonae Sierra, Secil, Albano Alves, JP Sá Couto, Chronopost-Portugal and ANA-Aeroportos de Portugal. It also expanded its global footprint through another new client, GSI Sweden.

In 2010, Saphety was involved in several direct marketing campaigns, which promoted the training sessions it delivers to customers and prospects on the public electronic contracting platform, BizGov.

Saphety is strongly committed to BizGov, especially because public administration plays such an important role in its business. In 2010, several municipalities (including Montemor-o-Novo, Arraiolos, Estremoz and Vila Viçosa), local chambers (including Evora, Estremoz, Borba and Mourão) and public entities (including Turismo de Portugal and Turismo Alentejo Litoral) signed up to this platform. It is worth noting that Saphety started the development of integrated solutions within BizGov. These solutions are those in which Saphety is already the market leader: electronic invoicing, electronic procurement, electronic auctions and supplier portals.



In 2010, it became evident that electronic procurement solutions are also of particular importance to Saphety's success. This applies especially in the public administration sector, where several public entities adopted our solutions, among them the Ministério Negócios Estrangeiros, Ministério do Ambiente, Ministério da Cultura and Ministério da Educação.

Last year was also the first year in which Saphety made *Semana Informática* magazine's list of the top 200 IT companies.

## 2.4.2. Operational data

	2010	2009	Year on year
IT services revenues/employee <sup>(1)</sup>	129.1	125.9	2.6%
Equipment sales as % of turnover (%)	50.9%	57.6%	(6.7)%
Equipment sales/employee <sup>(2)</sup>	2,979.6	4,514.7	(34.0)%
EBITDA/Employee	15.0	16.0	(6.6)%
Employees	565	522	8.2%

(1) Excluding employees dedicated to equipment sales;

(2) Bizdirect

IT service revenues per employee reached 129.1 thousand euros in 2010, 2.6% above 2009, while equipment sales per employee decreased y.o.y. by around 34%. This fall was primarily due to the anticipated drop in equipment sales following the deceleration of e-initiatives programme.

SSI's total headcount increased to 565, an 8.2% y.o.y. rise. This was due to the need for additional internal consultants to support the increased level of activity across all subsidiaries; the integration of employees from Softlimits' B2B unit, Mercados Electrónicos; and WeDo Technologies' growing international footprint.



### 2.4.3. Financial data

Million euros	2010	2009	Year on year
<b>Turnover</b>	<b>142.54</b>	149.91	(4.9)%
Service revenues	70.03	63.63	10.1%
Equipment sales	72.51	86.28	(16.0)%
<b>Other Revenues</b>	<b>0.51</b>	0.43	19.9%
<b>Operating costs</b>	<b>134.08</b>	141.83	(5.5)%
Personnel Costs	30.09	28.25	6.5%
Commercial Costs <sup>(1)</sup>	71.72	85.67	(16.3)%
Other Operating Costs <sup>(2)</sup>	32.27	27.92	15.6%
Provisions and impairment losses	0.51	0.12	-
<b>EBITDA</b>	<b>8.46</b>	8.38	0.9%
EBITDA margin (%)	5.9%	5.6%	0.3pp
Operating CAPEX <sup>(3)</sup>	10.06	3.18	-
Operating CAPEX as % of turnover	7.1%	2.1%	4.9pp
EBITDA - operating CAPEX	(1.60)	5.21	-
Total CAPEX	10.06	3.18	-

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

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

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

#### Turnover

SSI turnover decreased y.o.y. by 4.9% to 142.5 million euros, driven entirely by a decrease of 16.0% in the level of IT equipment sales. This decrease is due to the anticipated slowdown of laptop sales under the e-initiatives programme. Importantly, the level of service revenues increased y.o.y. by 10.1% to 70.0 million euros. WeDo Technologies' international expansion, along with its determination to reinforce its leadership in the revenue assurance market, was among the key growth drivers.

#### Operating costs

SSI operating costs decreased y.o.y. by 5.5% to 134.1 million euros, driven by a 16.3% decrease in the level of commercial costs, mainly cost of goods sold, a direct consequence of the slowdown of laptop sales under the e-initiatives programme. Also, the increase in personnel costs and other operating costs, mostly outsourcing costs, was driven by higher activity levels and, particularly, by the expansion of WeDo Technologies' international footprint.

#### EBITDA

During 2010, SSI EBITDA evolved positively to 8.5 million euros, up 0.9% compared with 2009, as a consequence of the 10.1% rise in service revenues. This was almost completely off-set by i) an enlarged cost structure to support increased international activity; and ii) lower equipment sales due to the anticipated deceleration of the e-initiatives programme.

EBITDA growth was achieved despite WeDo Technologies' international expansion and the impact of integrating the Softlimits B2B business unit after it was acquired by Saphety.

As a result of the anticipated combination of higher service revenues and lower equipment sales, the EBITDA margin increased y.o.y. from 5.6% to 5.9%.

## 2.5. Online & Media

Sonaecom's Online & Media business comprises a set of additional businesses such as Miao.pt, Público, a leading Portuguese daily newspaper now in circulation for over 20 years, and Público.pt, at the digital forefront of the Portuguese online press.

During 2010, Público was impacted by the persistently negative market dynamics in the daily generalist press sector in terms of circulation and in advertising figures. However, during 2010, Público showed resilience as it succeeded in consolidating its third-place ranking among daily paid generalist newspapers in terms of circulation.

Concerning Público's online business, it is worth highlighting the success of some innovative projects such as Público's iPad application.

In terms of financial performance, Online & Media's 2010 EBITDA was still negative by 1.27 million euros, but this represents an improvement of more than 50% compared to the negative 2.66 million euros registered in 2009.





## 2.6. Sonaecom SGPS individual results

### 2.6.1. Operational data

Sonaecom SGPS individual results for the years ended 31 December 2010 and 2009 can be summarised as follows:

Million euros	2010	2009	Difference	%
Service revenues	6.3	71	(0.8)	(11.7)%
Other operating revenues	0.0	0.0	(0.0)	(36.6)%
Operating costs <sup>(1)</sup>	(7.3)	(8.3)	1.0	11.8%
EBITDA	(1.0)	(1.1)	0.1	11.9%
EBIT	(1.1)	(1.3)	0.2	12.4%
Dividend received	137.0	3.5	133.5	-
Net financial activity	8.9	1.4	74	520.8%
Other financial results	(8.1)	(9.6)	1.6	16.1%
EBT	136.7	(6.0)	142.6	-
Net income	135.4	(6.1)	141.5	-

(1) Excluding Depreciation, amortization and provisions.

In 2010, Sonaecom generated service revenues of 6.3 million euros, essentially comprising services provided to its subsidiaries in relation to:

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

Sonaecom's corporate centre employed 38 people, of which 30 were assigned to the Shared Services division. In 2010, total staff costs amounted to 4.4 million euros compared to the 4.6 million euros in 2009. Total corporate centre costs represented approximately 0.6% of Group consolidated turnover (in line with 2009) as at 31 December 2010. Total operating expenses (excluding depreciation and amortization charges and provisions) amounted to 7.3 million euros, versus 8.3 million euros for the same period of 2009. All cost lines showed savings compared to 2009, mainly personnel and outsourcing costs.

EBITDA was a negative 1.0 million euros compared to a negative 1.1 million euros in 2009, mainly due to the decrease in service revenues not fully compensated for opex decreases.

Sonaecom's SGPS's principal source of financial income was the 137.0 million euros dividends received from Sonae Telecom SGPS (84.4 million euros) and from Optimus – Comunicações, S.A. (52.6 million euros). In 2009, Sonaecom received 3.1 million euros dividends from Sonaecom Sistemas de Informação, SA and 0.4m from Sonae Telecom SGPS.

Net financial activity (interest income less interest expenses) was a positive 8.9 million euros, significantly above 2009 (1.4 million euros) due to a higher level of loans placed in subsidiaries but mainly driven by a higher interest rate in shareholder loans.

Other financial results were a negative 8.1 million euros, almost totally driven by impairment recognition on Sonaetelecom BV (5.6 million euros; 7.2 million euros in 2009), on Miauger (0.8 million euros; 2.4 million euros in 2009) and on Lugares Virtuais (1.5 million euros).

Net results for the year were a positive 135.4 million euros due to the higher level of dividends and a strong performance in net financial activity.

## 2.6.2. Financial data

The following table summarises the major cash movements that occurred during 2010:

Changes in Sonaecom SGPS liquidity	Million euros
Sonaecom SGPS stand alone liquidity as at 31 December 2009	3.2
Commercial Paper Programme (CPP)	(91.8)
<b>Bond Loans</b>	70.0
Other external debt	(3.5)
Treasury applications from subsidiaries received (repaid)	(51.0)
<b>Net acquisitions and supplementary capital</b>	(73.6)
Acquisition of Own Shares	(4.9)
Supplementary capital on Sonae Telecom SGPS	(22.8)
Supplementary capital on Sonae Telecom BV	(15.0)
Reinforcement of participation on Sonae Telecom BV (Share Premium)	(4.3)
Reinforcement of participation on Sonaecom BV (Share Premium)	(25.0)
Reinforcement of participation on Sonae Telecom SGPS	(1.5)
<b>Net Shareholder loans repaid (granted)</b>	73.1
Artis	378
Sonaetelecom BV	10.4
Sonaecom BV	30.9
WeDo	8.0
Sonaecom Sistemas de Informação	(13.8)
Lugares Virtuais	(0.1)
<b>Financial and operational movements</b>	149.2
Interest paid	(70)
Dividend received	1370
Interest received	18.3
Operational free cash flow and others	1.0
<b>Total movements in the period</b>	72.4
<b>Sonaecom SGPS stand alone liquidity as at 31 December 2010</b>	<b>75.6</b>

During 2010, Sonaecom's stand-alone liquidity increased 72.4 million euros from 3.2 to 75.6 million euros due to the following movements:

### A. Gross nominal external debt – 25.3 million euros decrease

During 2010, gross nominal external debt decreased by 25.3 million euros, 91.8 million euros through the commercial paper programme (CPP), 3.5 million euros through overdrafts, partially compensated for by 70.0 million euros of new bonds.

During the year, Sonaecom completed a three-year bond issue totalling 30 million euros and a five-year bond issue of 40 million euros, both unsecured and listed in the Euronext Lisbon exchange.

Since 2007, when Sonaecom completed the negotiation of a 250 million euros committed underwritten commercial paper programme, Sonaecom's gross debt is fully contracted by Sonaecom SGPS and internal funding movements are used to allocate cash between our subsidiaries. As part of this new internal funding process, Sonaecom

SGPS is using shareholder loans and/or treasury applications, depending on the expected maturity of amounts lent to subsidiaries.

At year end, Sonaecom SGPS' gross debt comprised four long-term facilities: (i) a 150 million euros bond issue; (ii) a 30 million euros bond issue; (iii) a 40 million euros bond issue; and (iv) the 150 million euros committed underwritten CPP.

### B. Treasury applications from subsidiaries – 51.0 million euros decrease

During the year, the main financial movements were: Optimus - Comunicações, S.A. decreased its application by 62.5 million euros; Be Towering increased by 5.3 million euros; Sonaecom Sistemas de Informação SGPS, SA increased by 3.1 million euros; Publico Comunicação Social, SA increased by 2.1 million euros; and Mainroad increased its application by 0.5 million euros.

### C. Net acquisitions and supplementary capital – net cash-out of 73.6 million euros

The major outflows from acquisitions and investments during 2010 were as follows:

- Reinforcement of 15.0 million euros of supplementary capital on Sonae Telecom SGPS;
- Reinforcement of 22.8 million euros of supplementary capital on Sonae Telecom BV;
- Reinforcement of participation on Sonae Telecom SGPS by 1.5 million euros (share capital increase);
- Reinforcement of participation on Sonae Telecom BV and on Sonaecom BV by 4.3 million and 25.0 million euros respectively (share premium);
- To cover the MTIP responsibilities, Sonaecom SGPS invested 4.9 million euros in the acquisition of own shares during 2010.

### D. Net shareholder loans – 73.1 million euros decrease

During 2010, total shareholder loans applied by Sonaecom SGPS in subsidiaries, decreased by 73.1 million euros:

- During the year Sonaecom placed an additional 13.8 million euros at Sonaecom Sistemas de Informação and an additional 0.1 million euros at Lugares Virtuais;
- Loans in Artis decreased by 37.8 million euros, loans placed at Sonae Telecom BV and Sonaecom BV decreased by 10.4 million euros and 30.9 million euros respectively. Sonaecom also reduced loans placed at WeDo by 8.0 million euros.

### E. Sonaecom financial movements – positive 149.3 million euros

Sonaecom SGPS' operational and financial activity generated a net inflow of 149.3 million euros, which was essentially driven by the following movements:

- Dividends of 137.0 million euros received from Sonae Telecom SGPS (84.4 million euros) and from Optimus (52.6 million euros);
- A positive net financial activity of 11.3 million euros, which has resulted from the funds placed at subsidiaries.



## 2.7. Our responsibility

In 2008, Sonaecom created an internal working group covering the Global Reporting Initiative (GRI) performance indicators. This group's objectives were to define and put in place a structured process for collecting, monitoring and reporting performance indicators based on GRI methodology. The aim was to enable Sonaecom to develop a level A corporate responsibility (CR) report adopting GRI methodology, and capture GRI performance indicators on a reliable, consistent and comprehensive basis, guaranteeing external verification in 2009.

During 2010, Sonaecom published its first sustainability report to meet all the requirements needed to achieve an A+ level under the GRI guidelines. This report was verified by an external auditor, Deloitte & Associados, SROC, S.A, which submitted all the essential indicators and those in the telecommunications supplement to ensure reliable verification.

The report's preparation follows the third generation guidelines of the Global Reporting Initiative (G3/GRI) and its pilot supplement for the telecommunications sector. Following these guidelines is internationally recognised as best practice for developing sustainability reports.

### Smile: Sonaecom's community intervention programme

As our community intervention programme, Smile's principal aim is to engage Sonaecom within the community through its professional skills, creating value for those entities that have a relationship with our business while raising awareness among our employees and mobilising them against social exclusion.

As its main challenge, Sonaecom has committed to providing institutions with the information technology (IT) skills they don't have. We realise this is a significant issue for many organisations. Among other benefits, equipping them with IT skills enables them to simplify processes and procedures and, therefore, focus on their social mission.

The Smile programme is divided into four main action areas:

- Smile Competencies covers specific projects that match Sonaecom skills to an organisation's needs, particularly its IT requirements – an area where we can make a direct contribution to combating info-exclusion.
- Smile Intervention involves taking timely action to solve specific problems confronting organisations, such as the recovery or the reorganisation of their facilities.
- Smile Teambuilding focuses on developing our employees' personal and interpersonal skills and building their community participation through the promotion of good practices.
- Smile Causas raises awareness around social and environmental issues among Sonaecom staff.

During 2010, a total of 470 Sonaecom employees donated more than 1.400 community working hours through Smile, benefiting more than 2.500 people in 25 third sector organisations.

### Optimus: committed to corporate responsibility

Optimus's CR programme is based on providing selected groups with complete telecommunications and entertainment solutions from its own portfolio. Its objective is to provide children undergoing medical treatment with the latest laptops incorporating Kanguru mobile Internet, free communications and maintenance support. This helps to promote inclusion, combat isolation, enhance the children's wellbeing and reinforce their skills. A joint partnership between Optimus and Acreditar, Associação SOL and Fundação do Gil evaluated these children's routines and needs to identify a solution that best fits the programme's objectives.

This initiative aligns with Optimus's commitment to using information and communication technology to support civil society. Most importantly, the initiative enables Optimus to make a positive difference to hundreds of children and their families by shortening the distance between them and reinforcing their bonds of affection through the intelligent use of new technology. At the same time, Optimus also wants this initiative to make a meaningful contribution to education, IT and beating info-exclusion, encouraging the responsible and correct use of equipment that it makes available to such a special group.

There is a growing consensus that information and communication technology performs a crucial role in social inclusion, building individual skills and developing knowledge. Initiatives like this have placed Optimus on the frontline of efforts to ensure that everyone benefits from technological advances.

### Environmental management

In 2010, Sonaecom renewed the certification of its Environmental Management System (EMS) in line with the requirements of the ISO 14001 standard. Since 2003, our commitment to improving our environmental performance has been recognised by the Portuguese

certification association, APCER. We continue to improve our internal management processes while encouraging other interested parties to become more involved and better informed about our environmental management programmes.

In 2010, we developed the Optimus Green Life brand, which highlights the environmental issues associated with our products and publicly acknowledges our environmental responsibility.

We also took another important step by measuring our carbon footprint for the second time. We now have more confidence in how we monitor the major sources of our greenhouse gas emissions; raise awareness among all stakeholders around climate change issues; and focus their attention on improving energy efficiency while reducing greenhouse gas emissions.

Further information on Sonaecom's environmental, economic and social initiatives can be found in our annual sustainability report.



## 2.8. Our customer service

Following the path towards integrating Optimus's fixed and mobile businesses, we have implemented technological convergence and shared teams. We have also introduced new information systems and more powerful tools for monitoring and managing the performance of our customer service operations. The improvements in cost efficiency and customer satisfaction are reflected in our own internal indicators as well as in independent reports. We draw enormous pride from these achievements, which continue to inspire us to challenge our performance in pursuit of even better customer service.

### New systems and operational improvements

To improve operational efficiency, Optimus has invested in new systems that are helping to improve the performance of its business processes. Following the path towards integrating Optimus's businesses, Customer Service started to implement fixed and mobile shared teams and merge some platforms in 2009.

In 2010, we successfully completed this platform convergence. The most important change involved all customer care business areas adopting a centralised customer relationship management (CRM) system. The use of a single CRM system for managing all customer requests and complaints is not only more cost-effective, but it also allows the development of processes that are shared between different business areas.

Another important step involved the implementation of a Service Provisioning System for the activation of all Optimus's services, a step that has reduced service activation waiting times and lowered the average cost of provisioning processes. The field teams responsible for scheduling and completing the installation of wireline services in customer premises are managed by a platform that is fully integrated with the Service Provisioning System. The use of this platform for ADSL technology started in 2009 and it was introduced for FTTH in 2010, making an important contribution to improving these processes.

Employing fully integrated teams supporting convergent services is a strategy that Optimus will continue to follow in pursuit of improved customer service and higher internal cost synergies.

### Monitoring customer service performance and customer satisfaction

We made significant investments in systems that store information about the performance of core business processes and make it available in near real-time. This investment has made it possible to manage these processes more efficiently by enabling us to monitor in near real-time customer calls answered by each contact centre team; the trouble tickets created by our frontline staff; and the current status of each activation process and which ones are not fulfilling the defined SLAs. Implementing more powerful information systems has enabled us to improve our customer service performance in a number of other important ways.

The modelo Atitude+ methodology for managing customer complaints that we introduced in 2008 and 2009 in all customer service business areas, together with our centralised CRM system, has allowed us to identify root causes of complaints and fine tune the processes and services responsible for managing them.

To ensure the customer's voice is heard, we implemented a programme that periodically accesses the customer experience and fine tunes our processes according to the customer's feedback.

All the indicators confirm that Optimus is taking the right approach to fulfilling our aim of becoming the best telecommunication service provider in terms of customer satisfaction. Independent studies as well as internal indicators show that Optimus is consistently improving its customer satisfaction ratings.

Here are some of the key achievements highlighted by our internal indicators:

- We achieved important improvements in the waiting times of calls to our contact centres, with more consistent and stable daily SLAs. This was achieved in almost all customer care business areas and it was accomplished with a reduction in the operational cost of this activity.
- A 24% reduction in the volume of speech contacts that are answered in call centres and a 17% reduction in the percentage of different customers who call customer care each month.
- A boost in the use of alternative contact channels. The volume of contacts that we received through web forms and email has doubled. If the requests submitted through our automatically answered web-based self-care function and chat sessions had been included, the rise in the use of alternative channels would have been significantly higher.
- An increase of around 18% in the resolution of complaints by our frontline contact centre teams between the same periods of 2009 and 2010.
- A reduction of around 14% in the average waiting time for a complaint to be resolved if we compare the same period of 2009 and 2010.
- Much better waiting times for the provisioning and activation of both wireline and mobile services.
- A reduction of 21% in the amount of complaints received by 'Provedor', *Ombudsman*.



It is worth noting that the monthly analysis by Marktest available in *Barómetro das Telecomunicações* for wireline and mobile services lists Optimus among the telco brands that are leaders in customer satisfaction.

ECSI-Portugal, *Índice Europeu de Satisfação do Cliente*, which has been used for more than ten years in several European countries, evaluates global customer satisfaction ratings in the national market. The results published in 2010 show a clear and consistent improvement by Optimus brands, mainly in the areas related to customer service, such as complaint management.

These studies combined with direct customer feedback make us believe that we are on the right path towards offering the best customer service in the national telecommunications market.

### Awards from independent organisations

Optimus was awarded the two national prizes that distinguish the best contact centre operations.

Optimus's Mass Business operation was recognised by the APCC (Associação Portuguesa de Contact Centers, the National Association of Call Centres) as the best operator in the telecommunications category. More importantly, Optimus also won the overall award for the best contact centres across all categories.

The International Faculty for Executives (IFE) also presented Optimus Home Contact Centre with its annual 'Best Contact Centre' award, which recognises the call centre with the best performance and the best practices.

It is also important to note that APCC quality certification was given to all Optimus partners in the operation of call centres supporting all business areas.

### Fostering a customer-oriented culture

Take-off, a programme re-launched in 2009 to foster a customer-oriented culture across Sonaecom, was among the year's most high-profile initiatives. The programme was reinforced with additional one-day sessions during 2010 after proving a popular success among many employees during 2009.

In 2009, the business launched an award for dedicated agents who go above and beyond expectations to resolve customer complaints. Known as 'eu tenho attitude+' (I have a + attitude), the prize was awarded to 35 agents during 2010.

Optimus Customer Service strongly believes that close operational monitoring allied to leading-edge technology in CRM, provisioning, billing and customer interaction management platforms are the most important factors when it comes to achieving best-in-class quality levels. Only with investment and focus in these strategic fields is it possible to optimise existing processes so that more and more customers recognize Optimus as the operator with the best customer service in the telecommunications market.



## 2.9. Our telecoms network

With the emphasis on providing the highest level of service to our customers, Optimus further improved and reinforced its leading-edge integrated telecommunications network, which supports a comprehensive and diversified range of mobile, wireline and convergent offers. As the demand for more voice and data capacity intensifies, we carried out fundamental investments and developments to accommodate traffic growth and meet our customers' needs.

### 2.9.1. Innovation and quality of service improvement

The continuous developments and improvements we made to our network enabled Optimus to further improve the quality of its user experience while introducing new services to our customers and supporting the development of new integrated offers.

During 2010, the 2G radio access network in the northern/central part of Portugal was modernised and upgraded with a new multi-system (2G/3G/LTE) enabled platform, with a complete swap of the 2G legacy network by state-of-the-art technology from global leading vendors, corresponding to approximately half our wireless radio access network.

The new equipment and functionalities allow for significant improvements, namely (i) reduced power consumption, leading to a reduction in associated carbon emissions, (ii) reduced footprint on sites, with consequent impact on site rentals, and (iii) technological evolution of network and radio functionalities enabling improved network coverage and, therefore, better quality for our customers.

The multi-system platform will allow for a smoother and faster evolution towards LTE, which will be built upon existing infrastructure.

Already, however, synergies between access technologies such as 2G and 3G are being explored. They include, for example, co-cabinet, energy and common transmission. In addition to this thorough modernization process, transmission expenditures fell with the deployment of high 2G capacity network nodes, as the number of aggregation sites was reduced.

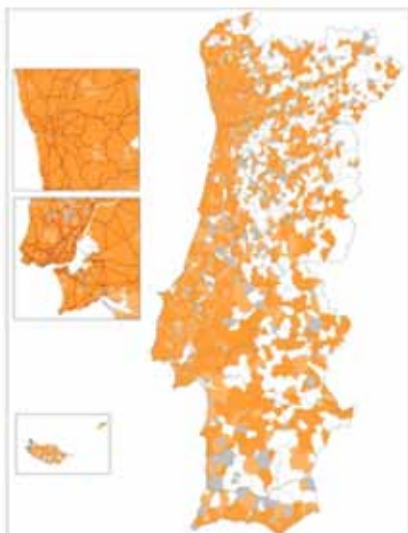
To ensure it continues to offer the best mobile broadband service, Optimus continues to expand its 3G network coverage and capacity. During 2010, deploying additional sites reinforced its existing coverage, particularly indoors. As a result, 90% of the population was covered by UMTS and over 85% by HSPA by the end of 2010.

To spearhead innovation in the mobile broadband arena, Optimus constantly monitors and analyses technological trends. 2009 saw the introduction of HSPA+ (21 Mbps) to improve downstream capacity and increase upstream capacity up to 5.7Mbps. During 2010, preparations began on introducing the latest radio access technologies to the network. These include dual carrier HSPA+ reaching 42 Mbps, which was successfully trialed and demonstrated, boosting the 3G user experience.





3G Coverage



HSDPA Coverage



IP migration of 3G node-Bs was accelerated as fibre and high-speed transport solutions were being widely deployed. Several capacity upgrades were performed in the Radio Network Controllers (RNC) to handle growing traffic volumes while guaranteeing our customers high-speed navigation. New, high-capacity nodes were installed with IP-based technology and a reduced footprint. This will allow a smooth integration with the core network and mobile backhaul expansion with IP technology, leading to reduced transmission costs.

With an eye on the future, LTE trials were initiated with several vendors and the test lab phases have already been concluded. The entire network infrastructure was tested, and a number of features were validated. Examples include interoperability with the new system architecture evolution (SAE) core and initial service tests in urban environments. 122Mbps speeds were achieved in the downstream direction in a live network environment, while 150 Mbps and 60 Mbps speeds were achieved in the lab for downlink and uplink respectively. Technology stability and performance indicates that, from an infrastructure point of view, LTE can be viable in the short- to mid-term, although terminals are still scarce and features limited.

Last year was also a year of consolidation for the Femtocell commercial offering. Sinal On, was launched at the end of 2009. Femtocells are small cellular base stations, typically designed for use in a home or small business. Optimus was the ninth operator worldwide to launch this innovative service, and no competing service was publicly launched in 2010.

By the end of 2010, several hundred customers had a Femtocell installed. The Sinal On concept was extended beyond SME customers to include corporate and VIP customers, and the Femtocell was used to reinforce 3G coverage at several special events. A number of software upgrades were needed during the year, as well as the continuous optimisation of our company-wide procedures.

During 2010, Optimus and Vodafone formalised a contract to share their FTTH networks in the metropolitan areas of Lisbon and Oporto. The execution of such an agreement is particularly significant, especially because it covers one of the Portuguese economy's most competitive sectors and involves an area as important as next generation networks (NGNs).

While maintaining each company's commercial and competitive independence, the agreement will provide synergies and economies of scale for investments in NGNs. This will deliver clear benefits to customers, boosting Portugal's national development while supporting the information and knowledge society. The two companies are also considering opening this sharing agreement to other interested operators.

From a technical point of view, the principal activities associated with this agreement focused on network configuration and systems integration to build a platform that will support a sharing option for both operators to launch commercial services during the first quarter of 2011. It is important to emphasise the innovative strengths of this

solution, which was not so much an off-the-shelf solution, but more a pioneering and complex development from the operator.

Optimus implemented a solution which enables more than one operator to use the same access equipment to deliver not only voice and data, which is already standard practice, but also to deliver independent broadcast and on-demand IPTV and broadcast cable-TV using GPON technologies. We believe that this deployment is an important milestone and will become a benchmark of best practice among other providers, engaging more players in open access NGNs worldwide.

The signing of Sonaecom's agreement with Vodafone is an important step towards creating open NGNs. While rationalising investment at a particularly crucial time for Portugal, the agreement promotes competition and sustainability while supporting the delivery of competitively priced, high-speed, advanced and diversified services.

Throughout 2010, Optimus continued to further evolve our integrated multi-service IP network. Based on layered architecture, this network is designed to support all our access networks and integrate all our services into a single network, reducing the number of interfaces while improving service quality and allowing significant investment synergies between different businesses and offers. This ensures a future-proof architecture capable of supporting all our business needs and optimising our investments by accelerating time to market and leveraging on existing capabilities.

Our future-driven advanced IP network, fully carrier Ethernet-enabled, supports and drives a comprehensive and market-leading portfolio of cloud services, specifically Infrastructure as a Service (IaaS) and Platform as a Service (PaaS) business offers. Having enhanced our value-added carrier Ethernet services and IP Centrex services to our enterprise customers, Optimus cloud services address the real needs of the large enterprise and SME segments more effectively. Additionally, we continued to leverage our IMS infrastructure by providing new services and functionalities to our customers across all segments.

In 2010, Optimus significantly expanded its integrated IP network footprint, nationally and internationally. Today, we can provide carrier Ethernet services across national borders and holds a global peering infrastructure, to support our enterprise and carrier customers with leading edge services

## 2.9.2 Optimising network architecture and cost structure

As mentioned, in 2010 Optimus fully modernized and upgraded half its 2G access network. This will allow a material decrease in the cost of ownership alongside significantly lower levels of energy consumption and considerable improvements in radio performance and capacity. With our newly installed equipment, our 2G traffic capacity increased significantly, enabling advanced GSM/GPRS functionalities while considerably reducing power consumption per base transceiver station (BTS).

Additionally, our network can now easily support IP over the GSM/GPRS network, enabling an improved user experience and better quality combined with a convergent IP/3G approach. Replacing the legacy Base Station Controllers (BSC) platform significantly reduced operational expenditure associated with remote sites. This included, for example, costs linked to operation and maintenance, energy and site rentals. Replacing the BSC platform also reinforces our efforts to cut our carbon footprint.

At the same time, our new access network will be ready to accommodate any future developments, such as a migration to a full IP backhaul. Moreover, the base stations are multi-system platforms. In other words, they are able to accommodate 2G, 3G and LTE expansions easily while achieving greater investment savings and synergies.

During 2010, Optimus continued to investigate the development of projects and solutions that enable cost reductions with the mobile backhaul while decreasing dependency on third parties and competitors. Launched in 2009, the Mobile Backhaul Project involved a comprehensive transformation of our transport and transmission network. The project's aim is to plan and implement a set of initiatives to build a more efficient, reliable, future-proof and high-quality transport network supported on microwave and optical fibre infrastructure. The project's remit also involves preparing the transport network for increasing mobile broadband bandwidth requirements of new technologies like LTE.

This wide-ranging project involves several teams across the organisation, with the main activities in 2010 focused on the migration and expansion of the packet based (Ethernet) network, specifically: i) the modernisation of the installed microwave network

to fully support Ethernet technology and expanding the microwave network with the installation of 150 additional links, and ii) the design and implementation of a packet backhaul network based over optical fibre infrastructure in 150 additional mobile sites.

The Sonae Innovation Forum (FINOV) awarded this Mobile Backhaul Project In its 2010 Innovation Awards.

During 2010, we continued to carry out significant updates and upgrades to our packet core network. The aim: to reinforce our cost reduction programme while expanding our network capacity to cope with growing demand driven by new offers and by the increasing bandwidth consumption per customer. We introduced 3G direct tunnelling to our core network, increasing efficiency and significantly reducing the cost per traffic unit. In addition, we continued to leverage our integrated core network based on our new high-capacity nodes, optimising its international connectivity architecture and adding new international connections, further improving the quality of our customer service.

As a result of this continuous investment, Optimus owns a fully integrated, scalable and flexible core IP network, designed to grow alongside the business and its evolving needs. With a world-class network architecture based 100% on international standards, our network allows us to offer the best and most advanced services – mobile, fixed and convergent – to our residential and enterprise customers.

Optimus's network continues to evolve with a new intelligent network platform capable of continuously enabling and driving innovation. Our ultimate objective is to continuously surprise the market with breakthrough services, functionalities and propositions that satisfy our customers' needs and deliver added value.



## 2.10. Our information systems

Pursuing our mission to become the best telecommunications services provider in Portugal, our Information Systems department focused its 2010 operations on improving the efficiency, productivity and business applications for all our business units. We implemented a series of initiatives to provide our company with the tools that allow sustainable gains in terms of individual productivity as well as enhanced business process control and management, while continuing to provide the necessary application development for business growth.

### 2.10.1 Operational improvements in efficiency and productivity

The key operational improvements Sonocom implemented during 2010 to enhance efficiency and productivity are the following:

- We deployed a new tool for trouble-ticketing using an application framework from BMC Company that complies with Information Technology Information Library (ITIL) and Control Objectives for Information and Related Technology (COBIT) standards and best practices. This tool allows us to better serve our business customers by providing full integration between their inventory, service catalogue and commercial services with our helpdesk functionalities.
- We implemented a new video conferencing solution, HD-enabled and fully integrated with our Enterprise Instant Messaging solution. This allowed us to further reduce travelling costs and downtime while significantly boosting productivity. Almost every individual PC is now virtually connected to our video conference rooms.
- We performed a technical upgrade on our rating and billing systems, enabling us to reduce the time it takes to produce and deliver usage-based invoices to our customers.
- We continued to review ease of use among key applications involving user interfaces, with the key objective of ensuring productivity gains for the users, particularly for call centre operations.
- Our network provisioning architecture has been revised and we replaced some application silos with a fully compliant service-oriented architecture (SOA), reducing support complexity and improving activation speed.
- We assisted our network personnel to successfully upgrade our IMS software by providing test and migration tools for this complex task.
- We completed the integration and synchronisation between our Network Inventory System and Physical Network Design tool for fibre and microwave technologies, equipping us to be more efficient in planning and maintaining our network.
- We implemented a new backup/restore architecture that will enable us to increase the number of backups per day, coping with storage growth and off-site backup replication.
- We reinforced some of our partnerships with key players such as Microsoft and Oracle, renewing our Microsoft Enterprise Agreement and establishing an unlimited license agreement with Oracle.

- We have invested in several operational-efficiency initiatives such as our IT Datacentre Modernisation Programme, aggressively promoting the deployment of virtualisation technologies and the use of management automation for servers and desktops. This program also improved our energy-efficiency and reduced CO<sub>2</sub> emissions by renewing legacy infrastructure.



## 2.10.2 Operational improvements in risk control

Several key operational improvements were implemented during 2010 to enhance risk control:

- We implemented a geographical load balancing architecture between our major data centres for core IT applications to reduce the business impact in case of an eventual failure.
- We started a structural project in the identity and access management area to guarantee we provide appropriate access to enterprise resources while still meeting our security and compliance requirements. This project lets us know what type of access each user has to our applications.
- We conducted tests with Entidade de Referência para a Portabilidade (PORTABIL) to certify the redundancy mechanisms in place between all the operators and the ER in case of major failure or breakdown. Optimus successfully passed all certification tests.

## 2.10.3. Development of business solutions

Among the many initiatives we implemented during the year, these are some of the highlights:

- We expanded the Optimus website to include all business lines; and in line with our self-service strategy, we continued to improve the self-care platform's functionality and ease of use.
- We introduced new services on our TV platforms, namely integration with social networks and interactive football applications.
- We implemented a recommendation engine for TV subscribers, which give recommendations to each subscriber both in linear and nonlinear TV assets, based on their preferences and usage profile.
- We extended our customer value management and campaign management platforms to other business lines with new functionalities primarily for mobile broadband customers.
- We upgraded our value-added televote platform with new interactive functionalities to archive new televote algorithms.
- In line with our business strategy, we completed a new phase of the project aimed at consolidating Optimus's systems to make them fully-converged fixed-mobile systems. We expanded our Siebel CRM system to handle all customers using every Optimus technology.
- We completed the real-time solution deployment that enabled us to control and alert all our EU roaming customers about their usage (Eurotarifa).
- We delivered a new quality monitoring tool to the Customer Service, allowing the metering of voice and desktop usage.
- We completed a functional upgrade of our commissioning system to support new payment schemes for our Residential business.
- We deployed a solution for our post-paid "Smart" offer, providing real-time cost control solutions for post-paid customers. Using this innovation, our post-paid customers can now benefit from real-time cost control of pre-paid products with the flexibility of our post-paid offer.



## 2.11. Our people

Sonaecom defends and practices a people-orientation strategy, strongly believing that this is the best way to promote the development and sustainability of our businesses.

### 2.11.1. Employee facts

At 31 December 2010, Sonaecom employed 2057 people, deployed across several business areas: Telecommunications, Media and Software and Information Systems, shared services and corporate centre.

With an average age of 36, our people combine youth, dynamism and resilience with a sense of mission, the ability to learn and a willingness to innovate. Sonaecom employees are determined, customer-oriented and focused on achieving the business goals.

96% of employees are employed on permanent contracts and just four percent of employees have fixed-term contracts.

Sonaecom is committed to capturing, developing and retaining talented, experienced and qualified people. It is this commitment that differentiates the Sonaecom team, a factor that is widely valued. Eighty three percent of Sonaecom employees are graduate professionals, drawn from highly rated universities.

We constantly challenge our team to actively take part in company-funded training programmes. 8% of the Sonaecom workforce is spread over 14 different countries. In recognition of this geographical spread, we make our training and development programmes available across borders.

At Sonaecom we encourage career mobility across different divisions. During 2010, 119 people moved within Sonaecom.



## 2.11.2. Attracting and developing talent

At Sonaecom, people make the difference. To ensure we recruit, train, motivate and retain the best professionals, we have invested in an Excellence Team.

### Recruitment and selection

The nature and the diversity of Sonaecom's business are powerful attractions to people seeking to join a young and dynamic organisation.

When it comes to recruiting top talent, e-recruitment is Sonaecom's tool of choice. The e-recruitment channels we currently use include our main website, specialised recruitment websites, universities fellowship employment and social networks.

All the applications are managed through our online recruitment and selection platform, which currently has more than 20.000 registered candidates.

### Training

During 2010, we reinforced our dedication and commitment to our employees' professional and personal development.

Based on the concept of a corporate university, the Sonaecom Learning Centre (SCLC) is a centralised training resource open to all our employees and trading partners.

During 2010, we invested 1,955,256 euros in training and development. We delivered 392 training programmes, totalling 59,549 hours of training and involving 1,343 participants.

The investment for post-license training was directed at MBA programmes hosted by Portuguese and international universities and executive programmes at international management schools. During 2010, we supported 26 employees in MBAs or executive management training.

### Performance appraisal and career development

The Sonaecom performance appraisal and career development process is the best way to gather and share information between employees and managers. It is important that both parties are aware of the results of each appraisal. This understanding helps to define new objectives and improvement areas. We manage this process entirely online in the employees' HR portal. The appraisal results determine each employee's training plan and new performance objectives for the year.

All Sonaecom companies run the performance appraisal and career development process twice a year.

### Employees' survey: social climate

The Sonaecom employees' social climate survey allows us to understand how our employees collectively view their experience



of working at Sonaecom. We ran the survey every two years, across all Sonaecom companies, with input from 1535 employees this year, in Portugal and abroad.

The results of the employee survey were generally very positive, in line with the results from the previous study. Some positive highlights of employee satisfaction include: company commitment, innovation, customer-orientation and team leadership.

It is worth to mention the high satisfaction levels registered in the various sections of our latest internal social climate assessment. Our people chose innovation as our principal attribute, while identifying customer satisfaction as our top priority, in line with Sonaecom's strategy.

### 2.11.3. HR Online: human resources portal

All our key HR processes and information are accessible to our entire organisation online in real-time through HR Online. Designed to improve process efficiency and quality while making team and personal management more effective, this centralised portal acts as a unique source of all our HR information.

Adapted to the changing needs of our business and increasingly international, this HR tool is now available everywhere in Portuguese and English, and is adapted to each country's specific needs and requirements.

HR Online is also the point of access to complementary information about our human resource processes through our other HR-related sites: [b\\_connected](#), [Sonaecom Learning Centre](#) and [careers@Sonaecom](#).

#### **b\_connected**

[b\\_connected](#) provides information on employee benefits, partnerships and other initiatives promoted by Sonaecom for its staff and their families. It aims to develop higher levels of engagement and each employee is asked to actively contribute their suggestions. Launched in late 2008, this website is becoming a key tool for employees.

Last year, as part of our continuous improvement process, we identified further development opportunities. New areas of interest such as Health & Saphety and the Onboarding Programme have been developed to collect useful and relevant information and make it more accessible and visible.



Health & Saphety provides practical guidance on ergonomics, occupational medicine, personal well being and security in our facilities.

The Onboarding Roadmap was specially designed as a user-friendly guide for new employees. Using interactive navigation features, new recruits can make their way through different pieces of a map, with

each piece providing information about Sonaecom's business areas, management team, mission and values.

Newcomers can also visit our main internal policies; national and international workplaces; internal communication channels (including our main publications and internal websites); and internal initiatives in which all employees can participate.

The aim of the roadmap is to ensure new employees integrate into our business as quickly and smoothly as possible.

#### **Sonaecom Learning Centre**

Sonaecom Learning Centre is designed to provide clear and detailed information about the training Sonaecom offers to its employees. It sums up the main courses available as well as their objectives, content and schedules.

Visitors to Sonaecom Learning Centre can find out about training programmes aimed at developing their management skills through the Management Learning Centre; or their technical skills through the Technical Learning Centre.

With our business expanding internationally, this website is available in Portuguese and English, ensuring it responds to the training needs identified by all employees in all Sonaecom companies.

#### **Careers@sonaecom**

### Careers@sonaecom

Launched in June 2009, this website aims to make Sonaecom's career model more transparent; to increase employees' awareness about their careers; and to promote internal mobility.

Careers@sonaecom gathers information about career development in each Sonaecom career area, including technical, sales, IT/IS, HR, marketing, legal and regulation, financial and operations. Through this website, the business aims to provide a comprehensive approach to each employee's specific career needs, clearly mapping out the career stages, high-value skills, and the training available in each career area.

To enhance internal mobility, [careers@sonaecom](#) also has an area devoted to internal recruitment that lists internal job opportunities across the Sonae group, which are published in a newsletter.



## 2.12. Appendix

### 2.12.1. Online & Media

#### 2.12.1.1. Operational data

	2010	2009	Year on year
Average paid circulation <sup>(1)</sup>	34,020	37,322	(8.8)%
Market share of advertising (%)	10.5%	11.6%	(1.2)pp
Audience <sup>(2)</sup> (%)	4.4	4.4	0.0pp

(1) Estimated value updated in the following quarter;

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

#### 2.12.1.2. Financial data

Million euros	2010	2009	Year on year
<b>Turnover</b>	29.74	30.40	(2.2)%
Advertising sales <sup>(1)</sup>	12.16	13.19	(7.8)%
Newspaper sales	10.82	11.51	(6.0)%
Paper sales	1.97	0.91	115.5%
Associated Product Sales	4.79	4.79	(0.1)%
<b>Other Revenues</b>	0.58	0.29	103.9%
<b>Operating Costs</b>	31.55	33.14	(4.8)%
Personnel Costs	10.75	11.89	(9.6)%
Commercial Costs <sup>(2)</sup>	10.52	10.35	1.7%
Other Operating Costs <sup>(3)</sup>	10.28	10.90	(5.7)%
Provisions and impairment losses	0.04	0.21	(82.2)%
<b>EBITDA</b>	(1.27)	(2.66)	(52.3)%
EBITDA margin (%)	(4.3)%	(8.7)%	4.5pp
Operating CAPEX <sup>(4)</sup>	0.58	0.79	(27.1)%
Operating CAPEX as % of turnover	1.9%	2.6%	(0.7)pp
EBITDA - operating CAPEX	(1.85)	(3.45)	(46.5)%
Total CAPEX	0.58	0.79	(26.4)%

(1) Includes content;

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

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

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





# 03

## Our shares

- 3.1 | Equity Capital Markets
- 3.2 | Share price evolution during 2010
- 3.3 | Shareholder structure
- 3.4 | Own 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 following table lists the main statistics related to Sonaecom's 2010 stock performance.

### Sonaecom shares on the stock market during 2010

Stock market	Euronext Lisbon
Ticker	SNC
ISIN	PTSNC0AE0006
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)	1.350
Stock Price – High (euros)	2.007
Stock Price – Low (euros)	1.230
Average Daily Volume – 2010 (shares)	465,842
Average Daily Volume – 2009 (shares)	450,726
Market Capitalisation as of last day December (euros)	494,433,272

### Market performance



The European Stock Telecommunications index, DJ Euro Stoxx Telecoms, ended the year with an annual decrease of approximately 9.7%. Given the fact that the Telecoms sector outperformed the market in the heart of the recent financial crisis, this may be seen as a correction, especially if we take into account that this index comprises South European countries, where the hostile macroeconomic environment and sovereign debt crisis were more evident. As far as the Portuguese market is concerned, the main local stock index (PSI-20) ended 2010 at 7588,31 points. This reflects a fall of approximately 10.3% against year-end 2009.

The last financial year was not a straightforward year for the Portuguese market. The country's sovereign risk soared to historic highs while the stock market slipped. In parallel, the Government imposed a series of austerity measures. This economic backdrop crossed other South European economies and Ireland, resulting in several credit rating downgrades. This inevitably dampened investors' confidence levels, leading to a much lower appetite for equity investments in the region.

During 2010, Euronext Lisbon, the Portuguese stock market, saw its turnover increase to approximately 39.5 billion euros, or 31.2%. This compares to 30.1 billion euros in 2009. Coupled with the 10.3% decrease in the PSI-20 performance, this increase may evidence some loss of confidence in the Portuguese equity market. Since 2007 – which is seen as the beginning of what is now known as the subprime crisis – there seems to have been fewer foreign institutional investors in the local market. This is attributed to greater risk aversion and the relatively small size of Portuguese stock market. Since the beginning of the crisis, there has been a reduction in the presence of foreign institutional investors in the local market, as investors sought to reduce their relative exposure to the equity capital markets.



## 3.2. Share price evolution during 2010

### Sonaecom's share performance

In 2010, Sonaecom's market share price decreased by 30.1%, despite a very positive performance in 2009. The main reason for this decline appears to be the risk of the Portuguese sovereign debt. It should be noted that this performance does not correlate with the consistently positive results that Sonaecom delivered quarter after quarter throughout 2010.

During the year, the business reported record margins along with a much stronger balance sheet.

In addition, Sonaecom shares would have been influenced by

various milestones during the year, as follows:

- 3 March 2010: Sonaecom announces a three-year bond issue;
- 8 March 2010: full-year 2009 consolidated results released;
- 26 March 2010: Sonaecom announces a five-year bond issue;
- 23 April 2010: Shareholders' Annual General Meeting held with release of information about approved decisions;
- 6 May 2010: first quarter 2010 consolidated results released;
- 29 July 2010: first-half 2010 consolidated results released;
- 3 November 2010: first nine months 2010 consolidated results released.

### Sonaecom relative share price performance in 2010



Chart 2 – Portuguese Telecoms market performance

At the end of 2010, Sonaecom's shares showed a market price of 1.350 euros per share, 30.1% below the closing price of 1.932 euros per share at 31 December 2009. The share price reached a maximum of 2.007 euros per share on 8 January 2010 and a minimum of 1.230 euros on 28 April 2010.

In a comparison of Portuguese Telecom players, Sonaecom and Zon Multimedia registered similar performances, although Zon Multimedia ended 2010 with a lower decline. Portugal

Telecom (PT) showed a similar performance pattern to its peers until May 2010 and registered a positive performance at the end of 2010. It is likely that this was influenced by investor expectations of a non-recurrent transaction in the Brazilian market relating to an unsolicited offer from Telefónica to acquire PT's 50% stake in Brasilcel.

Sonaecom's market capitalisation stood at approximately 494 million euros at the end of 2010.

### 3.3. Shareholder structure

The average daily trading volume reached approximately 466 thousand shares, registering an increase of approximately 3.35% compared to 2009 (451 thousand shares).

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

In relation to transactions during 2010, Sonaecom was notified only by Santander Asset Management.

#### Simplified Sonaecom shareholding structure

Shareholder	Number of shares held	% Shareholding as at 31 Dec. 2010
Sonae SGPS S.A.	194,714,119	53.17%
France Telecom	73,249,374	20.00%
BCP S.A.	12,500,998	3.41%
Santander Asset Management	7,408,788	2.02%
Own shares	9,256,357	2.53%
Free Float	69,117,232	18.87%

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

On 6 January 2010, Sonaecom received a notice from Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.. According to the notice, from 20 October 2009 Santander-managed funds held a total of 7,408,788 shares, representing 2.02% of Sonaecom's share capital and voting rights.

At 31 December 2010, the free float stood at approximately 18.87%, compared to 19.44% at the end of 2009. The free float is the percentage of shares not held or controlled by shareholders with qualified holdings and excluding own shares. The sole factor in the slight free float percentage reduction was the acquisition of own shares carried out during 2010. This is further detailed below.

During 2010, there was no change in the number of shares issued by Sonaecom.



## 3.4. Own shares

During four different periods in 2010, Sonaecom acquired own shares in the stock market. It purchased a total of 3,127,388 own shares through the Euronext Lisbon Stock Exchange, at a weighted average price of 1.55 euros per share. This represented approximately 0.61% of Sonaecom's share capital. The acquisitions were made from 4 January to 8 January 2010; from 15 March to 26 March 2010; from 18 May to 21 May 2010; and from 25 November to 9 December 2010. The Shareholders' General Assembly granted the authorisations, which were to fulfil the obligations arising from the employees' Medium Term Incentive Plan (MTIP). As a result of the purchases identified above and of the delivery of shares to employees under the terms of the MTIP, Sonaecom held 9,256,357 own shares at the end of 2010. This represented approximately 2.53% of its share capital.







## Our management

- 4.0 | Our management
- 4.1 | Qualifications of the Board of Directors
- 4.2 | Other offices held by members of the Board of Directors
- 4.3 | Articles 447, 448 and qualified holdings

## 4.0 Our management

### Management changes in 2010

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

Sonaecom's Board of Directors and appointed Committees	Executive (1)	Non-Executive (2)		Audit and Finance Committee	Nominations and Remunerations Committee
		Independent (3)	Non-Independent		
<b>Chairman</b> Duarte Paulo Teixeira de Azevedo					
<b>Directors</b> António Sampaio e Mello					
David Charles Denholm Hobley					
Franck Emmanuel Dangeard					
Gervais Gilles Pellissier					
Jean-François René Pontal					
Nuno Manuel Moniz Trigo Jordão					
Ângelo Gabriel Ribeirinho S. Paupério (CEO)					
Miguel Nuno Santos Almeida					
Maria Cláudia Teixeira de Azevedo					
António Bernardo Aranha da Gama Lobo Xavier					

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

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

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

The Board of Directors is responsible for ensuring 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 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, namely the Board Audit and Finance Committee (BAFC) and the Board Nomination and Remuneration Committee (BNRC). It is worth noticing that the BAFC is solely constituted by non-executive members who, during 2010, periodically met and exercised an important influence over the decision-making process and the development of strategy and policy, and did not encounter any restraints in the performance of their duties.

## Board of Directors

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

The qualifications and professional experience of members of the Board of Directors are detailed in 4.1 below.

### Chairman



Paulo Teixeira de Azevedo

### Executive Directors



Angelo Paupério (CEO)



Miguel Almeida



Cláudia Teixeira de Azevedo



António Lobo Xavier

### Non-Executive Directors



António Sampaio e Mello



David Hobley



Jean-François Pontal



Gervais Gilles Pellissier



Franck E. Dangeard



Nuno Manuel Jordão

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

## Executive Committee

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

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

### Executive Management Team and their roles

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

## 4.1. Qualifications of the Board of Directors

### Duarte Paulo Teixeira de Azevedo

Date of birth: 31 December 1965

**Academic qualifications:** Degree in Chemical Engineering from the École Polytechnique Federal de Lausanne; MBA from EGP -UPBS (ex. ISEE).

**Professional experience:** CEO of Sonae, SGPS, S.A.; Member of the Board of Directors of Efanor Investimentos SGPS, S.A.; Chairman of the Board of Directors of Sonae Investimentos, SGPS, S.A., Sonae Sierra, SGPS, S.A. and MDS, SGPS, S.A.; Non-Executive Director of Sonae Indústria; CEO of Sonaecom; CEO of Optimus; Executive Director of Modelo Continente.

Previously, CEO of Sonaecom, SGPS, SA; CEO of Optimus - Telecomunicações, SA; Executive Board Director of Modelo Continente Hipermercados, SA..

Member of APGEI – Associação Portuguesa de Gestão e Engenharia Industrial; Member of Board of Trustees of AEP – Associação Empresarial de Portugal; President of Oporto university board of trustees; member of ERT – European round table of industrialists 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.

### Ângelo Gabriel Ribeirinho dos Santos Paupério

Date of birth: 14 September 1959

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

**Professional experience:** Executive Vice-President of Sonae SGPS, Board Director of Sonae Investimentos, SGPS, S.A, MDS SGPS, S.A. and Sonae Sierra SGPS.

Vice president of Sonae MC – Modelo Continente SGPS, S.A., Sonae – Specialized Retail, S.A. and Sonaerp – Retail Properties, S.A..

Previously: CEO of Sonae Capital SGPS, S.A., CEO of Sonae Turismo SGPS, S.A. and Board Director of Modelo Continente SGPS, S.A. Invited lecturer at EGP-UPBS (ex. ISEE).

**Responsibilities at Sonaecom:** CEO of Sonaecom, Chairman of

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

### Miguel Nuno Santos Almeida

Date of birth: 15 March 1967

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

**Professional experience:** Executive Director of Optimus Comunicações, S.A..

Previously: Marketing Director of Modelo Continente.

**Responsibilities at Sonaecom:** Member of the Board and Executive Director of Sonaecom SGPS,S.A., CEO of Optimus Comunicações, S.A., Member of Board Directors of Público S.A. and Sonaecom – Sistemas de Informação SGPS, 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: Marketing Director of Optimus residential unit and Director of Sonae Matrix Multimedia.

**Responsibilities at Sonaecom:** Executive Director of Sonaecom, SGPS, S.A.; Executive Director of Sonaecom Sistemas de Informação ('SSI'); non-Executive Director of Sonaecom – Serviços de Comunicações.

### 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 S.A., Optimus Comunicações, S.A. and Sonaecom – Sistemas de Informação, SGPS, S.A..

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### António Sampaio e Mello

Date of birth: 29 January 1955

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

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

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

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### David Charles Denholm Hobley

Date of birth: 9 December 1946

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

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

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

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### Gervais Gilles Pellissier

Date of birth: 14 May 1959

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

**Professional experience:** France Telecom: Deputy CEO, Group Finance and Information Systems.

Previously: supervisor of operational and geographic integration of France Telecom's businesses in Spain and Vice-Chairman of the Board of Bull (2004-2005).

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

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### Franck Emmanuel Dangeard

Date of birth: 25 February 1958

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

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

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

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### Jean-François René Pontal

Date of birth: 17 April 1943

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

**Professional experience:** CEO of the Spanish branch of Carrefour – PRYCA; Member of the Board of Directors of Carrefour; Group Executive Vice-President in charge of Mass Market Products & Services of France Telecom; CEO of Orange.

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

---

### Nuno Manuel Moniz Trigo Jordão

Date of birth: 27 April 1956

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

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

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

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

## 4.2. Other offices held by members of the Board of Directors

### Duarte Paulo Teixeira de Azevedo

**Offices held in companies in which Sonaecom is a shareholder:**  
Does not hold any office in any company in which Sonaecom is a shareholder.

**Other Offices held:**

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

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

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)

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### 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)

Público – Comunicação Social, S.A.  
(Chairman of the Board of Directors)

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

Sonaecom BV  
(Member of the Board of Directors)

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

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

**Other offices held:**

Cooper Gay (Holdings) Limited  
(Member of the Board of Directors)

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)

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### Maria Cláudia Teixeira de Azevedo

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

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

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

M3G – Edições Digitais, S.A.  
(Chairman of the Board of Directors)

Mainroad – Serviços de Tecnologias de Informação, S.A.  
(Chairman of the Board of Directors)

Miauger – Organização e Gestão de Leilões Electrónicos, S.A.  
(Chairman of the Board of Directors)

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)

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

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

Sonaecom – Sistemas de Información Espana, S.L. (Director)

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

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

WeDo Technologies, B.V. (Director)

Cape Technologies Limited (Ireland) (Director)

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

WeDo Technologies Australia PTY Limited (Director)

WeDo Technologies (UK) Limited (Director)

WeDo Technologies Americas Inc.  
(Chairman of the Board of Directors)

WeDo Technologies Chile, Spa (Director)

WeDo Technologies Panama, S.A. (Director)

WeDo Technologies Singapore Pte Ltd (Director)

Praesidium Services Limited (Director)

#### Other offices held:

Efanor – Serviços de Apoio à Gestão, S.A.  
(Chairman of the Board of Directors)

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

Fundação Belmiro de Azevedo  
(Member of the Board of Directors)

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

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

Praça Foz – Sociedade Imobiliária, S.A.  
(Member of the Board of Directors)

### António Bernardo Aranha da Gama Lobo Xavier

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

Optimus – Comunicações S.A.

(Member of the Board of Directors)

Público S.A.

(Member of the Board of Directors)

Sonaecom – Sistemas de Informação, SGPS, S.A.

(Member of the Board of Directors)

#### Other offices held:

MLGTS & Associados, Sociedade de Advogados

(Partner and Member of The Board of Directors)

BPI, SGPS, S.A.

(Member of the Board of Directors)

Mota-Engil, SGPS, S.A.

(Member of the Board of Directors)

Riopele, S.A.

(Member of the Board of Directors)

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### 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)

Público – Comunicação Social, S.A.

(Member of the Board of Directors)

Sonae Telecom, SGPS, S.A.

(Member of the Board of Directors)

Optimus Comunicações, S.A.

(CEO)

WeDo Consulting – Sistemas de Informação, S.A.

(Member of the Board of Directors)

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

Sonaecom, BV (Member of the Board of Directors)

#### Other offices held:

Does not hold any office in any other company.

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### 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)

Central Healthcare

(Member of the Board of Directors)

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### David Charles Denholm Hobley

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

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

#### Other offices held:

Egyptian Company for Mobile Services S.A.

(Member of the Board of Directors)

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

Nectar Capital LLC (Member of the Board of Directors)

Orange Brand Services Limited

(Member of the Board of Directors)

Westgate Nominees Hall Limited

(Member of the Board of Directors)

Velti plc (Member of the Board of Directors)

Deutsche Bank AG, London Branch (Managing Director)

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### 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, S.L. (Managing Director)

Calyon – Crédit Agricole Group (Director)

Atari (Chairman; Member of the Audit Committee; Member of the Remuneration Committee)

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

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

PricewaterhouseCoopers-France (Chairman of the Strategy Board)

Bruegel (Member of the Board of Directors)

Energos (Member of the Advisory Board)

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

HEC (Member of the Advisory Board)

HBS (Member of the International Advisory Board)

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**Gervais Gilles Pellissier**
**Offices held in companies in which Sonaecom is a shareholder:**

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

**Other offices held:**

France Telecom Spain (Member of the Board of Directors)

Mobistar (Member of the Board of Directors)

Studio 37 (Member of the Board of Directors)

Fram (Member of the Supervisory Board)

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**Jean-François René Pontal**
**Offices held in companies in which Sonaecom is a shareholder:**

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

**Other Offices held:**

Ing Direct, France (Member of the Advisory Board)

Oger Telecom, Dubai  
(Member of the Board of Directors)

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**Nuno Manuel Moniz Trigo 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.

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)

**Other offices held:**

Modelo – Distribuição de Materiais de Construção, S.A.  
(Member of the Board of Directors)

## 4.3. Articles 447, 448 and qualified holdings

### Article 447

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

Shares held by the Board of Directors and Management and respective transactions during 2010:

#### Board of Directors

	Date	Additions		Reductions		Balance at 31 December 2010
		Quantity	Average value €	Quantity	Average value €	Quantity
<b>Duarte Paulo Teixeira de Azevedo</b>						
Efanor Investimentos, SGPS, SA(1)						1
Migracom, SGPS, SA(3)						1,969,996
Sonae, SGPS, SA(6)						3,293
<b>Ángelo Gabriel Ribeirinho dos Santos Paupério</b>						
Sonae, SGPS, SA(6)						250,000
Sonaecom, SGPS, SA(9)						225,000
<b>Miguel Nuno Santos Almeida</b>						
Sonae, SGPS, SA(6)						28,184
Shares attributed under the Medium Term Incentive Plan	10.03.2010	28,184	0.00			39,799
Sonaecom, SGPS, SA(9)	10.03.2010	18,942	0.00			
Shares attributed under the Medium Term Incentive Plan						
<b>Maria Cláudia Teixeira de Azevedo</b>						
Efanor Investimentos, SGPS, SA(1)						1
Linhacom, SGPS, SA(4)						99,996
Sonae, SGPS, SA(6)						-
Shares attributed under the Medium Term Incentive Plan	10.03.2010	17,585	0.00			
Sale	23.08.2010			17,585	0.82	
Sonaecom, SGPS, SA(9)						170
Shares attributed under the Medium Term Incentive Plan	10.03.2010	11,818	0.00			
Sale	23.08.2010			11,818	1.49	
<b>António Bernardo Aranha da Gama Lobo Xavier</b>						
Sonae, SGPS, SA(6)						42,046
Shares attributed under the Medium Term Incentive Plan	10.03.2010	25,412	0.00			
Sonaecom, SGPS, SA(9)						19,682
Shares attributed under the Medium Term Incentive Plan	10.03.2010	17,079	0.00			

## Article 447 (continued)

### Management

	Date	Additions		Reductions		Balance at 31 December 2010
		Quantity	Average value €	Quantity	Average value €	Quantity
<b>David Graham Shenton Bain</b>						
Sonae, SGPS, SA(6)						20,000
Sonaecom, SGPS, SA(9)						15,000
<b>Ana Paula Garrido Pina Marques</b>						
Sonae, SGPS, SA(6)						11,000
Sonaecom, SGPS, SA(9)						14,444
Shares attributed under the Medium Term Incentive Plan	10.03.2010	8,165	0.00			
Sale	15.03.2010			8,165	1.70	
<b>Manuel António Neto Portugal Ramalho Eanes</b>						
Sonaecom, SGPS, SA(9)						-
Shares attributed under the Medium Term Incentive Plan	10.03.2010	9,197	0.00			
Sale	25.03.2010			9,197	1.65	
<b>David Pedro Oliveira Parente Ferreira Alves</b>						
Sonae, SGPS, SA(6)						5,000
Sonaecom, SGPS, SA(9)						14,322
Shares attributed under the Medium Term Incentive Plan	10.03.2010	14,322	0.00			
<b>Rui José Gonçalves Paiva</b>						
Sonaecom, SGPS, SA(9)						460
<b>Artur Carlos Gomes Loureiro</b>						
Sonae, SGPS, SA(6)						-
Sale	02.11.2010			4,000	0.85	
Sonaecom, SGPS, SA(9)						41,135
Shares attributed under the Medium Term Incentive Plan	10.03.2010	14,773	0.00			
<b>José Manuel Pinto Correia</b>						
Sonae, SGPS, SA(6)						3,905
Sonaecom, SGPS, SA(9)						96,305
Shares attributed under the Medium Term Incentive Plan	10.03.2010	14,288	0.00			
<b>Pedro Rafael de Sousa Nunes Pedro</b>						
Sonae, SGPS, SA(6)						4,400
<b>Ana Cristina Dinis da Silva Fanha Vicente Soares</b>						
Sonaecom, SGPS, SA(9)						1,125
Shares attributed under the Medium Term Incentive Plan	10.03.2010	1,125	0.00			

### Statutory Audit Board

	Date	Additions		Reductions		Balance at 31 December 2010
		Quantity	Average value €	Quantity	Average value €	Quantity
<b>Armando Luís Vieira Magalhães</b>						
Sonae, SGPS, SA(6)						10,000
Sale	26.04.2010			20,000	0.83	

## Article 447 (continued)

## Notes:

	Date	Additions		Reductions		Balance at
		Quantity	Average value €	Quantity	Average value €	31 December 2010
						Quantity
(1) Efanor Investimentos, SGPS, SA Sonae, SGPS, SA(6) Pareuro, BV(2) Sonaecom, SGPS, SA(9)						659,650,000 2,000,000 1,000
(2) Pareuro, BV Sonae, SGPS, SA(6)						400,000,000
(3) Migracom, SGPS, SA Imparfin, SGPS, SA(5) Sonae, SGPS, SA(6) Sonaecom, SGPS, SA(9)						150,000 1,485,000 387,342
(4) Linhacom, SGPS, SA Imparfin, SGPS, SA(5) Sonae, SGPS, SA(6) Acquisition Sonaecom, SGPS, SA(9) Acquisition						150,000 368,881 49,862
(5) Imparfin, SGPS, SA Sonae, SGPS, SA(6)	23.08.2010	17,585	0.82			4,105,280
(6) Sonae, SGPS, SA Sonaecom, SGPS, SA(9) Sonae Investments BV(7) Sontel BV(8)	23.08.2010	11,818	1.49			838,649 2,000,000 4,286
(7) Sonae Investments BV Sontel BV(8) Sonaecom, SGPS, SA(9)						5,714 10,500,000
(8) Sontel BV Sonaecom, SGPS, SA(9)						183,374,470
(9) Sonaecom, SGPS, SA Shares attributed under the Medium Term Incentive Plan Acquisition Shares attributed under the Medium Term Incentive Plan Acquisition Shares attributed under the Medium Term Incentive Plan Acquisition Shares attributed under the Medium Term Incentive Plan Acquisition	04.01.2010 Jan-10 10.03.2010 Mar-10 May-10 22.11.2010 Nov-10 22.12.2010 Dec-10	747,000 886,935 433,000 335,500 724,953	1.986 1.658 1.257 1.295 1.397	28,459 943,725 24,036 44,385	0.00 0.00 0.00 0.00	

## Article 448

In accordance with article 448 of the Portuguese Company Law:

	Number of shares as of 31 December 2010
<b>Efanor Investimentos, SGPS, SA</b>	
Sonae, SGPS, SA	659,650,000
Pareuro, BV	2,000,000
Sonaecom, SGPS, SA	1,000
<b>Pareuro, BV</b>	
Sonae, SGPS, SA	400,000,000
<b>Sonae, SGPS, SA</b>	
Sonaecom, SGPS, SA	838,649
Sonae Investments BV	2,000,000
Sontel BV	4,286
<b>Sonae Investments BV</b>	
Sonaecom, SGPS, SA	10,500,000
Sontel BV	5,714
<b>Sontel BV</b>	
Sonaecom, SGPS, SA	183,374,470
<b>Atlas Services Belgium, S.A.</b>	
Sonaecom, SGPS, SA	73,249,374

## Qualified holdings

In compliance with sub-paragraph b), number 1, of the article 8 of the CMVM Regulation no. 05/2008, we declare the qualifying holdings as at 31 December 2010:

Shareholder	Number of shares	% of Share capital	% of voting rights	
			With own shares	Without own shares
Sontel BV	183,374,470	50.07%	50.07%	51.37%
Sonae Investments BV	10,500,000	2.87%	2.87%	2.94%
Sonae SGPS	838,649	0.23%	0.23%	0.23%
Migracom, SGPS, SA	387,342	0.11%	0.11%	0.11%
Ângelo Gabriel Ribeirinho dos Santos Paupério(1),(2),(4)	225,000	0.06%	0.06%	0.06%
Belmiro Mendes de Azevedo(1),(3)	75,537	0.02%	0.02%	0.02%
Linhacom, SGPS, SA	49,862	0.01%	0.01%	0.01%
Miguel Nuno Santos Almeida(4)	39,799	0.01%	0.01%	0.01%
Álvaro Carmona e Costa Portela(1)	5,000	0.00%	0.00%	0.00%
Efanor Investimentos, SGPS, SA	1,000	0.00%	0.00%	0.00%
António Bernardo Aranha Lobo Xavier	19,682	0.01%	0.01%	0.01%
Maria Cláudia Teixeira de Azevedo(3),(4)	170	0.00%	0.00%	0.00%
<b>Total attributable</b>	<b>195,516,511</b>	<b>53.38%</b>	<b>53.38%</b>	<b>54.77%</b>
France Telecom, S.A.				
Atlas Services Belgium, S.A.	73,249,374	20.00%	20.00%	20.52%
<b>Total attributable</b>	<b>73,249,374</b>	<b>20.00%</b>	<b>20.00%</b>	<b>20.52%</b>
BCP				
Banco Comercial Português S.A.	100,998	0.03%	0.03%	0.03%
Fundo de Pensões Grupo BCP	12,400,000	3.39%	3.39%	3.47%
<b>Total attributable</b>	<b>12,500,998</b>	<b>3.41%</b>	<b>3.41%</b>	<b>3.50%</b>
Santander				
Fundo Santander PPA	527,749	0.14%	0.14%	0.15%
Fundo Santander Acções Portugal	3,375,379	0.92%	0.92%	0.95%
Fundo Santander Acções Europa	725,705	0.20%	0.20%	0.20%
Fundo Santander Selecção Acções	363,539	0.10%	0.10%	0.10%
Fundo Santander Euro- Futuro Telecomunicações Média e Componentes Electrónicas do				
Agrupamento de Fundos Euro Futuro	83,685	0.02%	0.02%	0.02%
Fundo Santander Global	2,332,731	0.64%	0.64%	0.65%
<b>Total attributable</b>	<b>7,408,788</b>	<b>2.02%</b>	<b>2.02%</b>	<b>2.08%</b>

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

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

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

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









## Our governance

- 5.0 | Introduction
- 5.1 | Statement of Compliance
- 5.2 | Shareholders' General Meeting
- 5.3 | Management and auditing Bodies
- 5.4 | Group Remuneration policy, Management and Audit bodies' Remuneration
- 5.5 | Risk Management
- 5.6 | Other information
- 5.7 | Articles 447, 448 and qualified shareholdings
- 5.8 | Appendix

## 5.0. Introduction

### i) Message to shareholders

Dear shareholder,

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

This commitment is assumed throughout our organisation and our values and disclosure principles are widely disseminated. In the interests of total transparency, we also publish our governance regulations and guidelines on our website ([www.sonae.com](http://www.sonae.com)).

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

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

### ii) Corporate Governance principles

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

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

What corporate governance means to Sonaecom?

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

For Sonaecom, corporate governance is about making sure that:

- Our management is leading the business in the right direction and is acting in the interest of the company and its shareholders;
- We protect our ethical standards and respect stakeholder interests;
- We comply with our statutes, and applicable laws and regulations;
- We pursue our corporate strategy in order to accomplish our performance objectives;



- We have the appropriate controls and procedures in place to manage risks effectively;
- Our management and our governance are assessed and monitored, by having the right structures and processes in place.

How does Sonaecom make corporate governance happen?

At Sonaecom, our governance happens throughout our organisational structure, our principles and our communication with and disclosure to stakeholders, which together create a governance culture. Our Board & Corporate Governance Officer supports the Sonaecom Chairman and the CEO, in keeping our governance under review to ensure that the right processes and procedures are in place to protect shareholder interests. Moreover, we have organised ourselves so that the different governing bodies, both statutory and non-statutory, take responsibility for assuring that we follow best practice in terms of corporate governance and optimise the alignment between management and shareholders.

## 5.1. Statement of Compliance

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

### Disclosure of the availability of information

The full text of the corporate governance guidelines currently adopted by Sonaecom, whether published by specific regulation, recommendation or voluntarily, including our Code of Conduct and, in particular, our guidelines covering Share Dealing and Conflicts of Interest – are made publicly available on our website [www.sonae.com](http://www.sonae.com) <<http://www.sonae.com>> and also at [www.cmvm.pt](http://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 2010:

CMVM recommendations	Sonaecom compliance	Comments
<b>1 Shareholders' General Meetings</b>		
<b>1.1 Board of the Shareholders' General Meeting</b>	<b>Yes</b>	
1.1.1 The Chairman of the Board of the Shareholders' General Meeting shall be given adequate human and logistical resources, taking into consideration the financial position of the Company.		All resources requested have been made available by Sonaecom, via the relevant departments: Legal, Facilities, Finance, and others.
1.1.2 The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual Corporate Governance Report.	<b>Yes</b>	The remuneration is disclosed (see '5.2. Shareholders' General Meeting - Remuneration').
<b>1.2 Participation at the meeting</b>		
1.2.1 The requirement to deposit or block shares before Shareholders' General Meetings, contained in the Articles of Association, shall not exceed five working days.	<b>Yes</b>	The requirement contained in Sonaecom's Articles of Association is five working days, although blocking of shares is no longer required as the law has changed (see '5.2. Shareholders' General Meeting – Remuneration - Blocking of shares').
1.2.2 Should the Shareholders' General Meeting be suspended, the Company shall not require share blocking during the full period until the meeting is resumed, but shall apply the same period as for the first session.	<b>Yes</b>	In case of suspension, the Articles of Association only require the share blocking during the five working days prior to the date on which the meeting is resumed (see '5.2. Shareholders' General Meeting – Remuneration - Rules applicable to the blocking of shares in case of suspension of the General Meeting').

CMVM recommendations	Sonaecom compliance	Comments
<b>1.3</b>		
<b>1.3.1</b>	Yes	There are no restrictions on postal or electronic voting (see '5.2. Shareholders' General Meeting - Postal voting).
<b>1.3.2</b>	Yes	Our statutory deadline is three days (see '5.2. Shareholders' General Meeting - Deadline for receiving postal votes').
<b>1.3.3</b>	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').
<b>1.4</b>		
<b>1.4</b>	Yes	Our quorum corresponds to the minimum required by law.
<b>1.5</b>		
<b>1.5</b>	Yes	All required elements are made and remain available on the Company's website.
<b>1.6</b>		
<b>1.6.1</b>	Yes	There are no clauses that restrict or limit the number of votes.

CMVM recommendations	Sonaecom compliance	Comments
1.6.2 Defensive measures that automatically lead to serious erosion in the value of the Company's assets should not be adopted when there has been a change in control or a change in the Company's management, as this prevents the free transmission of shares and the ability of shareholders to effectively evaluate those responsible for managing the Company.	Yes	No such measures exist (see '5.2. Shareholders' General Meeting – Defensive measures in case of change of control or changes in the Board of Directors').
<b>2 Management and audit boards</b>		
<b>2.1 General points</b>		
<b>2.1.1 Structure and duties</b>		
2.1.1.1 In the Corporate Governance Report, the Board of Directors shall assess the governance model adopted by the Company, by identifying any restrictions that are holding back performance and by proposing actions to be taken that are judged to be appropriate to resolve them.	Yes	See '5.3.a) Management and auditing Bodies - Identification and Composition'.
2.1.1.2 Companies shall set up internal control and risk management systems in order to safeguard the company's worth and which will identify and manage the risk. Said systems shall include at least the following components: i) setting of the company's strategic objectives as regard risk assumptions; ii) identifying the main risks associated to the company's activity and any events that might generate risks; iii) analyse and determine the extent of the impact and the likelihood that each of said potential risks will occur; iv) risk management aimed at aligning those actual incurred risks with the company's strategic options for risk assumption; v) control mechanisms for executing measures for adopted risk management and its effectiveness; vi) adoption of internal mechanisms for information and communication on several components of the system and risk-warning; vii) periodic assessment of the implemented system and the adoption of the amendments that are deemed necessary.	Yes	These systems are in place and are further described in this report (see '5.5. Risk Management').
2.1.1.3 The Board of directors shall ensure the establishment and functioning of the internal control and risk management systems. The Statutory Audit Board shall be responsible for assessing the functioning of said systems and proposing the relevant adjustment.	Yes	These systems are in function and are assessed by Supervisory Bodies (see '5.5.a) Risk management – Internal control and risk management system - Report to management and supervisory bodies').
2.1.1.4 Companies shall: i) identify the main economic, financial and legal risks that the company is exposed to during the exercise of its activity and; ii) describe the performance and effectiveness of the risk management system in its Annual Corporate Governance Report..	Yes	See '5.5.b) Risk Management - Main risks and control actions'.
2.1.1.5 The Board of Directors and Statutory Audit Board shall establish internal regulations, which shall be disclosed on the Company's website.	Yes	These internal regulations are available on our website. See '5.3.b) Management and auditing Bodies – Corporate structure organization - Roles and competencies'. See also '5.5.c) Risk management – other risk management processes'.



CMVM recommendations	Sonaecom compliance	Comments
<b>2.1.2 Incompatibility and independence</b>		
2.1.2.1 The Board of Directors shall include a sufficient number of non-executive members to ensure that there is the capacity to effectively supervise, audit and assess the activity of the executive members	Yes	Out of total of eleven members, there are seven non-executive members on Sonaecom's Board of Directors (see '5.3.a) Management and auditing Bodies – Identification and composition').
2.1.2.2 Non-executive members shall include an adequate number of independent members, taking into account the size of the Company and its shareholder structure, but this shall never be less than one quarter of the total number of Board members.	Yes	There are currently three independent non-executive members on our Board of Directors (corresponding to more than one quarter of the total number of Board members authorised by the Articles of Association) (see '5.3.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 independence assessment is made through a specific questionnaire answer by the Non Executive members of the Board.
<b>2.1.3 Eligibility criteria for appointment</b>		
2.1.3.1 Depending on the governance model adopted, the Chairman of either 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 (see '5.3.b) Management and auditing Bodies – Corporate structure organization - Roles and competencies').

CMVM recommendations	Sonaecom compliance	Comments
<p><b>2.1.4 Policy on the reporting of irregularities</b></p>		
<p>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.</p>	Yes	Sonaecom has adopted a policy that fully meets this recommendation (see '5.5.c) Risk management - Whistle-blowing policy').
<p>2.1.4.2 General guidelines from this policy should be disclosed in the Corporate Governance Report.</p>	Yes	Sonaecom discloses the general guidelines in this report and on our website (see '5.5.c) Risk management - Whistle-blowing policy').
<p><b>2.1.5 Remuneration</b></p>		
<p>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:</p> <p>i) The remuneration of the Board of Directors carrying out executive duties shall include a variable element which is determined by a performance assessment carried out by the company's competent bodies according to pre-established quantifiable criteria. Said criteria shall take into consideration the company's real growth and the actual growth generated for the shareholders, its long-term sustainability and the risks taken on, as well as compliance with the rules applicable to the company's activity.</p> <p>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.</p> <p>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.</p>	No	<p>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).</p> <p>Although António Lobo Xavier is a member of the Executive Committee, his remuneration package does not include any variable component. This is an exception to the general rule for members of the Executive Committee of Sonaecom and is not in compliance with particular recommendation. However, as António Lobo Xavier is member of the Sonaecom Ethics Committee and has responsibilities in terms of Governance, it was considered that it was not advisable for his remuneration package to include any variable component.</p> <p>Sonaecom's Remuneration Structure combines fixed and variable components, in alignment with European pay standards. Variable pay represents more than 40% in global pay.</p> <p>See '5.4.b) Directors Remuneration'.</p>

CMVM recommendations	Sonaecom compliance	Comments
<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>		<p>No such contracts have been identified.</p> <p>Sonaecom implemented since 2008 a Share Holding and Retention Policy that fully complies with this recommendation.</p> <p>The variable remuneration does not include stock options.</p> <p>Sonaecom applies for the appropriate legal instruments available in law to this type of situations.</p> <p>Non-Executive Directors do not receive Annual Performance Bonuses nor do they participate in Sonaecom MTIP.</p>
<p>2.1.5.2 The statement on the remuneration policy of the management and audit bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall contain, in addition to the content therein stated, adequate information on: i) which groups of companies the remuneration policy and practices of which were taken as a baseline for setting the remuneration ii) the payments for the dismissal or termination by agreement of the Directors' duties</p>	No	<p>2011 AGM remuneration proposal will include such information.</p>
<p>2.1.5.3 The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the persons discharging managerial responsibilities' remuneration which contain an important variable component, within the meaning of Article 248-B/3 of the Securities Code. The statement shall be detailed and the policy presented shall particularly take the long-term performance of the company, compliance with the rules applicable to its business and restraint in taking risks into account.</p>	No	<p>2011 AGM remuneration proposal will include such information.</p>
<p>2.1.5.4 A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share prices, to members of the management and audit bodies and other managers within the context of Article 248/3/B of the Securities Code. The proposal shall mention all the necessary information for its correct assessment. The proposal shall contain the regulation plan or in its absence, the plan's conditions. The main characteristics of the retirement benefit plans established for members of the management and audit bodies and other managers within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Meeting.</p>	Yes	<p>Sonaecom's Medium Term Incentive Plan (MTIP) was approved at the 2007 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').</p>

CMVM recommendations	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.	Yes	A representative of the Shareholders' Remuneration Committee has been present at the AGM.
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'.
<b>2.2 Board of directors</b>		
2.2.1 Within the limits established by Portuguese Company Law for each management and audit governance structure, and unless the Company is restricted by its size, the Board of Directors shall delegate the day-to-day running of the Company and the powers and terms of the delegation should be set out in the Corporate Governance Report.	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.	Yes	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	See '5.3.b) Management and auditing Bodies – Corporate structure organization - Roles and competencies'.
<b>2.3 Chief Executive Officer (CEO), Executive Committee and Executive Board of Directors</b>		
2.3.1 When Directors who carry out executive duties are requested by other Board Members to supply information, they shall provide answers in a timely manner with information that adequately responds to the request made.	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.

CMVM recommendations	Sonaecom compliance	Comments
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.
<b>2.4 General and Supervisory Board, Financial Matters Committee, Audit Committee and Statutory Audit Board</b>		
2.4.1 In addition to fulfilling its supervisory and verification roles, the General and Supervisory Board shall fulfil 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 Sonaecom's website.
2.4.3 The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall include a description of the supervisory and verification work completed and shall, in particular, report any restrictions that they encountered.	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 both to the Board Audit and Finance Committee and to the Statutory Audit Board, being the latter independent from the Board of Directors (see '5.5. Risk management - Report to Management and Supervisory Bodies')."

CMVM recommendations	Sonaecom compliance	Comments
<b>2.5</b> <b>Special purpose or specialised committees</b>		
2.5.1 Unless the Company is restricted by its size, the Board of Directors and the General and Supervisory Committee, depending on the governance model adopted, shall set up the necessary committees in order to: i) ensure that a robust and independent assessment of the performance of the Executive Directors is carried out, as well as of its own overall performance and including the performance of all existing committees; and ii) consider the governance system adopted, assess its efficiency and propose 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 subject to the Board of Directors, to the Board of Directors of the company or that has to do with the current consultant to the company shall not be recruited to assist the Remuneration committee. This recommendation also applies to any natural or legal person who has an employment contract or provides services.	Yes	No such persons were recruited.
2.5.4 All committees shall draw up minutes of the meetings they hold.	Yes	Our Board committees draw up minutes.
<b>3. Information and auditing</b>		
<b>3.1 General disclosure requirements</b>		
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').
3.1.2 The following information disclosed on the Company's Internet website, shall be available in English: a) The Company, its listed company status, registered office and the remaining information set out in Article 171 of Portuguese Company Law; b) Articles of Association; c) Identification of the members of the Statutory Governing Bodies and of the Representative for Relations with the Market; d) Investor Relations Office - its functions and contact details; e) Financial Statements; f) Half-yearly Calendar of Company Events; g) Proposals presented to Shareholders' General Meetings; h) Notices convening Shareholders' General Meetings.	Yes	All the information indicated is available in English on our website.
3.1.3 Companies shall advocate the rotation of auditors after two or three terms in accordance with four or three years respectively. Their continuance beyond this period must be based on a specific opinion from the Statutory Audit Board to formally consider the conditions of the auditor's independence and the benefits and costs of replacement.	Yes	Recommendation not applicable, as Sonaecom External auditors' mandate will end in 31 December 2011.

CMVM recommendations	Sonaecom compliance	Comments
3.1.4 The work performance of the statutory external auditor during 2010 is disclosed in the annual auditor report, available on our website <a href="http://www.sonae.com">www.sonae.com</a>	Yes	All the requirements are specified in Sonaecom Management letter, issued by our external auditor.
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 20% of the total value of services rendered to the company. Particularly in 2010, this percentage of services totaled 5%.
<b>4. Conflicts of Interest</b>		
<b>4.1 Shareholder Relationship</b>		
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 - 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. See '5.5.c) Risk management - Conflicts of Interest policy'.

## 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 60,700 euros in 2010.

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

On what concerns recommendation 3.1.3., Sonaecom adopted the current governance model in 2007, in which the external auditor is no longer part of the Statutory Audit Board. According to this model, the nomination for each mandate of the Statutory External Auditor is made in the Shareholders Annual General Meeting upon a proposal of the Supervisory Board. Additionally, the Statutory Audit Board undertakes an annual assessment of the external auditor, aimed at assuring that the rotation of the partner responsible for executing the work is completed (as required by Regulation no. 224/2008, of 20 November).



## 5.2. Shareholders' General Meeting

### 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 2008 to 2011.

### Remuneration

The Chairman of the Shareholders' General Meeting receives a fixed annual fee of 5,000 euros and the Secretary a fixed annual fee of 1,500. These amounts didn't suffer any change since 2008.

### Blocking of shares

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

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

The Articles of Association of the Company stipulate that, in the event of a suspension of the General Meeting, the blocking of shares applicable to the date on which the meeting is resumed is five working days.

### 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.

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

The member of the Shareholders' Remuneration Committee who attended the 2010 Shareholders' General Meeting was Duarte Paulo Teixeira de Azevedo.

### **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 proposal will include persons discharging managerial responsibilities' remuneration in 2011.

### **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 2007 AGM and all relevant data is available on the Company's website.

### **Approval of retirement benefits**

Sonaecom does not have any retirement benefits in place.

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

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

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

None of the so-called defensive measures exist.

### **Agreements with ownership clauses**

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

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

Please refer to 5.4.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 2008 to 2011. The Board of Directors shall elect its Chairman.

##### Members

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

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.

\*See 'Independence Criteria'.

#### Statutory Audit Board

##### Composition

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

##### Members

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

## Statutory External Auditor

### Composition

Sonaecom's Statutory External Auditor is Deloitte & Associados, SROC, S.A. represented by Jorge Manuel Araújo de Beja Neves, 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 Pedro Teixeira Sá.

## Other committees with management and auditing competencies

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

## Executive Committee

### Composition

Under Sonaecom's Articles of Association, the Executive Committee is selected from the members of the Board of Directors. The Group's CEO and the three other Executive Directors comprise the Executive Committee.

### Members

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

## Board Audit and Finance Committee

### Composition

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

### Members

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

\*See 'Independence Criteria'.

## Board Nomination and Remuneration Committee

### Composition

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

### Members

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

## Ethics Committee

### Composition

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

### Members

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

## Board and Corporate Governance Officer

### Composition

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

## Shareholders' Remuneration Committee

### Composition

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

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

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

(2) Partner – Egon Zehnder International, with vast experience in remuneration policy matters.

## b) Corporate structure organisation – roles and competencies

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



We highlight below the key duties and responsibilities of Sonaecom's governing bodies:

### Board of Directors

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

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

### Policy of rotation

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

The annual report on the activity of the Statutory Audit Board includes a description of the analysis and verification work completed and, in particular, any restrictions encountered. These reports are available on the Company's website.

The Statutory Audit Board appraises the work of 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.

### Shareholders' Remuneration Committee

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

### Company Secretary

The Company Secretary is responsible for:

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

### Executive Committee

The Executive Committee may deliberate on matters that relate to general management and not on matters that are exclusively within the powers of the Board of Directors. Powers and the responsibility to manage and carry out Sonaecom's day-to-day operations are delegated to the Executive Committee, except as follows:

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

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

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

### Board Audit and Finance Committee (BAFC)

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

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

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

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

### Board Nomination and Remuneration Committee (BNRC)

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



The full Terms of Reference of the BNRC:

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

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

During 2010, 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.

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

## Board and Corporate Governance Officer (BCGO)

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

In particular, the main duties of the BCGO are:

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

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

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

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

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

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

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

### d) Information on the number of meetings held during 2010

#### Board meetings

Sonaecom's Board of Directors meets at least four times a year, as required by its Articles of Association, and whenever the Chairman or two Board members call for a meeting. During 2010, there were five Board meetings and the attendance rate was 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 2010, 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 2010.

#### Statutory Audit Board meetings

The Statutory Audit Board meets at least once every quarter. There were eight formal Statutory Audit Board meetings during 2010 and the attendance rate was 96%.

### 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 21 meetings of the Executive Committee in 2010 and the attendance rate was 98%.

### 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 2010, the Committee met five times with an attendance rate of 96% 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 2010 and the attendance rate was 100%.

### Shareholders' Remuneration Committee meetings

This Committee meets at least once a year. There were two meetings during 2010 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 were two meetings during 2010 and the attendance rate was 100%.

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

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

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

\*See 'Independence Criteria'.

### Independence Criteria

During 2010, 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 Telecom 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 414<sup>o</sup> n<sup>o</sup> 5 of Portuguese Company Law and are not subject to any of the circumstances foreseen in Article 414-A, 1 of that Law.

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

### Board of Directors

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

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

Duarte Paulo Teixeira de Azevedo	September 1998
António Sampaio e Mello	July 2006
David Charles Denholm Hobley	September 2005
Gervais Gilles Pellisser	July 2006
Jean-François René Pontal	July 2003
Franck Dangeard	July 2008
Nuno Manuel Jordão	April 2008
Ângelo Gabriel Ribeirinho dos Santos Paupério	April 2007
Maria Cláudia Teixeira de Azevedo	April 2006
Miguel Nuno Santos Almeida	April 2005
António Bernardo Aranha da Gama Lobo Xavier	April 2010

### Offices held by the members of the Board of Directors

Information on other offices held by each of the members of Sonaecom's Board of Directors – distinguishing between offices within Sonaecom Group and others – are disclosed in the Appendix to this Report.

### Statutory Audit Board

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

The month and year of first appointment of each member of the Statutory Audit Board is as follows

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

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

### Offices held by the members of the Statutory Audit Board

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

## 5.4. Group Remuneration policy, Management and Audit bodies' Remuneration

### a) Sonaecom's remuneration policy

#### i) Remuneration Policy Principles

Our remuneration policy aims to be:

- **Competitive**

Sonaecom aims to have a competitive remuneration policy in comparison with peer companies and be able to attract good quality talent across the company. To achieve this, Sonaecom designs its remuneration policy based on market benchmark values for peer companies ensuring competitiveness of its Policy

- **Linked to performance**

An important part of Sonaecom Executive's remuneration policy is determined by the company's success. A significant part of executive's remuneration is linked to corporate and individual performance

- **Aligned with Shareholder's interests**

Part of the executive's remuneration is paid in shares that are retained for a three year period. Having into consideration that the value of shares is defined by the performance of the company, the remuneration paid is affected by the Executive's contribution to the results of that performance, hence aligning the Directors with the shareholders interests and long-term performance

- **Transparent and adequately disclosed**

All aspects of the remuneration structure are clear to employees and openly disclosed. This communication process contributes at fostering fairness and independence

- **Reasonable and Fair**

Executive's remuneration at Sonaecom aims to be reasonable, ensuring the balance between the Companies interests and market positioning, the expectations and motivations of our employees and our talent retention needs

#### ii) Who are our peer companies?

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

The companies forming our peer group for all reward purposes are the companies that comprise the PSI20 (Portuguese Stock Index and European businesses).

### iii) What are our remuneration components?

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

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

#### Fixed remuneration

Annual remuneration and other elements of the compensation package are defined as a function of each employee's level of responsibility and are reviewed annually. Each employee is classified under a 'Sonaecom Management Level' grid, designed using Hay's international model for classification of corporate functions to facilitate market comparisons as well as to help promote internal equity.

#### Variable remuneration

##### a) The short term bonus

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

The target variable remuneration amount is based on a percentage of the employee's fixed remuneration, which ranges between 12% and 65%, depending on the employee's Management Level. Business KPIs (which include economic, operational and financial indicators based on approved budgets, relative share price performance, individual business unit performance as well as the performance of the Group as a whole) drive between 35% and 70% of the Variable remuneration, depending on the employee's Management Level, being normally objective indicators.

The remaining percentage of the Variable remuneration is based on Personal KPIs, which are a mix of objective and subjective indicators. Variable remuneration paid relate to the actual performance achieved or assessed and can represent anything from 0% to 120% of the target variable remuneration for Business KPIs and 0% to 120% 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 2010 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) requires approval by the Shareholders' Remuneration Committee ("Comissão de Vencimentos"), in line with the Group's Remuneration Policy, which is approved by shareholders at a Shareholders' General Meeting. The participation of other Senior Executives is approved, annually, by the Sonaecom ExCom.

The MTIP was approved by shareholders at the Annual General Meeting held on 23 April 2010.

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 2010, in order to comply with best practice in Corporate Governance. The MTIP was approved by shareholders at the Annual General Meeting held on 23 April 2010.

### (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 amount resulted from the application of the criterion described on the short term Variable remuneration, in respect of the last financial year, according to Sonaecom Management Levels:

Sonaecom Management Levels ('Grupos Funcionais') (1)	Percentage
GF6	Up to 70%
GF5	Up to 80%
GF4	Up to 90%
GF3	Up to 100%
GF2	100%
GF1	100%

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

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

On vesting, the transfer of the shares depends on the overall success of the society during this period, esteemed in accordance with the objectives set by the Remuneration Committee for each period of three years. If the criterion for continuing positive performance of our organisation, mentioned above, is met, the shares, corresponding to the initial number of shares, adjusted for dividends and other changes in issued share capital, are transferred to the beneficiaries on the third anniversary of the award date, at the share price on that date, with the Company having the option to apply a discount over the share price. The Company, subject to approval from the Board Nomination and Remuneration Committee, has the option to pay the cash equivalent to the value of the shares at the vesting date.

### Results participation

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

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

The awards outstanding under the Sonaecom Share Plans in 2010 can be summarised as follows:

### Sonaecom Share Plans outstanding during 2010

	Vesting period			At 31 December 2010	
	Share price at award date*	Award date	Vesting date	Aggregate of number participants	Number of options / shares
<b>Sonaecom Shares</b>					
2006 Plan	4.697	09 Mar 2007	08 Mar 2010	-	-
2007 Plan	2.447	10 Mar 2008	09 Mar 2011	379	1,625,795
2008 Plan	1.117	10 Mar 2009	09 Mar 2012	394	3,476,627
2009 Plan	1.685	10 Mar 2010	08 Mar 2013	403	2,473,756

\* Average share price for the month prior to the award date, except for the 2006 Plan for which the share price corresponds to the average share price between 3 March and 5 April 2007. This exception was due to the timing of the end of the Portugal Telecom bid and was approved by the Board Nomination and Remuneration Committee at that time.

The number of shares awarded, and shares unvested or vested under Sonaecom's MTIP in the year ended 31 December 2010, are shown in the following table:

### Sonaecom's shares under the MTIP

	Sonaecom shares	
	Aggregate number of participants <sup>(1)</sup>	Number of shares
<b>Outstanding at 31 December 2009</b>		
Unvested	1,192	6,575,867
Total	1,192	6,575,867
<b>Movements in the year</b>		
Awarded	408	2,498,790
Vested	(381)	(943,725)
Vested early	(8)	(96,880)
Cancelled / Lapsed	(35)	(457,874)
<b>Outstanding at 31 December 2010</b>		
Unvested	1,176	7,576,178
Total	1,176	7,576,178

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

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

## Summary of shares under the MTIP – Sonae SGPS Share Plans

Awards under the Sonae SGPS Share Plans outstanding during 2010 can be summarised as follows:

	Vesting period			At 31 December 2010	
	Share price at award date*	Award date	Vesting date	Aggregate of number participants	Number of options / shares
<b>Sonae SGPS Shares</b>					
2006 Plan	1.680	09 Mar 2007	08 Mar 2010	-	-
2007 Plan	1.160	10 Mar 2008	09 Mar 2011	4	186,234
2008 Plan	0.526	10 Mar 2009	09 Mar 2012	4	389,258
2009 Plan	0.761	10 Mar 2010	08 Mar 2013	4	302,131

\*The lower of the average closing share prices for the 30 trading days prior to the Annual General Meeting and the closing share price on the day after the Annual General Meeting, except for the 2006 Plan for which the share price corresponds to the average closing share price between 13 February and 26 March 2007. This exception was due to the timing of the end of the Portugal Telecom bid and was approved by the Board Nominations and Remunerations Committee.

The number of awarded, unvested or vested, and cancelled, lapsed or adjusted Sonae SGPS shares under the MTIP in the year ended 31 December 2010, are shown in the following table:

### Sonae SGPS shares under the MTIP

	Sonae SGPS shares	
	Aggregate of number participants (1)	Number of shares
<b>Outstanding at 31 December 2009</b>		
Unvested	17	877,654
<b>Movements in the year</b>		
Awarded	4	290,000
Vested	(5)	(131,764)
Cancelled / lapsed / adjusted(2)	(4)	(158,267)
<b>Outstanding at 31 December 2010</b>		
Unvested	12	877,623

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

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

### MTIP hedging agreements and accounting impact

Sonaecom has hedged its MTIP and related obligations, up to and including the 2009 Plan. The plans are hedged through own shares acquired in 2007 to 2010 and held by Sonaecom. Sonae SGPS shares plans have been hedged through a cash-settled share swap transaction, with an external party. Sonaecom has entered into agreements with its subsidiaries to recharge the corresponding hedging costs to each one of them.

For Sonaecom's share plans, the total responsibility is calculated taking into consideration the share price at 2 January 2009, the date which the change to settlement of share plans became effective, with the exception of the plan attributed in 2009 and 2010, which responsibility is calculated based on the corresponding award date. The total responsibility for the mentioned plans is 4,812,753 euros and was recorded under the heading of 'Reserves'.

The Sonae SGPS shares plans correspond to the delivery of Sonae SGPS shares, but, as they are attributed by Sonaecom and not by Sonae SGPS, the plans are treated as cash-settled plans. As a result of the cash-settled share swap transactions implemented to hedge these plans, the liability is included under 'Other Liabilities' capped at a maximum share price of 1.031 euros, 0.612 euros and 0.832 euros for the MTIP 2007, 2008 and 2009, respectively. Until 31 December 2010, the total amount provided for is 658,399 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 2010, 26.8 million euros had been recognised as a cost (3.4 million euros during 2010 and 23.4 million euros in previous years).

### 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 120% 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 2010, to 1,900 euros.

For each Non-Executive Director, fixed remuneration assumes an agreed commitment of time during 2010, 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.

## Remuneration and compensation received by the Board of Directors

The remuneration of Sonaecom's Directors was as follows during 2010 and 2009. 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 2010 and 2009, and that will be awarded in 2011, for 2010 values, and were awarded in 2010, for 2009 values.

Amounts in euros	2010				2009			
	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total
<b>Individual breakdown</b>								
<b>Executive Directors</b>								
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)	409,400	297,700	297,700	1,004,800	415,283	287,900	287,900	991,083
Maria Cláudia Teixeira de Azevedo	212,525	94,400	94,400	401,325	209,469	88,400	88,400	386,269
Miguel Nuno Santos Almeida	275,375	137,900	137,900	551,175	251,477	119,900	119,900	491,277
António Bernardo Aranha da Gama Lobo Xavier (eight months in 2010) <sup>(3)</sup>	133,547	-	-	133,547	-	-	-	-
Luís Filipe Campos Dias Castro Reis (twelve months in 2009) <sup>(1)</sup>	-	-	-	-	311,736	164,300	164,300	640,336
George Christopher Lawrie (four months in 2009) <sup>(2)</sup>	-	-	-	-	73,603	37,633	37,633	148,870
	1,030,847	530,000	530,000	2,090,847	1,261,568	698,133	698,133	2,657,835
<b>Non-Executive Directors</b>								
Duarte Paulo Teixeira de Azevedo (Chairman)	60,700	-	-	60,700	60,600	-	-	60,600
Jean François René Pontal	40,180	-	-	40,180	40,180	-	-	40,180
David Charles Denholm Hobley	37,750	-	-	37,750	37,450	-	-	37,450
António Maria Theotonio Pereira Sampaio Melo	35,960	-	-	35,960	37,450	-	-	37,450
Nuno M. M. Trigo Jordão	34,300	-	-	34,300	34,200	-	-	34,200
Frank Emmanuel Dangeard	35,280	-	-	35,280	34,980	-	-	34,980
Gervais Pellissier	-	-	-	-	-	-	-	-
	244,170	-	-	244,170	244,860	-	-	244,860
<b>Total</b>	<b>1,275,017</b>	<b>530,000</b>	<b>530,000</b>	<b>2,335,017</b>	<b>1,506,428</b>	<b>698,133</b>	<b>698,133</b>	<b>2,902,695</b>

(1) On 10 December 2009, Luís Filipe Reis resigned from the Board of Directors. The amount for the 2009 remuneration refers to 12 months.

(2) On 4 May 2009, George Christopher Lawrie resigned from the Board of Directors.

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

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 2010. 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 2010, Sonaecom had 20 persons discharging managerial responsibilities, "Dirigentes". As at 31 December 2010, the amount paid (which comprises total fixed and total variable remuneration) was of 3,305,557 euros. The total MTIP award totaled 902,011 euros. (for a more detailed information please see chapter 6, on the notes to the accounts, note 40).



## Directors' participation in the MTIP

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

### Directors' participation in the Sonaecom MTIP (see below)

	Plan 2006	Plan 2007	Plan 2008	Plan 2009	Total
Award date	09 Mar 2007	10 Mar 2008	10 Mar 2009	10 Mar 2010	
<b>Sonaecom shares</b>					
Share price at award date <sup>(1)</sup>	4.697	2.447	1.117	1.685	
Share price at vesting date	1.720	-	-	-	
Share price at 31 December 2010 <sup>(2)</sup>	1.350	1.350	1.350	1.35	
<b>Ángelo Gabriel Ribeirinho dos Santos Paupério (CEO)</b>					
Number of shares at 01 January 2010	-	67,086	143,259	-	210,345
Number of shares at 31 December 2010	-	67,086	143,259	102,516	312,861
<b>Miguel Nuno Santos Almeida</b>					
Number of shares at 01 January 2010	18,942	31,009	65,801	-	115,752
Number of shares at 31 December 2010	-	31,009	65,801	42,694	139,504
<b>Maria Cláudia Teixeira de Azevedo</b>					
Number of shares at 01 January 2010	11,818	21,369	47,502	-	80,689
Number of shares at 31 December 2010	-	21,369	47,502	36,724	105,595
<b>António Bernardo Aranha da Gama Lobo Xavier<sup>(5)</sup></b>					
Number of shares at 01 January 2010	17,079	7,624	58,156	-	82,859
Number of shares at 31 December 2010	-	7,624	58,156	42,997	108,777
<b>Total</b>					
Number of shares at 01 January 2010	47,839	127,088	314,718	-	489,645
Number of shares at 31 December 2010	-	127,088	314,718	224,931	666,737
<b>Sonae SGPS shares</b>					
Share price at award date	1.680	1.160	0.526	0.761	
Share price at vesting date	0.855	-	-	-	
Share price at 31 December 2010 <sup>(3)</sup>	0.780	0.780	0.780	0.780	
<b>Ángelo Gabriel Ribeirinho dos Santos Paupério (CEO)</b>					
Number of shares at 01 January 2010	-	101,008	211,160	-	312,168
Number of shares at 31 December 2010	-	105,233	219,994	157,657	482,884
<b>Miguel Nuno Santos Almeida</b>					
Number of shares at 01 January 2010	28,184	30,014	62,350	-	120,548
Number of shares at 31 December 2010	-	31,269	64,959	65,658	161,886
<b>Maria Cláudia Teixeira de Azevedo</b>					
Number of shares at 01 January 2010	17,585	20,683	45,011	-	83,279
Number of shares at 31 December 2010	-	21,549	46,894	36,307	104,750
<b>António Bernardo Aranha da Gama Lobo Xavier<sup>(5)</sup></b>					
Number of shares at 01 January 2010	25,412	27,051	55,106	-	107,569
Number of shares at 31 December 2010	-	28,183	57,411	42,509	128,103
<b>Total</b>					
Number of shares at 01 January 2010	71,181	178,756	373,627	-	623,564
Number of shares at 31 December 2010	-	186,234	389,258	302,131	877,623
<b>Values</b>					
<b>CEO</b>					
Value at award date	332,201 <sup>(4)</sup>	281,329	271,090	-	552,419
Value at vesting date	296,647	-	-	-	296,647
Values at 31.12.2010	-	172,648	364,995	261,369	799,012
<b>Miguel Nuno Santos Almeida</b>					
Value at award date	136,320	110,695	106,296	-	353,311
Value at vesting date	56,678	-	-	-	56,678
Values at 31.12.2010	-	66,252	139,499	108,850	314,601
<b>Maria Cláudia Teixeira de Azevedo</b>					
Value at award date	85,052	76,282	76,736	-	238,070
Value at vesting date	35,362	-	-	-	35,362
Values at 31.12.2010	-	45,656	100,705	77,897	224,258
<b>António Bernardo Aranha da Gama Lobo Xavier<sup>(5)</sup></b>					
Value at award date	122,912	50,035	93,946	-	266,893
Value at vesting date	51,103	-	-	-	51,103
Values at 31.12.2010	-	32,275	123,291	91,203	246,769
<b>Total</b>					
Value at award date	676,485	518,341	548,068	-	1,742,894
Value at vesting date	439,790	-	-	-	439,790
Values at 31.12.2010	-	316,831	728,491	539,319	1,584,641

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

(2) On 8 January 2010, the share price hit a high of 2.007 euros and a low of 1.230 euros per share on 28 April 2010;

(3) On 13 January 2010, the share price hit a high of 0.939 euros and a low of 0.720 euros per share on 25 May 2010;

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

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

### Directors' participation in the Sonaecom MTIP (see below)

Amounts (in euros)	Sonaecom		Sonaecom SGPS		Sonae Investimentos		Sonae RP - Retail Properties		Total
	Role	Total remuneration	Role	Total remuneration	Role	Total remuneration	Role	Total remuneration	
<b>Name</b>									
Ângelo Gabriel Ribeirinho dos Santos Paupério	CEO	1,004,800	Non Executive	6,000	-	-	-	-	1,010,800
Duarte Paulo Teixeira de Azevedo	Chairman	60,700	Executive	1,062,171	-	-	-	-	1,122,871
Nuno M. M. Trigo Jordão	Non Executive	34,300	Non Executive	192,750	Non Executive	87,570	Non Executive	24,037	338,657

### Sonaecom stock plan

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

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

### Compensation for Board members on termination of office

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

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

### c) Remuneration of the members of the Statutory Audit Board

The remuneration of the members of the Statutory Audit Board was as follows during 2010 and 2009:

	2010	2009
<b>Amounts in euros</b>		
<b>Individual breakdown</b>		
<b>Statutory Audit Board</b>		
Arlindo Dias Duarte Silva	8,910	9,900
Armando Luís Vieira Magalhães	6,910	7,900
Óscar José Alçada Quinta	6,910	7,900
Jorge Manuel Felizes Morgado	-	-
<b>Total</b>	<b>22,730</b>	<b>25,700</b>

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 2010. It is established that the Shareholders Remuneration Committee meets between July and December but only if there are any changes in the Board membership. As no changes occurred prior to 2010 Annual General meeting, last SRC meeting was held in May 2010.

Month	Remuneration cycle
February	BNRC meets: Close Performance year annual review and awards: <ul style="list-style-type: none"> <li>- Fixed remuneration 2011 (real)</li> <li>- Annual short term performance bonus (real)</li> <li>- Annual short term performance bonus 2011 (target)</li> <li>- Deferred MTIP 2010 (real)</li> <li>- Deferred MTIP 2011 (target)</li> <li>- Review annual appraisal process</li> <li>- Review remuneration</li> <li>- Disclosure in MR&amp;A</li> </ul>
March	SRC meets: <ul style="list-style-type: none"> <li>- Post BNRC meeting, before annual payments are made</li> </ul>
April	BNRC reports: <ul style="list-style-type: none"> <li>- Close detail of 2011 Executive Commission Individual KPIs (only if not possible to close them earlier)</li> </ul>
May	SRC meets: <ul style="list-style-type: none"> <li>- Only if Board membership changes at AGM</li> </ul>
July	BNRC reports: <ul style="list-style-type: none"> <li>- Progress on 2011 KPIs</li> </ul>
October	BNRC meets: <ul style="list-style-type: none"> <li>- Progress on 2011 KPIs</li> <li>- Review MTIP pipeline and shares retained</li> <li>- Contingency and succession planning</li> <li>- Talent management</li> <li>- Review BNRC terms of reference and NY annual plan</li> </ul>
December	BNRC meets: <ul style="list-style-type: none"> <li>- Forecast Full Year 2010 KPIs</li> <li>- Adjustment needs for 2012 KPIs</li> </ul>

## 5.5. Risk Management

This section contains a description of the functioning and effectiveness of the risk management system and an identification of the main risks affecting the company.

Sonaecom is committed to developing and implementing best practices in terms of risk management and risk control, as these areas are considered to be one of the fundamental pillars of company 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 Planning and Control team. The BAFC, operating on behalf of the Board, and the SAB are responsible for supervision and oversight of the risk management system.

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

Efforts have been focused 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 programs, or by implementing day-to-day control activities and by the existence of dedicated teams. Financial and Legal risks are, in general, perceived as having a lower level of risk within Sonaecom and they have been managed by assuring compliance with internal and regulatory requirements. There are also other risk management policies and procedures, including a Code of Conduct, 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, 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 – Responsible for elaborating and monitoring the execution of the annual Action and Resource Plans and the budgets/forecasts, as well as all the processes leading to its realization, both on the financial and operational components. Business plans are also monitored on the financial component. Promotes and supports the integration of risk management in the planning and control processes of the Sonaecom companies.

- Risk Management functions – Contributes with tools, methodology, support and know-how to the business areas. It also promotes and monitors the implementation of programmes and actions aimed at bringing risk levels to the acceptable boundaries established by management. Promotes the awareness, the measurement and the management of business risks that interfere with achieving the objectives and value creation of the organisation.
- Internal Audit 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 to the main audit findings.
- Statutory External Auditor – In the scope of the yearly auditing process verifies the efficiency and functioning of internal control mechanisms and reports any shortcomings. It is responsible for verifying the accounts and all the financial statements of the company and issuing a legal certification of the accounts and an audit report.

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

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

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

In accordance with international best practices, there are 15 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 and Project Management Professional (PMP).

## Report to Management and Supervisory Bodies

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

- The Board of Directors, through delegation on the Executive Committee, guarantees the creation and functioning of the internal control and risk management system.
- The BAFC, under Terms of Reference approved by the Board of Directors, advises the Board on the adequacy and appropriateness of systems and standards on internal business controls and risk management activities applied by the Executive Committee.
- The SAB, under Terms of Reference and as the independent supervisory body, oversees the effectiveness of the overall risk management, internal control and internal audit systems.
- The Board of Directors establishes the Internal Audit function and its responsibilities are reviewed by the BAFC.
- The BAFC liaises with the SAB to ensure that the SAB is in agreement with the role agreed for Internal Audit.
- The BAFC advises the Board of Directors on the quality and independence of the Internal Audit function and should be consulted by management in relation to the appointment and removal of the Chief Audit Executive.
- The BAFC and SAB, according to the Internal Audit Charter, approve the appointment or removal of the Chief Audit Executive and can request information in relation to the performance evaluation, annual compensation and salary adjustment of the Chief Audit Executive.
- The BAFC advises the Board of Directors on the appointment, the assignments to and the remuneration of the Statutory External Auditor.
- The SAB liaises with the BAFC on the matters related to the Statutory External Auditor.
- The BAFC reviews the scope of the Internal Audit function and its relation to the scope of the work of the Statutory External Auditor. The BAFC discusses with the Statutory External Auditor and the Internal Audit their reports and advises the Board of Directors thereon.
- The Statutory External Auditor verifies the effectiveness and the functioning of the internal control mechanisms and reports deficiencies.
- The Statutory External Auditor in the scope of the yearly auditing process, verifies the efficiency and functioning of internal control mechanisms and reports any shortcomings..
- The Internal Audit activity is subjected to the assessment of the BAFC and SAB that are responsible for supervising the effectiveness of the internal audit system and that may propose the adoption of eventually necessary modifications. Additionally, the Chief Audit Executive informs the BAFC and SAB on the Internal Audit quality assurance and improvement program, including the results of internal or external assessments, which should be completed at least every five years. Accordingly, during 2010, the Internal Audit activity was subjected to an external assessment.
- The Risk Management central function presents for the BAFC evaluation, and shares it with SAB, a periodic report on the Enterprise Wide Risk Management cycle (method and results) and may get inputs to adjust it.

The **reporting lines** of the Internal Audit (IA) and Risk Management (RM) are as follow:

- IA reports hierarchically to the Sonaecom CEO.
- IA reports functionally jointly to the Sonaecom BAFC and SAB. The last one assures the existence of a reporting line to a body that is independent from the Board of Directors. IA can request private meetings to report to the BAFC or SAB to take place without management being present.
- RM central function has similar reporting lines within Sonaecom.

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

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

### Risk Management Approach

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

### ERM - Enterprise Risk Management cycle



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

#### Phase 1: Identify business risks

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

#### Phase 2: Identify sources

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

#### Phase 3: Measure triggers

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

#### Phase 4: Manage risks

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

#### Phase 5: Monitor risks

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



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

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#### **EWRM – Enterprise Wide Risk Management**

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

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

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#### **BCM – Business Continuity Management**

**Approach:** The implementation of Business Continuity Management processes has the purpose of mitigating 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 understand >> 2. Define resiliency strategies >> 3. Develop and implement Business Continuity and Crisis Management plans >> 4. Test, maintain and audit the BCM plans and processes

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#### **ISM – Information Security Management**

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

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

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#### **RMCP – Risk Management Cycles or Processes**

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

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

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

- The aligning of the risk management cycle with the strategic planning cycle, namely during the definition of the annual Business Plan (Action and Resource Plan) when the business units identify the risks that can potentially affect the achievement of their target objectives and define actions to overcome.
- 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, in order to verify their evolution.
- The execution of Internal and External Audits: The effectiveness of the internal controls and risk management actions are evaluated regarding business process and systems.
- The execution of Findings Monitoring: An internal follow-up procedure aimed at monitoring the relevant findings status and the adoption of corrective actions by business areas is carried out by on a semi-annual basis.

## b) Main risks and control actions

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

During 2010, in relation to Sonaecom's business risks, a particular focus was placed on the execution of a risk management cycle update for the telecommunications business unit. The status of its main risks was updated, through the revision of the most relevant risk drivers, the assignment of risk owners and the identification of existent controls or new actions to manage those risks. This revision will continue throughout 2011 resulting in an updated risk matrix, including the analysis of impact and probability for each potential risk.

Within the economic, financial and legal categories, the risks are herein 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 defining and grouping the risks as well as its main drivers (risk dictionary).

### Economic risks

According to the Sonaecom Business Risk Model (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 possible general consumption reduction (see Chapter 2 regarding the Portuguese telecoms market).

Although Portugal's highly competitive telecommunications market proved to be remarkably resilient to the global recession during 2009 and to a lesser extent 2010, this trend may become less applicable during 2011. In this context, even though no decrease in customer numbers is expected, there is the risk that the average revenue per customer might be affected due to consumption reduction.

Optimus has in place several initiatives that may help to mitigate this risk through tighter cost controls.

Regarding other Sonaecom companies, it is relevant to note that because of the pace of WeDo Technologies' expansion and internationalisation, the impact of the adverse economic environment on the business is more diluted. Furthermore, the company has already anticipated these possible effects by expanding its product portfolio and by targeting other business sectors (see Business Portfolio risk, below).

#### Technological Innovation

For Optimus having an optimized technological infrastructure is a critical success factor, which helps to reduce potential failures in leveraging on technical evolutions.

Among current possible causes for this risk are the pace of introduction of 4G mobile networks based on Long-Term Evolution (LTE) technology; the 4G legacy compatibility issues; the increasing fixed-mobile services convergence; and the need to support the growing usage of multimedia services by customers.

During 2010 Optimus continued actions to leverage on technological innovation, allowing the business to mitigate these possible risk causes.

WeDo Technologies has recently achieved the certification in Management of Research, Development and Innovation (NP 4457:2007). Together with its existing quality certification (ISO 9001:2008), this new certification helps the company to continue to innovate in a sustainable way and helps to mitigate potential risk drivers, setting innovation risk as not significant for this Sonaecom subsidiary. WeDo Technologies was one of the first software vendors to invest in the Revenue Assurance market and was the first to do so for Business Assurance.

Mainroad faces the technological innovation challenges of cloud computing. This technological trend is characterised by a growing and heavy adoption of server virtualisation and service-oriented architectures by the customers. On the service providers side, an effort has to be made in order to keep up the pace, to adapt infrastructures and to shift the operations model to a service-oriented model.

Some relevant risks generally associated with cloud computing are: the shift from traditional data centres (customised to fit customers' proprietary solutions) to cloud computing service data centres (more standardised); a fraction of IT consulting and application support services that can be threatened because customers can stop using proprietary applications; some problems in the integration of cloud computing architecture with current systems that may bring complexity; the need for customers to improve security controls, due to the fact that cloud computing is a service shared by several customers, making it necessary to increase the level of control over information.

In this context, Mainroad has continued its approach towards handling cloud computing issues, as follows:

- Enhance the existent IT Outsourcing and IT Managed Services offer.
- Evaluate the possibility of delivering applications-as-a-service using partnerships.
- Leverage on the co-ordination and management of Sonae Group initiatives regarding cloud computing, which has already been tested internally in the Group.
- Update the methodology and processes to keep up with cloud computing demands.
- Develop its three main business areas to work as complementary for leveraging cloud computing opportunities:
  - Data Centre Services – Mainroad provides two data centres for customer equipment, including specialised housing and telecommunications infrastructures that allows customers to have their virtualised servers hosted.
  - Support Services – This area provides IT management and support services for customers' systems and applications as well as support services for technological infrastructure, including full or selected IT Outsourcing services.
  - Professional Services – This is Mainroad's projects area, which delivers specialised services in consulting (solutions design) and implementation (integration and tailoring of IT solutions), including IT Security services.

## Competition

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

Some of the risks that Optimus is exposed can be summarised as: the value destruction in certain customer segments and services (pricing issues); the aggressive competition in the wireline residential market (loss of indirect access revenues); the optical fibre leverage challenges; and the mobile network effect.

WeDo Technologies is a worldwide leader in the telecom revenue assurance market (source: 2009 Stratecast report "Revenue Assurance and Cost Management Global CSP"), so this risk is not significant.

## Business Portfolio

In WeDo Technologies, one of the main objectives has been the expansion and internationalisation of the business, which 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 continued to consolidate its global presence outside Portugal for several years, has targeted new business sectors since 2009 and has increased its product portfolio.

In this context, during 2010 WeDo Technologies has continued its strategy by:

- Expanding its product portfolio from Revenue Assurance and Fraud Management to Business Assurance.
- Enlarging its offer beyond its traditional telecommunication customer base, by including other business sectors like retail and finance.
- Making clear its two product lines:
  - Business Assurance – This is targeted at Telecom, Retail, Energy and Finance/Insurance sectors. It is based on “Business Assurance RAID 6.0”, which is independent and end-to-end Revenue, Assurance, Fraud Management and Business Control Processes software. This software has been extended with modules to manage assurance beyond core revenue protection operations to include incentives, collections and partner settlement processes. This line of products is complemented by Business Assurance consulting services.
  - Business Management and Support systems – This is niche-targeted at Telecom and Energy. It is based on several systems and solutions for Roaming Management, Collections and Credit Control, Incentives Management, Process Management, Data Retention and Customer Value Management. This line of products is complemented by Professional Services and Training and Support services.

## Business Interruption (Business Continuity Management)

Given that Sonaecom business (Telecom, SSI and Media) rely mostly 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 other associated risks could be aggravated because services are real time (voice, data/internet and TV) and customers typically have a low tolerance towards interruption.

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.

## Crisis Management

The strengthening of the Crisis Management Plan procedures, with the focus on technical-operational failure scenarios in the telecommunications unit, was the most significant part of 2010's BCM activities. It involved all business departments, with particular emphasis on the core activities of the Technical Division, Information Systems, Facilities and Customer Service departments, as well on the communication activities co-ordinated by the Corporate Communication department. The actions involved covered:

- Update of the Crisis Organisational Charts of all departments, including the allocation of responsibilities for the critical activities and designation of substitutes.
- Revision of the Impact Assessment and Crisis Level Matrix (operational and business criteria), as well as the escalation procedures and articulation with incident management procedures.

- Redefinition of Notification rules, supported by e-mail and SMS notifications tools.
- Redesign of Crisis Communications flows, guidelines and responsibilities to manage communication with relevant internal and external stakeholders.
- Implementation of tools and resources to support the plan, including a web-based tool to document and maintain the plan. This enabled the definition of crisis procedures tailored for all crisis roles, based on hyperlinked action check-lists.
- Execution of training and simulation sessions for the plan, comprising around 200 employees at the operational, tactical and strategic levels of the company.

### **Business Continuity Plans and Maintenance**

During 2010, Sonaecom continued to enhance its BCM process implementation and maintenance activities, including the following actions:

- Implementation of supplementary resilience strategies for some critical platforms of the telecommunications' network.
- Update of the existing IT/IS disaster recovery solution, envisaging geographic high-availability for some critical applications, with focus on those applications that support Optimus Customer Care activities.
- Execution of physical security risks audits to Optimus switch centres and Mainroad data centres. Definition of standards to manage physical risks at these critical facilities (security infrastructures and procedures).
- Beginning the BCM Focus revision, in order to reflect the evolution of Optimus's service portfolio and updated critical activities.
- Co-ordination with external official entities for catastrophic scenarios, security of critical infrastructures and crisis communication, including collaboration on the update of Civil Protection Plans.
- Participation in the Study on Electronic National Communications Security promoted by the sector regulator (ICP – ANACOM), that involved all major communications operators in Portugal.

### **Availability, Integrity and Confidentiality (Information Security)**

#### **Information Security Management (Telecom, SSI and Media)**

Bearing in mind that Sonaecom is mostly a Technology, Media and Telecommunications (TMT) company, all its subsidiary companies make intensive use of technology and information, which are typically subjected to availability, integrity and confidentiality risks. Given this, during 2010 Sonaecom decided to increase its commitment to the management of these risks by creating the Information Security Governance, Risk and Compliance (GRC) Committee.

The Information Security GRC Committee is a working group mandated by the Executive Committee, sponsored by the CIO and co-ordinated by the Risk Management central function. It has the highest decision level for Information Security matters, makes decisions on policies at Sonaecom level and suggests recommendations. It also develops and proposes an annual action plan; and gathers the most relevant areas of information security.

During 2010, the Information Security GRC Committee co-ordinated several risk management actions, the most relevant being:

- The revision of Sonaecom's Information Security Policy, including the related Security Charter, Standards and Procedures documents.
- The execution of an awareness campaign to strength a culture of Information Security among employees, partners and key stakeholders. Besides being a technological issue, security should be seen as a cultural and behavioral issue, thus the relevance of an awareness campaign. This campaign included articles in internal magazine and newsletters and the launch of an interactive internal website dedicated to Information Security. The main focus areas were: confidentiality of data (information sharing, personal data and storage); workstation usage (remote access, protection, equipment); web usage (internet, social networks and e-mail); credentials management (passwords, social engineering and phishing); software (malicious and licensing); and mobile devices (configuration and usage).

- The implementation of a dashboard with the most relevant risk indicators related to Information Security, in order to: monitor the performance of the Information Security function; identify trends, causes of changes and opportunities for improvement; and also to support decision making processes, justifying investments in human or technical resources.
- The start of a detailed risk assessment to get an overview of the information security risk status in Sonaecom. This will also enable the business to prioritise and to support decision making processes and to complete the collection of security risk indicators throughout 2011.

### Customer Information and Security (Telecom)

Within security matters, bearing in mind that Optimus is a customer-driven company, a greater effort has been put on the customer perspective. The evolution of telecommunication services functionalities and its ability to support customer information flow has increased security risks, both on the technical and customer behaviour sides. During 2010, several control actions were developed regarding telecommunications services security:

- Identification, analysis and prevention of mobile malware and malicious application threats, to protect Optimus and customers from attacks. Optimus has selected a Global Security Solution for integration within handsets/smartphones to protect customers from virus, spyware, Trojans, worms, malicious browsing, theft, etc. and its implementation strategy is under development to be effective during 2011.
- Publication of a Customer Educational Programme on the Sonaecom and Optimus websites to create awareness about common risks and to advise customers on the best anti-fraud and security practices to follow when using telecoms services.
- Further development of the e-Privacy project to mitigate and protect access to sensitive customer information by the business operational support systems.
- 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)

Knowing that Sonaecom companies are customer-oriented, special attention is given to the impact that potential failures in products and services could bring to its customers, namely liability issues. These are business-intrinsic and are usually related to accidents, unintentional acts, errors or omissions performed by employees or subcontractors. Risk events can be physical (e.g. damage to equipments or facilities) or non-physical (e.g. error in a software installation), being relevant in companies like Sonaecom subsidiaries, which provide mainly services based on technology and information. In the event of a service failure, given that liability is derived from contractual relationship with the customers, Professional Liability issues can arise.

Some examples of potential drivers for the risk of service failure could be: downtime period within the process of activation of telecommunication services; project delivery issues (e.g. delays in the delivery of software integration) or project performance issues (e.g. hardware seizing problems in integrating software with the customer hardware) in SSI companies; failure to publish advertisements in newspapers.

The risk management strategy selected by Sonaecom for this type of risk, besides implementing internal controls, was to transfer the risk by using insurance. In this context, during 2010, several actions were taken regarding Professional Liability insurance:

- Execution of a specific risk assessment for professional liability, to identify potential risk drivers and to systematise their respective controls.

- Implementation of improvements in some internal controls to further mitigate risk causes.
- Enhancement of the existent professional liability insurance, with a new insurance incorporating an enlarged scope of coverage and tailored to the business realities facing Sonaecom companies, including:
  - Technology Protection module for Optimus, WeDo Technologies, Mainroad, Saphety and Bizdirect.
  - Multimedia module for Optimus and Público.

### Revenue and Cost Assurance (Telecom Business Assurance)

Telecommunications businesses are subject to inherent operational risks regarding the assurance and monitoring of customer revenues. Throughout 2010 we continued to improve our risk controls, 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.

Business Assurance has continued to broaden its control to cost assurance activities, including items such as the efficient allocation of technical resources in the network. This trend is expected to continue throughout 2011, broadening its scope to control some areas of the incentive management system (sales force and dealers commission fees).

### Fraud (Telecom Fraud Management)

Customer or third-party fraud is a common risk in the telecommunications sector. Fraudsters can take advantage of potential process, service or network vulnerabilities. With this in mind, Optimus has had a dedicated Fraud Management team in place for some time. During 2010, the business concentrated its efforts on the development and implementation of the following control actions:

- 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, etc.
- Creation with TMN and Vodafone of a common and standard methodology to classify and measure Telecom Fraud at national level in order to improve co-operation and mitigation procedures.
- Improvement of fraud monitoring and detection through the expansion of the Near Real Time Roaming Data Exchange (NRTRDE) system to other network operators and the implementation of new controls for Prepaid, Postpaid, Roamers IN and Roamers OUT customers.
- Participation at the GSM MoU Association Fraud Forum, in order to share experiences, study the most common fraud types committed against telecom companies and foster worldwide co-ordination of mitigation and detection actions against telecom crimes. Optimus has promoted and contributed to the creation of the GSMA Hot B Number Database, a risk list of the most common international destinations used for Telecom Fraud.
- Co-operation with WeDo Technologies regarding the design and development of RAID FMS (Fraud Management System) for future implementation at Optimus, expected to take place during 2011.

## Financial risks

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

In this section Sonaecom acknowledges that it is potentially exposed to risks related to financial reporting and accounting processes, as are other listed companies with similar activities, and to a variety of other financial risks such as market risk (particularly, exchange rate and interest rate risks), liquidity risk and the credit risk. Sonaecom attitude towards financial risks management is conservative and prudent, and those principles were followed during 2010.

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 control 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, consolidated and separate financial statements.
- The BAFC reviews the financial statements to be disclosed and reports its findings to the Board of Directors; monitors significant financial exposures; monitors major judgmental areas in financial and accounting areas; oversees compliance with accounting standards; and oversees compliance with statutory and legal requirements and regulations in particular in the financial domain.
- The Internal Audit evaluates the risk exposure; verifies the effectiveness of the risk management and internal controls; and proposes measures to improve controls.
- The Statutory External Auditor verifies if the main elements of the internal control and risk management system, regarding accounting and financial statements, are presented in the annual Corporate Governance Report and issues the legal certification of accounts and an audit report, in which attests if the Corporate Governance Report includes all the elements as required by Article 245 - A, of the Portuguese Securities Code.

## Accounting and Financial Reporting (Financial Risks Control System)

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

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

- The process of disclosure of financial information is formalized, the risks and associated controls are identified, being duly established and approved the criteria for its preparation and disclosure, which are periodically reviewed.
- There are three main types of controls: high level controls (entity level controls), controls of information systems (IT level controls) and controls in terms of processes (process level controls). It includes a set of procedures relating to the execution, supervision, monitoring, and process improvement, with the objective to prepare 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), constitute one of the fundamental pillars of the control system.
- The plans, procedures and registers in the Group allow a reasonable assurance that transactions are executed only with a



general or specific authorisation of management and that those transactions are recorded to allow that financial statements comply with generally accepted accounting principles. It also assures that the company keeps updated assets register, that the access to assets depends on a management authorisation and that the assets register is verified against existing assets and appropriate measures are taken, whenever differences occur.

- During the process of preparing and reviewing financial information, a chronogram is previously established and shared with the different areas involved and all documents are reviewed in detail. This includes the review of the principles used, the verification of the accuracy of the information produced and the consistency with the principles and policies defined and used in previous periods.
- The Group financial statements are prepared and analysed by 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 of the several business and support areas, with support and supervision of the Director of Corporate Governance and the Law and Regulation department. The set of documents that make up the annual report are sent for review and approval by the Sonaecom Board of Directors. After approval, the documents are sent to the Statutory External Auditor that issues its legal certification of accounts and the External Auditor Report. These documents are sent, together with the Annual Report, to the Statutory Audit Board for review, which approves the documents and issue the Report and Statutory Audit Board opinion.

Among the risk drivers that can materially impact accounting and financial reporting we highlight the following:

- Accounting estimates – The most significant accounting estimates are described in (see chapter 6.2, Note 1.aa) of the financial statements and other following notes. 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 35) Attached to the report, we present a list of all related parties of Sonaecom Group. These are mainly associated to the operational activities of the Group, as well as the granting and obtaining loans, being made at market prices.

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

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

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

## Currency

The Group operates internationally and has subsidiaries operating in Brazil, United Kingdom, Poland, United States of America, Mexico, Australia, Egypt and Malaysia (branch). Subsidiaries have local employees and operate in local currency. The Group's exposure to exchange rate risk comes mostly from the fact that some of its subsidiaries report in currencies other than the euro, being 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) further information is presented on how this risk is managed and controlled, including a summary of the Group exposure to exchange rate risk and its sensitivity to changes in exchange rates.

## Interest Rate

Sonaecom total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility on the company results or on its Shareholders funds is mitigated by the effect of the following factors: (i) relatively low level of financial leverage; (ii) 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 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, namely, 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 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 monitoring the conditions and alternatives existing in the market. In the notes to the financial statements (see chapter 6.2, note 1.ab) further information is presented on how this risk is managed and controlled, including the sensitivity analysis to interest rate risk (see note 20).

## Liquidity

The existence of liquidity in the company requires the definition of some policies for an efficient and secure management of the liquidity, allowing us to maximize the profitability and to minimise the opportunity costs related with that liquidity. The main underlying policies correspond to the variety of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparty and the maximum periods for investments.

In the notes to the financial statements (see chapter 6.2, note 1.ab) further information is presented 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 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. To assist in mitigating this risk, the Group uses credit rating agencies, subscribes credit insurances and has specific departments for Credit Control, Collections and Management of Litigation.

## Legal risks

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

## Legal and Regulatory

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

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

There are also other issues that affect the company activity, which are directly decided by the Government, though assisted by ICP - ANACOM, namely the designation of the universal service provider, regulatory fees (spectrum, numbering, regulatory activity) or other fees to be imposed to the communications providers and consumer protection rules, like the one imposed during 2010 regarding terminal equipment unlocking.

Additionally, Sonaecom's has also to comply with rules that are defined at European level, and have direct effect on Portugal as a Member State of the European Union, as happens with the regulation on roaming services, which limits the conditions of the provision of roaming services either at wholesale and retail level.

Besides the specific rules regarding the telecommunications sector, Optimus is also subjected to horizontal legislation, including competition law, whereas other Sonaecom companies, such as WeDo Technologies, face an additional risk. This is the result of them having a presence in several countries around the world, which involves specific risks related to very different legal frameworks, where additional effort is needed to be fully understood.

### c) Other Risk Management Processes

The last part of the section on risk management covers Sonaecom policies and processes in relation to three areas that are generally considered to be risk sensitive and are areas on which there is a focus 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 when compared, for example, with 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. Given that, internal control processes are in place that allow addressing conflicts of interest, within the several dimensions of the organisation

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

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

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

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

At Company level, in relation to shareholder relationships and related party transactions:

- When executing related party transactions, Sonaecom companies should act in a diligent, careful and organized manner and should ensure that transactions are well documented. The interests of parties involved should be respected ensuring that, globally, transactions are implemented on an “arm’s length” basis, observing general market practices (carried out as if the parties to the transaction were 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, thereby ensuring the sustainability of the companies.
- Where deals of significant importance are undertaken with holders of qualifying shareholdings, or with entities which are classified as related parties, such deals shall be subject to a preliminary opinion from the SAB. The SAB, under its Terms of Reference, obtains from the Board of Directors, normally through the BAFC, all the necessary information relating to the operational and financial progress of the company, changes to its business portfolio, the terms of any sensitive or related party transactions that have occurred and the details of decisions taken. Under its Terms of Reference, the BAFC devotes particular attention to material transactions with related parties, especially any transactions that could involve significant transfer pricing risk.
- Relevant information regarding reference shareholders and related parties is disclosed in section 5.6, including Sonaecom qualified holdings under “Qualified Shareholdings” and the existence of other material non-operational transactions with related parties, if any, under “Relevant transactions with related parties”.

## Remuneration policy

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

- The design of the remuneration policy for all officers and employees should take into account their potential risk taking behaviour, by giving a sufficient, but a balanced, weighting to their variable component transposing some of the activity risk into the officers or employees own assumed risk by linking their own reward to individual and corporate performance.
- Additionally, the remuneration of the members of the Board of Directors should be structured so that their interests are aligned with the long term interest 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 obtained by considering the following information:

- The remuneration principles applied for all officers and employees and how the different remuneration components contribute to a controlled environment in terms of risk taking behaviour is explained in section 5.4 of this report. Entitled 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 all remuneration and compensation policy and all remuneration proposals, as well as, supervising the MTIP.
- The remuneration principles and practices that apply at Board level are further explained and detail of individual remuneration is disclosed in section 5.4 under Directors' remuneration. The BNRC reports in writing to the Board, whenever necessary, and liaises with Sonaecom Shareholders Remuneration Committee ("Comissão de Vencimentos") to obtain their approval, on behalf of shareholders, of the remuneration and other compensation of the Board of Directors and other Statutory Governing Bodies.
- Finally, the fact that comprehensive information is disclosed in section 5.4 on the remuneration policy adopted promotes transparency and is itself a contributing factor in mitigating the risk of potential 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 irregularities reported.

The SAB has statutory responsibilities in relation to this process, in particular:

- To receive communications of alleged irregularities reported relating to the Company and presented by the Company's shareholders, employees or other parties.
- To record any alleged irregularities that were reported, to promote investigation with due diligence by the Board of Directors, the Internal and/or the External Auditor and to report its conclusions.

The responsibility for supervising this process has been delegated to the Sonaecom Ethics Committee, which is required:

- To assess the alleged irregularities considering the policy stated in the Code of Conduct.
- To receive, discuss, investigate and assess any alleged irregularities that are reported and to decide on the appropriate measures that should be taken in each case reported.
- To review and evaluate the efficiency and effectiveness with which the policy and process for communicating irregularities operates.

The whistle-blowing process can be summarised as follow:

- Anyone wishing to communicate any irregularity believed or known to have been committed by any Sonaecom officer, member of staff or business partner, must address a letter or an e-mail containing a summary description of the facts to the Ethics Committee. The identity of the whistle-blower will be kept anonymous, if explicitly requested.
- The letter 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%, 66.66% and 90% of the total share capital must be reported to the Portuguese Securities Market Commission and disclosed to the capital market. Reporting is also required if the shareholdings fall below the same percentages.

### Sonaecom qualified holdings

Shareholders	Number shares held	% Shareholding as at 31 December 2010
Sonae SGPS	194,714,119	53.17%
France Télécom	73,249,374	20.00%
BCP S.A	12,500,998	3.41%
Santander Asset Management	7,408,788	2.02%

Sonaecom's largest Shareholders continue to be Sonae SGPS, a Portuguese multinational Group also with interests in retail, shopping centres and insurance, with a shareholding position of just over 53%, and France Télécom, one of the largest telecom operators in the world, with a 20% stake in Sonaecom.

The free float, as at 31 December 2010 (% of shares not held or controlled by Shareholders with qualified holdings and excluding own shares) stood at approximately 18.87%.

During 2010, there were no changes to the number of shares issued by Sonaecom.

### Shareholders holding special rights

There are no Shareholders with special rights.

### Restrictions on the transfer and ownership of shares

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

### Shareholders' agreements known to the Company

Sonaecom is not aware of any Shareholders' agreements which contain restrictions on the transfer of shares or voting rights in the Company.

### Rules applicable to the amendment of Company's Articles of Association



Changes to the Company's Articles of Association require approval at a Shareholders' General Meeting, which decides, in accordance with the applicable law, by a majority of two-thirds of the votes cast.

### Control mechanisms for employees participating in the share capital

There are no systems in place concerning the attribution of shares of the Company to its employees that result in the respective employees not being able to freely exercise their voting rights.

### Share price performance

Sonaecom's shares ended 2010 with a market price of 1.350 euros per share, 30.1% below the closing price of 1.932 euros per share at 31 December 2009. The share price reached a maximum of 2.007 euros per share on 8 January 2010 and a minimum of 1.230 euros on 28 April 2010.

At the end of 2010, Sonaecom's market capitalisation was approximately 494 million euros. The average daily trading volume reached 466 thousand shares, an increase of 3.35%, when compared to 2009. The total number of Sonaecom shares traded during 2010 exceeded 121 million shares, more than 33% of the total share capital of the Company.

During 2010, Sonaecom's share price evolution and liquidity were mainly influenced by the following news:

- 3 March 2010: Sonaecom announces a three-year bond issue;
- 8 March 2010: full-year 2009 consolidated results released;
- 26 March 2010: Sonaecom announces a five-year bond issue;
- 23 April 2010: Shareholders' Annual General Meeting held with release of information about approved decisions;
- 6 May 2010: first quarter 2010 consolidated results released;
- 29 July 2010: first-half 2010 consolidated results released;
- 3 November 2010: first nine months 2010 consolidated results released.

### Dividend distribution policy

At the Shareholders' Annual General Meeting, held on 23 April 2010, Sonaecom's Shareholders approved the proposal from the Board of Directors to apply net results to retained earnings, with no dividend distribution, reflecting Sonaecom's strategy and the business opportunities available.

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".

The Company has not distributed any dividends in the last three financial years. However, regarding 2010 results, our Board of Directors will propose the distribution of a gross dividend per share of 0.05 euros at 2011 Shareholders Annual General Meeting.

### 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 2010 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.

### Reports of the Statutory Audit Board

The annual report of the Statutory Audit Board is disclosed on Sonaecom's website.

### Investor Relations

The Investor Relations department is responsible for managing Sonaecom's relationship with the financial community – current and potential investors, analysts and market authorities – with the goal of enhancing their knowledge and understanding of Sonaecom's businesses and activities, by providing relevant, timely and reliable information.

The department regularly prepares presentations and communications covering quarterly, half-year and annual results, as well as issuing announcements to the market whenever necessary, to disclose or clarify any relevant event that could influence Sonaecom's share price.

To further enhance the effective communication with the capital market and guarantee the quality of information provided, the Investor Relations department organises road-shows covering the most important financial centres of Europe and participates in various conferences. Also, a wide variety of investors and analysts have the opportunity to talk to management in one-on-one meetings or conference calls.

Any interested party may contact the Investor Relations department using the following contact details:

**Carlos Alberto Silva**

**Investor Relations Manager**

Tel: (+351) 93 100 2444

Fax: (+351) 93 100 2229

Email: carlos.alberto.silva@sonae.com / investor.relations@sonae.com

Address: Rua Henrique Pousão, 432 – 7º Piso, 4460-191 Senhora da Hora, Portugal

Website: www.sonae.com

During 2010, the Investor Relations department participated in 31 one-on-one and group meetings, one roadshow and three investor and telecommunications conferences, providing analysts and investors with information on Sonaecom's performance and future prospects.

The representative for relations with capital markets and the Portuguese Securities Market Commission is António Lobo Xavier who can be contacted by phone or e-mail:

Tel: (+351) 93 100 2232

Fax: (+351) 93 100 2229

E-mail: antonio.xavier@sonae.com / investor.relations@sonae.com

Morada: Rua Henrique Pousão, 432 – 7º Piso, 4460-191 Senhora da Hora, Portugal

### Fees of the Statutory External Auditor

During 2010, Sonaecom Group paid the following fees to the Statutory External Auditor Deloitte and their network of companies:

	2010		2009	
Statutory Audit	232,762	81%	218,736	79%
Other Compliance & Assurance Services	42,756	15%	14,125	5%
<b>Audit services</b>	<b>275,518</b>	<b>95%</b>	<b>232,861</b>	<b>84%</b>
Tax Compliance	13,283	5%	44,176	16%
<b>Total</b>	<b>288,801</b>	<b>100%</b>	<b>277,037</b>	<b>100%</b>

Sonaecom's Risk Management Policy, which is supervised by the BAFC in liaison with the Statutory Audit Board, monitors the non-audit services requested from the Statutory External Auditor and their respective network of companies, in order to ensure that auditor independence is not compromised. Annual fees paid by Sonaecom Group to the Deloitte Group represented less than 1% of their total global fees in Portugal. Additionally, an Independence Letter is obtained each year from Deloitte confirming that they meet international guidelines on auditor independence.

## 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:

DMJB – Consultadoria de Gestão, S.A.

(Statutory External Auditor)

Sonae, SGPS, S.A.

(Member of the Statutory Audit Board)

Sonae Investimentos, SGPS, S.A.

(Member of the Statutory Audit Board)

Rochinvest – Investimentos Imobiliários e Turísticos, S.A.

(Member of the Statutory Audit Board)

##### Offices in non-profitable institutions:

ALADI – Associação Lavrense de Apoio ao Diminuído Intelectual

(Member of the Statutory Audit Board)

Centro Social e Paroquial Padre Ângelo Ferreira Pinto

(Member of the Statutory Audit Board)

Associação Cultural do Senhor do Padrão

(Member of the Statutory Audit Board)

Liga dos Amigos do Hospital Pedro Hispano

(Member of the Statutory Audit Board)

#### Armando Luís Vieira de Magalhães

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

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

##### Other offices held:

Sonae Capital, SGPS, S.A.

(Statutory Audit Board)

Sonae Indústria, SGPS, S.A.

(Statutory Audit Board)

##### Offices in non-profitable institutions:

Fundação Eça de Queirós

(Statutory Audit Board)

Futebol Clube do Porto – Futebol, S.A.D; Porto Comercial – Sociedade de Comercialização e Sponsorização, SA;

Porto Estádio – Gestão e Exploração de Equipamentos Desportivos, SA.

(Statutory Audit Board)

### Óscar José Alçada da Quinta

#### 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 Distribuição, SGPS, S.A.

(Statutory Audit Board)

Sonae Indústria, SGPS, 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

- 6.1 | Sonaecom consolidated financial statements
- 6.2 | Notes to the consolidated financial statements
- 6.3 | Sonaecom individual financial statements
- 6.4 | Notes to the individual financial statements

## 6.1.Sonaecom consolidated financial statements

### Consolidated balance sheets

For the years ended at 31 December 2010 and 2009

(Amounts expressed in euro)	Notes	December 2010	December 2009
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	1.d), 1.i) and 6	592,369,741	583,419,492
Intangible assets	1.e), 1.f) and 7	272,896,942	273,694,175
Goodwill	1.g) and 9	526,141,552	526,106,175
Investments available for sale	1.h), 8 and 10	212,323	1,207,320
Other non-current assets	1.s) and 1.t)	174,363	54,765
Deferred tax assets	1.q), 1.t) and 11	109,587,224	121,894,677
<b>Total non-current assets</b>		<b>1,501,382,145</b>	<b>1,506,376,604</b>
<b>Current assets</b>			
Inventories	1.j) and 12	17,473,750	14,034,768
Trade debtors	1.k), 8 and 13	143,294,200	158,921,462
Other current debtors	1.k), 8 and 14	61,302,698	13,417,506
Other current assets	1.s), 1.y) and 15	69,839,130	143,726,837
Cash and cash equivalents	1.l), 8 and 16	68,577,903	83,629,417
<b>Total current assets</b>		<b>360,487,681</b>	<b>413,729,990</b>
<b>Total assets</b>		<b>1,861,869,826</b>	<b>1,920,106,594</b>
<b>Shareholders' funds and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	17	366,246,868	366,246,868
Own shares	1.v) and 18	(15,030,834)	(12,809,015)
Reserves	1.u)	582,259,583	575,946,086
Consolidated net income/(loss) for the year		41,182,587	5,748,497
		974,658,204	935,132,436
Non-controlling interests	19	593,790	508,152
<b>Total Shareholders' funds</b>		<b>975,251,994</b>	<b>935,640,588</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Medium and long-term loans – net of short-term portion	1.m), 1.n), 8 and 20	305,038,006	299,139,698
Other non-current financial liabilities	1.i), 8 and 21	19,253,869	20,707,936
Provisions for other liabilities and charges	1.p), 1.t) and 22	33,150,028	32,175,824
Securitisation of receivables	8 and 23	39,740,412	59,374,480
Deferred tax liabilities	1.q), 1.t) and 11	786,549	106,929
Other non-current liabilities	1.s), 1.t), 1.y) and 24	2,739,617	33,218,100
<b>Total non-current liabilities</b>		<b>400,708,481</b>	<b>444,722,967</b>
<b>Current liabilities</b>			
Short-term loans and other loans	1.l), 1.m), 1.n), 8 and 20	30,942,240	59,256,449
Trade creditors	8 and 25	178,732,746	195,303,884
Other current financial liabilities	1.i), 8 and 26	2,171,140	3,053,364
Securitisation of receivables	8 and 23	19,634,161	19,488,569
Other creditors	8 and 27	56,752,155	46,979,493
Other current liabilities	1.s), 1.y) and 28	197,676,909	215,661,280
<b>Total current liabilities</b>		<b>485,909,351</b>	<b>539,743,039</b>
<b>Total Shareholders' funds and liabilities</b>		<b>1,861,869,826</b>	<b>1,920,106,594</b>

The notes are an integral part of the consolidated financial statements at 31 December 2010 and 2009.

#### The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

#### The Board of Directors

Duarte Paulo Teixeira de Azevedo  
 Ângelo Gabriel Ribeirinho Paupério  
 António Bernardo Aranha da Gama Lobo Xavier  
 Maria Cláudia Teixeira de Azevedo

Miguel Nuno Santos Almeida  
 António Sampaio e Mello  
 David Charles Denholm Hobley  
 Frank Emmanuel Dangeard

Gervais Gilles Pellissier  
 Jean-François René Pontal  
 Nuno Miguel Moniz Trigos Santos Jordão

## Consolidated profit and loss account by nature

For the quarters and the years ended at 31 December 2010 and 2009.

(Amounts expressed in euro)	Notes	December 2010	September to December 2010 (Not audited)	December 2009	September to December 2009 (Not audited)
Sales	29	118,773,668	38,370,470	141,176,555	33,120,686
Services rendered	29	801,945,320	198,220,870	808,223,772	199,690,661
Other operating revenues	1.k), 1.r) and 30	8,224,984	3,617,996	7,031,518	3,938,684
		<b>928,943,972</b>	<b>240,209,336</b>	<b>956,431,845</b>	<b>236,750,031</b>
Cost of sales	1.j) and 12	(127,913,977)	(43,390,607)	(153,951,259)	(38,646,010)
External supplies and services	31	(479,774,171)	(120,732,470)	(494,992,901)	(126,344,235)
Staff expenses	1.y), 39 and 40	(96,550,733)	(22,716,096)	(98,036,453)	(24,606,767)
Depreciation and amortisation	1.d), 1.e), 6 and 7	(129,542,660)	(31,352,799)	(151,774,270)	(32,946,281)
Provisions and impairment losses	1.k), 1.p), 1.x) and 22	(16,030,069)	(4,640,484)	(19,032,191)	(2,692,996)
Other operating costs	32	(14,663,482)	(3,706,660)	(14,750,258)	(5,317,525)
		<b>(864,475,092)</b>	<b>(226,539,116)</b>	<b>(932,537,332)</b>	<b>(230,553,814)</b>
Other financial expenses	1.n), 1.o), 1.w), 1.x)	(14,531,097)	(3,728,192)	(18,599,132)	(3,355,007)
Other financial income	and 33	8,159,770	3,845,409	5,905,914	1,565,957
<b>Current income / (loss)</b>	1.o), 1.w) and 33	<b>58,097,553</b>	<b>13,787,437</b>	<b>11,201,295</b>	<b>4,407,167</b>
Income taxation		(16,749,346)	(2,301,028)	(5,124,176)	(1,328,393)
<b>Consolidated net income / (loss) for the year</b>	1.q), 11 and 34	<b>41,348,207</b>	<b>11,486,409</b>	<b>6,077,119</b>	<b>3,078,774</b>
Attributed to:					
Shareholders of parent company		41,182,587	11,463,219	5,748,497	2,998,523
Non-controlling interests	38	165,620	23,190	328,622	80,251
<b>Earnings per share</b>	19				
Including discontinued operations:					
Basic		0.12	0.03	0.02	0.01
Diluted		0.12	0.03	0.02	0.01
Excluding discontinued operations:					
Basic		0.12	0.03	0.02	0.01
Diluted		0.12	0.03	0.02	0.01

The notes are an integral part of the consolidated financial statements at 31 December 2010 and 2009.

### The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

### The Board of Directors

Duarte Paulo Teixeira de Azevedo  
 Ângelo Gabriel Ribeirinho Paupério  
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 Frank Emmanuel Dangeard

Gervais Gilles Pellissier  
 Jean-François René Pontal  
 Nuno Miguel Moniz Trigoso Santos Jordão

## Consolidated statement of comprehensive income

For the years ended at 31 December 2010 and 2009

(Amounts expressed in euro)	Notes	December 2010	December 2009
<b>Consolidated net income / (loss) for the year</b>		<b>41,348,207</b>	<b>6,077,119</b>
<b>Components of other consolidated comprehensive income, net of tax</b>		<b>357,412</b>	<b>475,427</b>
Increase / (decrease) in financial hedging instruments' fair value	1.o) and 20	-	307,068
Changes in currency translation reserve and other	1.w)	357,412	168,359
<b>Consolidated comprehensive income for the year</b>		<b>41,705,619</b>	<b>6,552,546</b>
Attributed to:			
Shareholders of parent company		41,539,999	6,223,924
Non-controlling interests		165,620	328,622

The notes are an integral part of the consolidated financial statements at 31 December 2010 and 2009.

### The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

### The Board of Directors

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho Paupério

António Bernardo Aranha da Gama Lobo Xavier

Maria Cláudia Teixeira de Azevedo

Miguel Nuno Santos Almeida

António Sampaio e Mello

David Charles Denholm Hobley

Frank Emmanuel Dangeard

Gervais Gilles Pellissier

Jean-François René Pontal

Nuno Miguel Moniz Trigo Santos Jordão

## Consolidated movements in shareholders' funds

For the years ended at 31 December 2010 and 2009

	2010		Reserves							Total		
	Share capital	Own shares (note 18)	Legal reserves	Share premium	Other reserves	Reserves for Medium Term Incentive Plans (note 39)	Hedging reserve (note 20)	Reserves of own shares	Total reserves		Non-controlling interests	Net income / (loss)
Balance at 31 December 2009	366,246,868	(12,809,015)	1,995,181	775,290,377	(217,116,182)	2,977,695	-	12,809,015	575,946,086	-	5,748,497	935,132,436
Appropriation of the consolidated net result of 2009	-	-	-	-	5,748,497	-	-	-	5,748,497	-	(5,748,497)	-
Consolidated comprehensive income for the year ended at 31 December 2010	-	-	-	-	357,412	-	-	-	357,412	-	-	4,182,587
Utilization of Legal reserves to cover losses recorded on individual accounts	-	-	(764,178)	-	764,178	-	-	-	-	-	-	-
Acquisition of own shares	-	(4,944,915)	-	-	(4,944,915)	-	-	4,944,915	-	-	-	(4,944,915)
Delivery of own shares under the Medium Term Incentive Plans (notes 14) and 39)	-	2,723,096	-	-	1,095,626	(974,705)	-	(2,723,096)	(2,602,175)	-	-	120,921
Effect of the recognition of the Medium Term Incentive Plans (notes 14) and 39)	-	-	-	-	-	2,809,763	-	-	2,809,763	-	-	2,809,763
<b>Balance at 31 December 2010</b>	<b>366,246,868</b>	<b>(15,030,834)</b>	<b>1,221,003</b>	<b>775,290,377</b>	<b>(214,095,384)</b>	<b>4,812,753</b>	<b>-</b>	<b>15,030,834</b>	<b>98,229,583</b>	<b>-</b>	<b>41,182,587</b>	<b>974,698,204</b>
Non-controlling interests	-	-	-	-	-	-	-	-	-	508,152	-	508,152
Balance at 31 December 2009	-	-	-	-	-	-	-	-	-	165,620	-	165,620
Non-controlling interests in comprehensive income	-	-	-	-	-	-	-	-	-	(161,850)	-	(161,850)
Dividend distribution	-	-	-	-	-	-	-	-	-	71,500	-	71,500
Supplementary capital increase	-	-	-	-	-	-	-	-	-	10,368	-	10,368
Other changes	-	-	-	-	-	-	-	-	-	593,790	-	593,790
Balance at 31 December 2010	-	-	1,221,003	775,290,377	(214,095,384)	4,812,753	-	15,030,834	98,229,583	593,790	41,182,587	975,251,994
<b>Total</b>	<b>366,246,868</b>	<b>(15,030,834)</b>	<b>1,221,003</b>	<b>775,290,377</b>	<b>(214,095,384)</b>	<b>4,812,753</b>	<b>-</b>	<b>15,030,834</b>	<b>98,229,583</b>	<b>593,790</b>	<b>41,182,587</b>	<b>975,251,994</b>

## Consolidated movements in shareholders' funds

For the years ended at 31 December 2010 and 2009

	Share capital	Own shares (note 18)	Reserves							Net income / (loss)	Total	
			Legal reserves	Share premium	Other reserves	Reserves for Medium Term Incentive Plans (note 39)	Hedging reserve (note 20)	Reserves of own shares	Total reserves			
<b>2009</b>												
Balance at 31 December 2008	366,246,868	(13,493,750)	1,002,287	775,290,377	(218,729,331)	-	(307,068)	13,493,750	570,756,015	-	4,998,142	928,501,275
Appropriation of the consolidated net result of 2008	-	-	982,894	-	4,015,248	-	-	-	4,998,142	-	(4,998,142)	-
Consolidated comprehensive income for the year ended at 31 December 2009	-	-	-	-	168,359	-	307,068	-	4,75,427	-	5,748,497	6,223,924
Acquisition of own shares	-	(3,134,877)	-	-	(3,134,877)	-	-	3,134,877	-	-	-	(3,134,877)
Delivery of own shares under the Medium Term Incentive Plans (notes 14) and 39)	-	3,825,612	-	-	680,817	(837,553)	-	(3,825,612)	(3,982,348)	-	-	(156,736)
Effect of the recognition of the Medium Term Incentive Plans (notes 14) and 39)	-	-	-	-	(116,398)	2,023,223	-	-	2,023,223	-	-	2,023,223
Effect of the recognition of contracts with settlement in shares	-	-	-	-	-	(116,398)	-	-	(116,398)	-	-	(116,398)
Transfer from liabilities of the responsibilities associated with the Medium Term Incentive Plans (notes 14) and 39)	-	-	-	-	-	1,792,025	-	-	1,792,025	-	-	1,792,025
<b>Balance at 31 December 2009</b>	<b>366,246,868</b>	<b>(12,809,015)</b>	<b>1,985,181</b>	<b>775,290,377</b>	<b>(217,116,182)</b>	<b>2,977,695</b>	<b>-</b>	<b>12,809,015</b>	<b>575,946,086</b>	<b>-</b>	<b>5,748,497</b>	<b>935,640,588</b>
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2008	-	-	-	-	-	-	-	-	-	452,717	-	452,717
Non-controlling interests in comprehensive income	-	-	-	-	-	-	-	-	-	328,622	-	328,622
Other changes	-	-	-	-	-	-	-	-	-	(273,187)	-	(273,187)
Balance at 31 December 2009	-	-	-	-	-	-	-	-	-	508,152	-	508,152
<b>Total</b>	<b>366,246,868</b>	<b>(12,809,015)</b>	<b>1,985,181</b>	<b>775,290,377</b>	<b>(217,116,182)</b>	<b>2,977,695</b>	<b>-</b>	<b>12,809,015</b>	<b>575,946,086</b>	<b>508,152</b>	<b>5,748,497</b>	<b>935,640,588</b>

## Consolidated cash flow statements

For the years ended at 31 December 2010 and 2009

(Amounts expressed in euro)	December 2010		December 2009	
<b>Operating activities</b>				
Receipts from trade debtors	933,786,081		964,521,213	
Payments to trade creditors	(642,098,176)		(673,570,538)	
Payments to employees	(112,456,173)		(111,403,068)	
<b>Cash flows from operating activities</b>	<b>179,231,732</b>		<b>179,547,608</b>	
Payments / receipts relating to income taxes, net	(4,636,408)		43,019	
Other payments / receipts relating to operating activities, net				
<b>Cash flows from operating activities (1)</b>	<b>(7,981,421)</b>		<b>4,601,559</b>	
<b>Investing activities</b>	<b>166,613,903</b>	<b>166,613,903</b>	<b>184,192,186</b>	<b>184,192,186</b>
Receipts from:				
Investments				
Tangible assets	3,171,510		-	
Intangible assets	2,246,064		1,844,265	
Interest and similar income	7,797		50,067	
Dividends	5,296,503		5,328,100	
Payments for:	270,000	10,991,874	-	7,222,432
Investments				
Tangible assets	(5,000)		-	
Intangible assets	(103,025,924)		(119,593,090)	
<b>Cash flows from investing activities (2)</b>	<b>(25,117,781)</b>	<b>(128,148,705)</b>	<b>(22,699,564)</b>	<b>(142,292,654)</b>
<b>Financing activities</b>		<b>(117,156,831)</b>		<b>(135,070,222)</b>
Receipts from:				
Supplementary capital				
Loans obtained	71,500		-	
Payments for:	70,000,000	70,071,500	-	-
Leasing				
Interest and similar expenses	(2,570,083)		(2,060,592)	
Reimbursement of supplementary capital	(13,545,181)		(19,070,408)	
Dividends	-		(800,395)	
Acquisition of own shares	(161,850)		-	
Loans obtained	(4,944,915)		(3,134,877)	
<b>Cash flows from financing activities (3)</b>	<b>(115,376,800)</b>	<b>(136,598,829)</b>	<b>(47,028,999)</b>	<b>(72,095,272)</b>
Net cash flows (4)=(1)+(2)+(3)		<b>(66,527,329)</b>		<b>(72,095,272)</b>
<b>Effect of the foreign exchanges</b>		<b>(17,070,257)</b>		<b>(22,973,308)</b>
Cash and cash equivalents at the beginning of the year		147,585		321,624
Cash and cash equivalents at the end of the year		<b>82,946,871</b>		<b>105,598,556</b>
		<b>66,024,199</b>		<b>82,946,871</b>

The notes are an integral part of the consolidated financial statements at 31 December 2010 and 2009.

### Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

### The Board of Directors

Duarte Paulo Teixeira de Azevedo  
 Ângelo Gabriel Ribeirinho Paupério  
 António Bernardo Aranha da Gama Lobo Xavier  
 Maria Cláudia Teixeira de Azevedo

Miguel Nuno Santos Almeida  
 António Sampaio e Mello  
 David Charles Denholm Hobley  
 Frank Emmanuel Dangeard

Gervais Gilles Pellissier  
 Jean-François René Pontal  
 Nuno Miguel Moniz Trigo Santos Jordão

## Notes to the consolidated cash flow statements

For the years ended at 31 December 2010 and 2009

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

	December 2010	December 2009
<b>a) Amounts paid of acquisitions of the year</b>		
Visapress - Gestão de Conteúdos dos média, CRL	5,000	-
	<b>5,000</b>	-
<b>b) Amounts received of sales of the year</b>		
Altitude, SGPS, S.A.	3,171,510	-
	<b>3,171,510</b>	-

### 2. Details of cash and cash equivalents

	2010	2009
Cash in hand	190,896	63,627
Cash at bank	6,709,461	3,875,125
Treasury applications	61,677,547	79,690,665
Overdrafts	(2,553,704)	(682,546)
Cash and cash equivalents	66,024,199	82,946,871
Overdrafts	2,553,704	682,546
<b>Cash assets</b>	<b>68,577,903</b>	<b>83,629,417</b>

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

	2010	2009
a) Bank credit obtained and not used	150,750,000	142,000,000
b) Purchase of company through the issue of shares	Not applicable	Not applicable
c) Conversion of loans into shares	Not applicable	Not applicable

### 4. Cash flow breakdown by activity

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
Telecommunication	220,116,367	(117,949,868)	(29,234,615)	72,931,884
Multimedia	(174,365)	(568,307)	(174,964)	(917,636)
Information Systems	(44,883,263)	(853,759)	(248,776)	(45,985,798)
Holding	(8,414,023)	2,240,149	(36,868,934)	(43,042,808)
Others	(30,813)	(25,046)	(40)	(55,899)
	<b>166,613,903</b>	<b>(117,156,831)</b>	<b>(66,527,329)</b>	<b>(17,070,257)</b>

The notes are an integral part of the consolidated financial statements at 31 December 2010 and 2009.

#### Chief Accountant

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## 6.2. Notes to the consolidated financial statements

SONAECOM, S.G.P.S., S.A. (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal. It is the parent company of the Group of companies listed in notes 2, 3 and 4 ('the Group').

Pargeste, S.G.P.S., S.A.'s subsidiaries in the communications and information technology area were transferred to the Company through a demerger-merger process, executed by public deed dated 30 September 1997.

On 3 November 1999 the Company's share capital was increased, its Articles of Association were modified and its name was changed to Sonae.com, S.G.P.S., S.A.. Since then the Company's corporate object has been the management of investments in other companies. Also on 3 November 1999, the Company's share capital was re-denominated to euro, being represented by one hundred and fifty million shares with a nominal value of 1 euro each.

On 1 June 2000, the Company carried out a Combined Share Offer, involving the following:

- A Retail Share Offer of 5,430,000 shares, representing 3.62% of the share capital, made in the domestic market and aimed at: (i) employees of the Sonae Group; (ii) customers of the companies controlled by Sonaecom; and (iii) the general public;
- An Institutional Offering for sale of 26,048,261 shares, representing 17.37% of the share capital, aimed at domestic and foreign institutional investors.

In addition to the Combined Share Offer, the Company's share capital was increased under the terms explained below. The new shares were fully subscribed for and paid up by Sonae, S.G.P.S., S.A. (a Shareholder of Sonaecom, hereinafter referred to as 'Sonae'). The capital increase was subscribed for and paid up on the date the price of the Combined Share Offer was determined, and paid up in cash, 31,000,000 new ordinary shares of 1 euro each being issued. The subscription price for the new shares was the same as that fixed for the sale of shares in the aforementioned Combined Share Offer, which was Euro 10.

In addition, 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, S.G.P.S., 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, 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 O93X – Telecomunicações Celulares, S.A. (EDP) and Parpública – Participações Públicas, SGPS, S.A. (Parpública). The corresponding public deed was executed on 18 October 2006.

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

The Group's business consists essentially of:

- Mobile telecommunications operations;
- Fixed telecommunications operations and Internet;
- Multimedia;
- Information systems consultancy.

The Group operates in Portugal and has subsidiaries (from the information systems consultancy segment) operating in Brazil, United Kingdom, Ireland, Poland, Australia, Mexico, Malaysia, Egypt, United States of America, Panama, Chile, Singapore and Spain.

Since 1 January 2001, all Group companies based in the euro zone have adopted the euro as their base currency for

processing, systems and accounting.

The consolidated financial statements are also presented in euro, rounded at unit, and the transactions in foreign currencies are included in accordance with the accounting policies detailed below.

## 1. Basis of presentation

The accompanying financial statements relate to the consolidated financial statements of the Sonaecom Group and have been prepared on a going concern basis, based on the accounting records of the companies included in the consolidation (notes 2, 3 and 4) in accordance with the International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union (EU). These financial statements were prepared based on the acquisition cost, except for the revaluation of some financial instruments.

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

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

The following standards, interpretations, amendments and revisions approved (endorsed) by the European Union have mandatory application to financial years beginning on or after 1 January 2010 and were first adopted in the year ended at 31 December 2010:

Standard / Interpretation	Effective date (annual periods beginning on or after)
<b>Revised IFRS 1 – First-time adoption of IFRS</b> This standard was revised to consolidate the various amendments that have occurred since its first release.	1-Jan-10 *
<b>IFRS 1 – Amendments (Additional exemptions for first-time adopters)</b> These amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue costs or efforts in the transition process.	1-Jan-10
<b>IFRS 2 – Amendments (Accounting for group cash-settled share-based payment transactions)</b> These amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements.	1-Jan-10

\* The effective date in accordance with the adoption by the EU was subsequent to the effective date originally established by the standard.

Standard / Interpretation	Effective date (annual periods beginning on or after)
<b>IFRS 3 Business combinations and IAS 27 Consolidated and separate financial statements (2008 revision)</b> This revision brings some changes on the accounting of business combinations, namely: (a) the mensuration of non-controlling interests (previously known as minority interests); (b) the recognition and measurement of contingent consideration; (c) the treatment of acquisition-related costs; (d) the accounting of the acquisition of equity interests on already controlled subsidiaries, and of the disposal of equity interests without the loss of control; and (e) the calculation of the gain or loss on the disposal of a controlling interest, and the need for the remeasurement of the residual interest.	1-Jul-09
<b>IAS 28 Investments in associates (2008 revision)</b> The above described principles, adopted by IAS 27 (2008), on the calculation of the gain or loss on the disposal, are extended to IAS 28.	1-Jul-09
<b>Amendment to IAS 39 Financial instruments: recognition and measurement - Eligible hedged items</b> Clarifies the use of hedge accounting on the inflation component of financial instruments, and on options, when used as a hedge item.	1-Jul-09
<b>IFRIC 12 – Service concession arrangements</b> This interpretation introduces rules on recognition and measurement by the private operator involved in the provision of infrastructure construction and operating under public-private partnership concessions.	1-Jan-10 *
<b>IFRIC 15 – Agreements for the construction of real estate</b> This interpretation establishes the way to assess whether a construction agreement for a property is within the scope of IAS 11 – Construction Contracts or in the scope of IAS 18 – Revenue and how the corresponding revenue should be recognised.	1-Jan-10 *
<b>IFRIC 16 – Hedges of a net investment in a foreign operation</b> This interpretation provides guidance on hedge accounting for net investments in foreign operations.	1-Jul-09 *
<b>IFRIC 17 – Distribution of non-cash assets to owners</b> This interpretation provides guidance on the proper accounting for assets other than cash distributed to Shareholders as dividends.	1-Jul-09 *
<b>IFRIC 18 – Transfer of assets from customers</b> This interpretation provides guidance on accounting, by operators, of tangible assets 'of customers'.	Transfers made on or after 1-Jul-09*
<b>Improvements to IFRSs – 2008</b> This process included the review of 12 accounting standards.	1-Jan-10

\* The effective date in accordance with the adoption by the EU was subsequent to the effective date originally established by the standard.

The application of these standards had no significant impacts on the consolidated financial statements of the Group.

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 beginning on or after)
<b>IFRS 1 - Amendment (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters)</b>	1-Jul-10
The amendment ensures that first-time adopters benefit from the same transition provisions that the Amendment to IFRS 7 introduced in March 2009 (Improving Disclosures about Financial Instruments) provides to current IFRS preparers.	
<b>IAS 32 - Amendments (Clarification of issuing rights)</b>	1-Feb-10*
The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.	
<b>Revised IAS 24 (Related Parties Disclosures)</b>	1-Jan-11
The revised standard addresses concerns that the previous disclosure requirements and definition of a 'related party' were too complex and difficult to apply in practice, particularly in environments where government control is pervasive, by: (1) providing a partial exemption for government-related entities; (2) providing a revised definition of a related party.	
<b>IFRIC 14 - Amendments (Voluntary pre-paid contributions)</b>	1-Jan-11
The amendments correct an unintended consequence of IFRIC 14. Without the amendments, in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions.	
<b>IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments)</b>	1-Jul-10*
Clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to fully or partially settle the financial liability.	

\* The effective date in accordance with the adoption by the EU was subsequent to the effective date originally established by the standard.

These standards, although approved (endorsed) by the European Union, were not adopted by the Group for the year ended at 31 December 2010, as the application of these standards is not yet mandatory. No significant impacts are expected to arise in the financial statements resulting from the adoption of the same.

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)
<b>IFRS 9 (Financial Instruments)</b>	1-Jan-13
This standard is the first step in the project to replace IAS 39, it introduces new requirements for classifying and measuring financial assets.	
<b>Improvements to IFRSs - 2008/2010</b>	Various (earliest is 1-Jul-10)
This process included the review of 7 accounting standards.	

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

The accounting policies and measurement criteria adopted by the Group at 31 December 2010 are comparable with those used in the preparation of the consolidated financial statements at 31 December 2009.

### 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 (generally investments representing between 20% and 50% of a company's share capital) are recorded using the equity method.

In accordance with the equity method, investments are adjusted annually by the amount corresponding to the Group's share of the net results of associated companies, against a corresponding entry to gain or loss for the year, and by the amount of dividends received, as well as by other changes in the equity of the associated companies, which are recorded by a corresponding entry under the caption 'Other reserves'. An assessment of the investments in associated companies is performed annually, with the aim of detecting possible impairment situations.

When the Group's share of accumulated losses of an associated company exceeds the book value of the investment, the investment is recorded at nil value, except when the Group has assumed commitments to the associated company, a situation when a provision is recorded under the caption 'Provisions for other liabilities and charges'.

Investments in associated companies are listed in note 4.

#### **c) Companies jointly controlled**

The financial statements of companies jointly controlled have been consolidated in the accompanying financial

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

The excess of cost in relation to the fair value of identifiable assets and liabilities of the jointly controlled companies at the time of their acquisition was recorded as Goodwill (note 9). If the difference between cost and the fair value of the net assets and liabilities acquired is negative, it is recognised as income of the period, after reconfirmation of the fair value of the identifiable assets and liabilities.

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

The classification of financial investments as jointly controlled is determined, among other things, on the Shareholders' Agreements that govern the jointly controlled companies. A description of the companies jointly controlled is disclosed in note 3.

#### **d) Tangible assets**

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

Depreciations are calculated on a straight-line monthly basis as from the date the assets are available for use in the necessary conditions to operate as intended by the management, by a corresponding charge under the profit and loss statement caption 'Depreciation and amortisation'.

Impairment losses detected in the realisation value of tangible assets are recorded in the year in which they arise, by a corresponding charge under the caption 'Depreciation and amortisation' in the profit and loss statement.

The annual depreciation rates used correspond to the estimated useful life of the assets, which are as follows:

	Years of useful life
Buildings	50
Other constructions	10-20
Networks	10-40
Other plant and machinery	8-16
Vehicles	4
Fixtures and fittings	3-10
Tools	4-8
Other tangible assets	4-8

During the years ended at 2010 and 2009, the Board of Directors of the Group proceeded with prospective effect to the revision of the estimated useful life of a set of assets related to the telecommunications networks and mobile telephones, based on evaluation reports produced by specialised independent agencies.

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

The estimated costs related with the mandatory dismantling and removal of tangible assets, incurred by the Group, are capitalised and amortised in accordance with the estimated useful life of the corresponding assets.

Work in progress corresponds to fixed assets still in the construction/development stage which are recorded at their acquisition cost. These assets are depreciated as from the moment they are in condition to be used and when they are ready to start operating as intended by the management. Good conditions in terms of network coverage and / or necessary quality and technical reliability to ensure minimum services are examples of conditions evaluated by the management.

#### e) Intangible assets

Intangible assets are recorded at their acquisition cost less

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

Intangible assets comprise, essentially, software (excluding the one included in tangible assets – telecommunication sites' software), industrial property, costs incurred with the mobile network operator licenses (GSM and UMTS) and the fixed network operator licenses, as well as the costs incurred with the acquisition of customers' portfolios (value attributed under the purchase price allocation in business combinations).

Amortisations are calculated on a straight-line monthly basis, over the estimated useful life of the assets (three to six years), as from the month in which the corresponding expenses are incurred. Mobile and fixed network operator licenses are amortised over the estimated period for which they were granted, so, the UMTS license is being amortised until 2030. Additional license costs, namely the ones related to the commitments assumed by the Group under the UMTS license, regarding the contributions to the 'Information Society', are being amortised up to the estimated useful life of the license above indicated. The amortisation of the customer's portfolios is provided on a straight-line basis over the estimated average retention period of the customers (four to six years).

Expenditures with internally-generated intangible assets, namely research and development expenditures, are recognised in the profit and loss statement when incurred. Development expenditures can only be recognised as an intangible asset if the Group demonstrates the ability to complete the project and is able to put it in use or available for sale.

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

#### f) Brands and patents

Brands and patents are recorded at their acquisition cost

and are amortised on a straight-line basis over their respective estimated useful life. When the estimated useful life is undetermined, they are not depreciated but are subject to annual impairment tests.

Sonaecom Group does not hold any brands or patents with undetermined useful life, therefore the second half of the above referred paragraph is not applicable.

#### g) Goodwill

The differences between the price of investments in subsidiaries and associated companies added the value of non-controlling interests, and the amount attributed to the fair value of the identifiable assets and liabilities at the time of their acquisition, when positive, are recorded under the caption 'Goodwill', and, when negative, after a reappraisal of its calculation, are recorded directly in the profit and loss statement. The Group will choose, on an acquisition-by-acquisition basis, to measure non-controlling interests either at their proportionate interest on the fair value of the assets and liabilities acquired, or at the fair value of the non-controlling interests themselves. Until 1 January 2010, non-controlling interests were always measured at their proportionate interest on the fair value of the acquired assets and liabilities.

Contingent consideration is recognised as a liability, at the acquisition-date, according to its fair value, and any changes to its value are recorded as a change in the 'Goodwill', but only as long as they occur during the 'measurement period' (until 12 months after the acquisition-date) and as long as they relate to facts and circumstances that existed at the acquisition date, otherwise these changes must be recognised in profit or loss.

Transactions regarding the acquisition of additional interests in a subsidiary after control is obtained, or the partial disposal of an investment in a subsidiary while control is retained, are accounted for as equity transactions impacting the shareholders funds captions, and without giving rise to any additional 'Goodwill' and without any gain or loss recognised.

The moment a sales transaction to generate a loss of control, should be derecognised assets and liabilities of the entity and

any interest retained in the entity sold should be remeasured at fair value and any gain or loss calculated on the sale is recorded in results.

Until 1 January 2004, 'Goodwill' was amortised over the estimated period of recovery of the investments, usually 10 years, and the annual amortisation was recorded in the profit and loss statement under the caption 'Depreciation and amortisation'. Since 1 January 2004 and in accordance with the IFRS 3 - 'Business Combinations', the Group has ceased the amortisation of the 'Goodwill', subjecting them to impairment tests (paragraph x). Impairment losses of Goodwill are recorded in the profit and loss statement for the period under the caption 'Depreciation and amortisation'.

#### h) Financial instruments

The Group classifies its financial instruments in the following categories: 'financial assets at fair value through profit or loss', 'loans and receivables', 'held-to-maturity investments', and 'available-for-sale financial assets'. The classification depends on the purpose for which the investments were acquired. The classification of the investments is determined at the initial recognition and re-evaluated every quarter.

##### (i) 'Financial assets at fair value through profit or loss'

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if it has been acquired mainly with the purpose of selling it in the short term or if the adoption of this method allows reducing or eliminating an accounting mismatch. Derivatives are also registered as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to mature within 12 months of the balance sheet date.

##### (ii) 'Loans and receivables'

Loans and receivables are non-derivative financial assets with fixed or variable payments that are not quoted in an active market. These financial investments arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are carried at amortised cost using the effective interest method, deducted from any impairment losses.

Loans and receivables are recorded as current assets, except when their maturity is greater than 12 months from the balance sheet date, a situation in which they are classified as non-current assets. Loans and receivables are included in the captions 'Trade debtors' and 'Other current debtors' in the balance sheet.

#### **(iii) 'Held-to-maturity investments'**

Held-to-maturity investments are non-derivative financial assets with fixed or variable payments and with fixed maturities that the Group's management has the positive intention and ability to hold until their maturity.

#### **(iv) 'Available-for-sale financial assets'**

Available-for-sale financial assets are non-derivative investments that are either designated in this category or not classified in any of the other above referred categories. They are included in non-current assets unless management intends to dispose them within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. The 'Financial assets at fair value through profit or loss' are initially recognised at fair value and the transaction costs are recorded in the profit and loss statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or all substantial risks and rewards of their ownership have been transferred.

'Available-for-sale financial assets' and 'Financial assets at fair value through profit or loss' are subsequently carried at fair value.

'Loans and receivables' and 'Held-to-maturity investments' are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets classified at fair value through profit or loss are recognised in the profit and loss statement. Realised and unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss statement as gains or losses from investment securities.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using other valuation techniques. These include the use of recent arm's length transactions, reference to similar instruments, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. If none of these techniques can be used, the Group values those investments at cost net of any identified impairment losses. The fair value of listed investments is determined based on the closing Euronext share price at the balance sheet date.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In case of equity securities classified as available-for-sale, a significant (above 25%) or prolonged (in two consecutive quarters) decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and loss statement.

#### **i) Financial and operational leases**

Lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the detention of the leased asset are transferred by the lease contract or as operational leases, if, in substance, there is no transfer

of risks and rewards associated with the detention of the leased assets.

The lease contracts are classified as financial or operational in accordance with the substance and not with the form of the respective contracts.

Fixed assets acquired under finance lease contracts and the related liabilities are recorded in accordance with the financial method. Under this method the tangible assets, the corresponding accumulated depreciation and the related liability are recorded in accordance with the contractual financial plan at fair value or, if less, at the present value of payments. In addition, interests included in lease payments and the depreciation of the tangible assets are recognised as expenses in the profit and loss statement for the period to which they relate.

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

#### **j) Inventories**

Inventories are stated at their acquisition cost, net of any impairment losses, which reflects their estimated net realisable value.

Accumulated inventory impairment losses reflect the difference between the acquisition cost and the realisable amount of inventories, as well as the estimated impairment losses due to low turnover, obsolescence and deterioration, and are registered in profit and loss statement, in 'Cost of sales', since 1 January 2010. Until this date, were registered on 'Provisions and accumulated impairment losses'. The Group decided not to re-express the profit and loss statement for the year ended at 31 December 2009 as the effect of the change is not material (notes 12 and 22).

#### **k) Trade and other current debtors**

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

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

The amounts of these captions are presented net of any impairment losses and are registered in profit and loss statement in heading 'Provisions and accumulated impairment losses'. Future reversals of impairment losses are recorded in the profit and loss statement under the caption 'Other operating revenues'.

#### **l) Cash and cash equivalents**

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

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

The cash flow statement is classified by operating, financing and investing activities. Operating activities include collections from customers, payments to suppliers, payments to personnel and other flows related to operating activities. Cash flows from investing activities include the acquisition and sale of investments in associated and subsidiary companies, as well as receipts and payments resulting from the purchase and sale of fixed assets. Cash flows from financing activities include payments and receipts relating to loans obtained and finance lease contracts.

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

#### **m) Loans**

Loans are recorded as liabilities by the 'amortised cost'. Any expenses incurred in setting up loans are recorded as



a deduction to the nominal debt and recognised during the period of the loan, based on the effective interest rate method. The interests incurred but not yet due are added to the loans caption until their payment.

#### **n) Financial expenses relating to loans obtained**

Financial expenses relating to loans obtained are generally recognised as expenses at the time they are incurred. Financial expenses related to loans obtained for the acquisition, construction or production of fixed assets are capitalised as part of the cost of the assets. These expenses are capitalised starting from the time of preparation for the construction or development of the asset and are interrupted when the assets are ready to operate, at the end of the production or construction phases or when the associated project is suspended.

#### **o) Derivatives**

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

The cash flow hedges used by the Group are related to 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.

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 2010, the Group did not have any derivative.

#### **p) Provisions and contingencies**

Provisions are recognised when, and only when, the Group has a present obligation (either legal or implicit) resulting from a past event, the resolution of which is likely to involve the disbursement of funds by an amount that can be reasonably

estimated. Provisions are reviewed at the balance sheet date and adjusted to reflect the best estimate at that date.

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

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

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

#### **q) Income tax**

'Income tax' expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in accordance with IAS 12 – 'Income Taxes'.

Sonaecom has adopted, since 1 January 2008, the special regime for the taxation of groups of companies, under which, the provision for income tax is determined on the basis of the estimated taxable income of all the companies covered by that regime, in accordance with such rules. The special regime for the taxation of groups of companies covers all subsidiaries on which the Group holds at least 90% of their share capital, with its headquarters located in Portugal and subject to Corporate Income Tax (IRC). The remaining Group companies not covered by the special regime for the taxation of groups of companies are taxed individually based on their respective taxable income, in accordance with the tax rules in force in the location of the headquarters of each company.

Deferred taxes are calculated using the liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the respective amounts for tax purposes.

Deferred tax assets are only recognised when there is reasonable expectation that sufficient taxable profits shall arise in the future to allow such deferred tax assets

to be used. At the end of each year the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are, likely, enabling the recovery of such assets (note 11).

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

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

#### r) Government subsidies

Subsidies awarded to finance personnel training are recognised as income during the period in which the Group incurs the associated costs and are included in the profit and loss statement as a deduction to such costs.

Subsidies awarded to finance investments are recorded as deferred income and are included in the profit and loss statement under the caption 'Other operating revenues'. If subsidies awarded are used to finance investments in tangible assets, they are recorded in the profit and loss statement during the estimated useful life of the corresponding assets. If the subsidies awarded are used to finance other investments then they are recorded as the investment expenditure is incurred.

#### s) Accrual basis and revenue recognition

Expenses and income are recorded in the period to which they relate, regardless of their date of payment or receipt. Estimated amounts are used when actual amounts are not known.

The captions of 'Other non-current assets', 'Other current assets', 'Other non-current liabilities' and 'Other current liabilities' include expenses and income relating to the current period, where payment and receipt will occur in future periods, as well as payments and receipts in the current period but which relate to future periods. The latter shall be included

by the corresponding amounts in the results of the periods that they relate to.

Revenue from telecommunications services is recognised in the period in which it occurs. Such services are invoiced on a monthly basis. Revenues not yet invoiced, from the last invoicing cycle to the end of the month, are estimated and recorded based on actual traffic. Differences between the estimated and actual amounts, which are usually not material, are recorded in the following period.

Sales revenues are recognised in the consolidated profit and loss statement when the significant risks and rewards associated with the ownership of the assets are transferred to the buyer and the amount of the corresponding revenue can be reasonably quantified. Sales are recognised before taxes and net of discounts.

The income related to pre-paid cards is recognised whenever the minutes are used. At the end of each period the minutes still to be used are estimated and the amount of income associated with those minutes is deferred.

Costs relating to customer loyalty programmes, under which points are awarded by the subsidiary Optimus – Comunicações, S.A., are calculated taking into consideration the probability of the redemption of the points, and are recognised, as a deduction to income, at the time the points are granted, by a corresponding entry under the caption 'Other current liabilities'.

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

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

Dividends are recognised when the Shareholders' rights to receive such amounts are appropriately established and communicated.

#### t) Balance sheet classification

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

In addition, considering their nature, the 'Deferred taxes' and the 'Provisions for other liabilities and charges', are classified as non-current assets and liabilities (notes 11 and 22).

#### u) Reserves

##### Legal reserve

Portuguese commercial legislation requires that at least 5% of the annual net profit must be appropriated to a 'Legal reserve', until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in case of liquidation of the Company, but may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

##### Share premiums

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

##### Medium Term Incentive Plans Reserves

According to IFRS 2 - 'Share-based Payment', the responsibility related with the Medium Term Incentive Plans is registered under the heading of 'Reserves for Medium Term Incentive Plans', which are not distributable and which can not be used to absorb losses.

##### Hedging reserve

Hedging reserve reflects the changes in fair value of 'cash-flow' hedges derivatives that are considered effective (note 1.o))

and it is non-distributable nor can it be used to absorb losses.

##### Own shares reserve

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

Under Portuguese law, the amount of distributable reserves is determined in accordance with the individual financial statements of the Company, presented in accordance with IAS / IFRS. Therefore, at 31 December 2010, Sonaecom, SGPS, S.A., have reserves which by their nature are considered distributable, amounted around Euro 124.8 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:

	2010		2009	
	31 December	Average	31 December	Average
Pounds Sterling	1.1618	1.1667	1.1260	1.1232
Brazilian Real	0.4509	0.4298	0.3982	0.3628
American Dollar	0.7484	0.7559	0.6942	0.7190
Polish Zloti	0.2516	0.2504	0.2436	0.2315
Australian Dollar	0.7613	0.6947	0.6247	0.5670
Mexican Peso	0.0604	0.0599	0.0529	0.0533
Egyptian Pound	0.1342	0.1343	0.1265	0.1292
Malaysian Ringgit	0.2442	0.2352	0.2027	0.2040
Chilean Peso	0.0016	0.0015	-	-
Singapore Dollar	0.5836	0.5551	-	-
Swiss Franc	0.7997	0.7260	0.6740	0.6623

#### 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 2010, all Sonaecom share plans were covered through the detention of own shares. The impacts associated to such plans as the Medium Term Incentive Plans are registered, in the balance sheet, under the caption 'Medium Term Incentive Plans Reserve'. The cost is recognised under the profit and loss statement caption 'Staff expenses'.

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

#### **z) Subsequent events**

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

#### **aa) Judgements and estimates**

The most significant accounting estimates reflected in the consolidated financial statements of the years ended at 31 December 2010 and 2009, are as follows:

- (i) Useful lives of tangible and intangible assets;
- (ii) Impairment analysis of goodwill and of other tangible and intangible assets;
- (iii) Recognition of impairment losses on assets (Trade debtors and Inventories) and provisions;
- (iv) Assessment of the responsibilities associated with the customers' loyalty programmes.

Estimates used are based on the best information available during the preparation of the consolidated financial

statements and are based on the best knowledge of past and present events. Although future events are neither foreseeable nor controlled by the Group, some could occur and have impact on such estimates. Changes to the estimates used by the management that occur after the approval date of these consolidated financial statements, will be recognised in net income, in accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors', using a prospective methodology.

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

#### ab) Financial risk management

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

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

#### Market risk

##### a) Foreign exchange risk

The Group operates internationally, having subsidiaries that operate in countries with a different currency than Euro namely Brazil, United Kingdom, Poland, United States of America, Mexico, Australia, Egypt, Chile, Panama, Singapore and Malaysia (branch) and so it is exposed to foreign exchange rate risk.

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

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

instruments.

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

The Group's assets and liabilities (in Euro) recorded in currency other than euro may be summarised as follows:

	Assets		Liabilities	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
American Dollar	4,595,594	3,015,850	1,254,661	1,177,184
Australian Dollar	257,906	228,768	69,703	83,105
Egyptian Pound	336,106	116,618	149,741	136,838
Pounds Sterling	616,393	1,533,832	470,423	515,659
Mexican Peso	3,590,768	4,339,527	1,862,197	4,182,572
Brazilian Real	7,539,938	11,928,515	2,923,005	4,212,693
Malaysian Ringgit	503,179	353,828	599,003	109,155
Polish Zloti	177,452	80,858	1,175,852	330,046
Singapore Dollar	63,400	-	39,999	-
Chilean Peso	48,786	-	13,447	-
Swiss Franc	-	-	11,267	21,923

The Group's sensibility, in Euro, to changes in exchange rates can be summarised as follows (increases / (decreases)):

	Change in exchange rates	2010		2009	
		Shareholders' Income	Shareholders' funds	Shareholders' Income	Shareholders' funds
American Dollar	1%	35,207	39,632	1,578	19,965
Australian Dollar	1%	(138)	1,265	(360)	1,096
Swiss Franc	1%	(102)	(102)	-	(219)
Egyptian Pound	1%	918	2,784	1,558	1,356
Pounds Sterling	1%	11,581	11,090	7883	18,065
Mexican Peso	1%	(7,196)	13,078	(716)	853
Brazilian Real	1%	4,865	48,874	(12,470)	64,688
Malaysian Ringgit	1%	(933)	(855)	(127)	2,320
Polish Zloti	1%	(11,861)	(11,103)	631	(101)
Singapore Dollar	1%	2,114	2,262	-	-
Chilean Peso	1%	360	687	-	-
		34,816	107,612	(2,022)	108,024

##### b) Interest rate risk

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of

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

The Group only uses derivatives or similar transactions to hedge interest rate risks considered significant. Three main principles are followed in all instruments selected and used to hedge interest rate risk:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates on the loans subject to hedging must equalise the settlement dates defined under the hedging instrument;
- Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the facility/transaction which is being hedged;
- As from the start of the transaction, the maximum cost of the debt, resulting from the hedging operation is known and limited, even in scenarios of extreme changes in market interest rates, so that the resulting rates are within the cost of the funds considered in the Group's business plan.

As all Sonaecom's borrowings (note 20) are at variable rates, interest rate swaps and other derivatives are used, when it is deemed necessary, to hedge future changes in cash flow relating to interest payments. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are

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

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

The fair value of the derivatives contracted, that are considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions established in IAS 39), are recognised under borrowings captions and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the year. The fair value of derivatives of cash flow hedge, that are considered effective according to IAS 39, are recognised under borrowing captions and changes in the fair value are recognised in equity.

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

The analysis of sensibility to interest rate risk is presented in note 20.

### Liquidity risk

The existence of liquidity in the Group requires the definition of some policies for an efficient and secure management of

the liquidity, allowing us to maximise the profitability and to minimise the opportunity costs related to that liquidity.

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

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

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

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

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

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

The maturity of applications should equal the forecasted payments (or the applications should be easily convertible,

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

The maturity analysis for the loans obtained is presented in note 20.

### Credit risk

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

The management of this risk seeks to guarantee that the amounts owing are effectively collected within the periods negotiated without affecting the financial health of the Group. The Group uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, as well as credit insurances, which all contribute to the mitigation of credit risk.

The amounts included in the financial statements related to trade debtors and other debtors, net of impairment losses, represent the maximum exposure of the Group to credit risk.



## 2. Companies included in the consolidation

Group companies included in the consolidation through full consolidation method, their head offices, main activities, Shareholders and percentage of share capital held at 31 December 2010 and 2009, are as follows:

				Percentage of share capital held			
				2010		2009	
Company (Commercial brand)	Head office	Main activity	Shareholder	Direct	Effective*	Direct	Effective*
<b>Parent company</b>							
SONAECOM, S.G.P.S., S.A. ("Sonaecom")	Maia	Management of shareholdings.		-	-	-	-
<b>Subsidiaries</b>							
Be Artis – Conceção, Construção e Gestão de Redes de Comunicações, S.A. ('Artis')	Maia	Design, construction, management and exploitation of electronic communications networks and their equipment and infrastructure, management of technologic assets and rendering of related services.	Sonaecom	100%	100%	100%	100%
Be Towering – Gestão de Torres de Telecomunicações, S.A. ("Be Towering")	Maia	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment.	Optimus	100%	100%	100%	100%
Cape Technologies Limited ("Cape Technologies")	Dublin	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	100%	100%
Digitmarket – Sistemas de Informação, S.A. ("Digitmarket" – usando a marca "Bizdirect")	Maia	Development of management platforms and commercialisation of products, services and information, with the internet as its main support.	Sonaecom SI	75.10%	75.10%	75.10%	75.10%
Lugares Virtuais, S.A. ("Lugares Virtuais")	Maia	Organisation and management of electronic online portals, content acquisition, management of electronic auctions, acquisition and deployment of products and services electronically and any related activities.	Miauger	100%	100%	100%	100%
Mainroad – Serviços em Tecnologias de Informação, S.A. ("Mainroad")	Maia	Rendering of consultancy services in IT areas.	Sonaecom SI	100%	100%	100%	100%
Miauger – Organização e Gestão de Leilões Electrónicos, S.A. ("Miauger")	Maia	Organisation and management of electronic auctions of products and services on-line.	Sonaecom	100%	100%	100%	100%
M3G – Edições Digitais, S.A. ("M3G")	Maia	Digital publishing, electronic publishing and production of Internet contents.	Público	100%	100%	100%	100%
Optimus - Comunicações, S.A. ("Optimus")(a)	Maia	Implementation, operation, exploitation and offer of networks and rendering services of electronic communications and related resources; offer and commercialisation of products and equipments of electronic communications.	Sonaecom	53.54%	53.54%	53.54%	53.54%
			Sonae Telecom	35.86%	35.86%	35.86%	35.86%
			Sonaecom BV	10.60%	10.60%	10.60%	10.60%
Per-Mar – Sociedade de Construções, S.A. ("Per-Mar")	OPorto	Purchase, sale, renting and operation of property and commercial establishments.	Optimus	100%	100%	100%	100%
Praesidium Services Limited ("Praesidium Services")		Rendering of consultancy services in the area of information systems.	We Do UK	100%	100%	100%	100%
PCJ - Público, Comunicação e Jornalismo, S.A. ("PCJ") (b)		Editing, composition and publication of periodical and non-periodical material and the exploration of radio and TV stations and studios	Sonaecom	100%	100%	-	-
Público – Comunicação Social, S.A. ("Público")		Editing, composition and publication of periodical and non-periodical material.	Sonaetelecom BV	100%	100%	100%	100%

\* Sonaecom effective participation

(a) Company formerly designated as Sonaecom - Serviços de Comunicações, S.A.

(b) Company established in December 2010

## Percentage of share capital held

Company (Commercial brand)	Head office	Main activity	Shareholder	2010		2009	
				Direct	Effective*	Direct	Effective*
Saphety Level – Trusted Services, S.A. ("Saphety")	Maia	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; trade, development and representation of software.	Sonaecom SI	86.995%	86.995%	86.995%	86.995%
Sonae com - Sistemas de Informação, S.G.P.S., S.A. ("Sonae com SI")	Maia	Management of shareholdings in the area of corporate ventures and joint ventures.	Sonaecom	100%	100%	100%	100%
Sonaecom - Sistemas de Información Españã, S.L. ("SSI Españã") (c)	Madrid	Rendering of consultancy services in the area of information systems.	Sonaecom SI	100%	100%	-	-
Sonaecom BV	Amsterdam	Management of shareholdings.	Sonaecom	100%	100%	100%	100%
Sonae Telecom, S.G.P.S., S.A. ("Sonae Telecom")	Maia	Management of shareholdings in the area of telecommunications.	Sonaecom	100%	100%	100%	100%
Sonaetelecom BV	Amsterdam	Management of shareholdings.	Sonaecom	100%	100%	100%	100%
Sontária - Empreendimentos Imobiliários, S.A. ("Sontária") (d)	Maia	Realisation of urbanisation and building construction, planning, urban management, studies, construction and property management, buy and sale of properties and resale of purchased for that purpose.	Sonaecom	100%	100%	-	-
Tecnológica Telecomunicações, LTDA. ("Tecnológica")	Rio de Janeiro	Rendering of consultancy and technical assistance in the area of IT systems and telecommunications	We Do Brasil	99.99%	99.99%	99.99%	99.90%
We Do Consulting – Sistemas de Informação, S.A. ("We Do")	Maia	Rendering of consultancy services in the area of information systems.	Sonaecom SI	100%	100%	100%	100%
Wedo do Brasil Soluções Informáticas, Ltda. ("We Do Brasil")	Rio de Janeiro	Commercialisation of software and hardware; rendering of consultancy and technical assistance related to information technology and data processing.	We Do	99.91%	99.91%	99.91%	99.91%
We Do Poland Sp. Z.o.o. ("We Do Poland")	Posnan	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Technologies Americas, Inc ("We Do US") (e)	Wilmington	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Technologies Australia PTY Limited ("We Do Asia")	Sidney	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Technologies BV ("We Do BV")	Amsterdam	Management of shareholdings.	We Do	100%	100%	100%	100%
We Do Technologies BV – Sucursal Malásia ("We Do Malásia")	Kuala Lumpur	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	100%	100%
We Do Technologies Chile SpA ("We Do Chile") (f)	Chile	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	-	-
We Do Technologies Egypt LLC ("We Do Egypt")	Cairo	Rendering of consultancy services in the area of information systems.	We Do BV Sonaecom BV Sonaetelecom BV	90% 5% 5%	90% 5% 5%	90% 5% 5%	90% 5% 5%
We Do Technologies (UK) Limited ("We Do UK")	Berkshire	Management of shareholdings.	We Do	100%	100%	100%	100%
We Do Technologies Mexico, S de R.L. ("We Do Mexico")	Mexico City	Rendering of consultancy services in the area of information systems.	Sonaecom BV We Do BV	5% 95%	5% 95%	5% 95%	5% 95%
We Do Technologies Panamá S.A. ("We Do Panamá") (g)	Panamã City	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	-	-
We Do Technologies Singapore PTE. LDT. ("We Do Singapura") (c)	Singapura	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	-	-

\* Sonaecom effective participation

(c) Company established in January 2010

(d) Company acquired in December 2010

(e) Company formerly designated as 'Cape Technologies Americas, Inc'

(f) Company established in April 2010

(g) Company established in February 2010

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 2010 and 2009, the Group jointly controls and consolidates through the proportional method the following company:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2010		2009	
				Direct	Effective*	Direct	Effective*
Unipress – Centro Gráfico, Lda. ("Unipress")	Vila Nova de Gaia	Trade and industry of graphic design and publishing.	Público	50%	50%	50%	50%

\*Sonaecom effective participation

At 31 December 2010 and 2009, the main impacts arising from the consolidation by the proportional method of the above mentioned entity, are as follows (debit / (credit)):

	2010	2009
Non-current assets	2,661,901	3,258,587
Current assets	775,843	558,019
Non-current liabilities	(2,676,339)	(3,134,245)
Current liabilities	(307,148)	(312,258)
Net result	7668	27,260
Total revenues	1,758,555	1,906,442
Total costs	(1,750,887)	(1,879,183)

### 4. Investments in associated companies

At 31 December 2010 and 2009, this caption included an investment in an associated company, of which the head office, main activity, shareholder, percentage of share capital held and book value were as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held					
				2010		2009		Valor de balanço	
				Direct	Effective*	Direct	Effective*	2010	2009
<b>Associated companies</b>									
Sociedade Independente de Radiodifusão Sonora, S.A. ('S.I.R.S.' – using the brand name 'Rádio Nova')	OPorto	Sound broadcasting. Radio station.	Público	45%	45%	45%	45%	(a)	(a)
								-	-

\*Sonaecom effective participation

(a) Investment recorded at a nil book value

The associated company was included in the consolidated financial statements in accordance with the equity method, as referred in note 1. b). It was not necessary to make any adjustments between the accounting policies of the associated company and the Group accounting policies, since there were no significant differences.

At 31 December 2010 and 2009, the assets, liabilities, total revenues and net results of associated companies were as follows:

Company	Assets	Liabilities	Total revenues	Net results
<b>2010</b>				
Sociedade Independente de Radiodifusão Sonora, S.A.	591,344	621,778	1,109,511	230
<b>2009</b>				
Sociedade Independente de Radiodifusão Sonora, S.A.	695,941	726,605	1,272,609	5,812

## 5. Changes in the Group

During the years ended at 31 December 2010 and 2009, the following changes occurred in the composition of the Group:

### a) Acquisitions

Purchaser	Subsidiary	Date	% acquired	Current % shareholding
<b>2010</b>				
Sonaecom	Sontária	December 2010	100.00%	100.00%

The acquisition did not generate any Goodwill.

The allocation of acquisition price was made as follows:

	Values before acquisition	Adjustments	Fair value
<b>Acquired assets</b>			
Tangible and intangible assets	3,613,563	5,486,437	9,100,000
Other current debtors	10,113	-	10,113
Other current assets	65	-	65
Cash and cash equivalents	544	-	544
	<b>3,624,285</b>	<b>5,486,437</b>	<b>9,110,722</b>
<b>Acquired liabilities</b>			
Medium and long-term loans – net of short-term portion	2,676,637	-	2,676,637
Short-term loans and other loans	63,415	-	63,415
Other creditors	213,370	-	213,370
Other current liabilities	37,062	-	37,062
	<b>2,990,484</b>	<b>-</b>	<b>2,990,484</b>
<b>Net assets and liabilities</b>	<b>633,801</b>	<b>5,486,437</b>	<b>6,120,238</b>
<b>Acquisition price</b>			<b>6,120,238</b>
<b>Goodwill</b>			<b>-</b>

The adjustment for the fair value was made based on building evaluation. The acquisition was made in December 2010, for an amount of Euro 8,860,291 (Euro 6,120,239 related to financial investment, Euro 2,676,637 related to loans granted and Euro 63,415 related to others), which is outstanding at 31 December 2010 (note 27). Therefore, the acquisition of Sontária has no impacts in cash flow statements of 2010.

**b) Constitutions**

Subsidiary	Subsidiary	Date	Share capital	Current % shareholding
<b>2010</b>				
We Do BV	SSI Espanã	Jan-10	3.010 EUR	100%
We Do BV	We Do Singapura	Jan-10	1 SGD	100%
We Do BV	We Do Panamá	Feb-10	1.000 USD	100%
We Do BV	We Do Chile	Apr-10	500.000 CLP	100%
Sonaecom	PCJ	Dec-10	50.000 EUR	100%

**c) Liquidations**

Subsidiary	Subsidiary	Date	% shareholding
<b>2009</b>			
Cape Technologies	Cape UK	Ago-09	100%
We Do UK	Praesidium Technologies	Dec-09	100%
Público	Sexta	Dec-09	50%

These liquidations did not have a significant impact on the accompanying consolidated financial statements.

**d) Others**

During the years ended at 31 December 2010 and 2009, the following changes occurred in the composition of the Group:

At 1 January 2009, the Group proceeded to the merger by incorporation of the subsidiary Telemilénio Telecomunicações, Sociedade Unipessoal, Lda. into the subsidiary Optimus - Comunicações, S.A., enabling a greater operational efficiency and increased cost control. This transaction was approved by the General Shareholder Meetings of each company, both held on 24 November 2008.

## 6. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended at 31 December 2010 and 2009 was as follows:

									2010
	Land	Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Tools	Other tangible assets	Work in progress	Total
<b>Gross assets</b>									
Balance at 31 December 2009	1,391,593	269,275,732	955,961,416	331,913	172,948,905	1,192,268	5,302,033	99,788,541	1,506,192,401
New Companies (note 5)	-	10,000,089	3,354,473	-	-	-	-	-	13,354,562
Additions	-	174,791	5,520,784	57,419	15,443,604	321	90,892	81,149,647	102,437,458
Disposals	-	(547,551)	(39,664,665)	(203,822)	(955,408)	(43,497)	-	-	(41,414,943)
Transfers and write-offs	-	12,871,333	110,107,713	-	4,010,102	15,145	150,396	(139,955,356)	(12,800,667)
Balance at 31 December 2010	1,391,593	291,774,394	1,035,279,721	185,510	191,447,203	1,164,237	5,543,321	40,982,832	1,567,768,811
<b>Accumulated depreciation and impairment losses</b>									
Balance at 31 December 2009	-	141,241,132	627,788,784	100,943	148,814,944	1,151,389	3,675,719	-	922,772,911
New Companies	-	900,089	3,354,473	-	-	-	-	-	4,254,562
Depreciation for the year	-	11,656,615	5,771,598	49,487	20,178,554	16,175	668,319	-	90,280,748
Disposals	-	(235,854)	(34,931,927)	(46,914)	(610,588)	(43,497)	-	-	(35,868,780)
Transfers and write-offs	-	27,180	(6,354,959)	-	641,069	-	(353,661)	-	(6,040,371)
Balance at 31 December 2010	-	153,589,162	64,756,796	103,516	169,023,979	1,124,067	3,990,377	-	975,399,070
<b>Net value</b>	<b>1,391,593</b>	<b>138,185,232</b>	<b>387,711,752</b>	<b>81,994</b>	<b>22,423,224</b>	<b>40,170</b>	<b>1,552,944</b>	<b>40,982,832</b>	<b>592,369,741</b>

									2009
	Land	Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Tools	Other tangible assets	Work in progress	Total
<b>Gross assets</b>									
Balance at 31 December 2008	1,391,593	252,295,915	891,297,575	161,116	157,107,115	1,189,329	5,139,704	88,154,502	1,396,736,849
Additions	-	207,267	9,642,812	554,880	13,535,261	54	126,166	90,085,008	114,151,448
Disposals	-	(341,988)	(2,452,817)	(384,083)	(256,784)	-	(1,002)	9,600	(3,427,074)
Transfers and write-offs	-	17,114,538	5,747,846	-	2,563,314	2,885	37,165	(78,460,570)	(1,268,822)
Balance at 31 December 2009	1,391,593	269,275,732	955,961,416	331,913	172,948,905	1,192,268	5,302,033	99,788,541	1,506,192,402
<b>Accumulated depreciation and impairment losses</b>									
Balance at 31 December 2008	-	130,910,565	545,294,870	125,491	130,529,609	1,131,114	3,003,661	-	810,995,310
Depreciation for the year	-	10,875,255	84,114,048	60,824	18,472,010	21,727	673,878	-	114,217,742
Disposals	-	(14,128)	(1,650,841)	(85,372)	(128,239)	-	(251)	-	(1,878,832)
Transfers and write-offs	-	(530,560)	30,707	-	(58,436)	(1,452)	(1,569)	-	(561,311)
Balance at 31 December 2009	-	141,241,132	627,788,784	100,943	148,814,944	1,151,389	3,675,719	-	922,772,910
<b>Net value</b>	<b>1,391,593</b>	<b>128,034,600</b>	<b>328,172,632</b>	<b>230,971</b>	<b>24,133,961</b>	<b>40,879</b>	<b>1,626,314</b>	<b>99,788,541</b>	<b>583,419,492</b>

The additions that occurred during the year included: assets associated with the UMTS operation (Universal Mobile Telecommunications Service), HSDPA (Kanguru Express) and FTTH (Fibre-to-the-Home), some of which are associated with ongoing projects, so it remains registered in 'Work in progress'.

During the year, disposals include the sale of a set of assets related with 2G network (note 30).

The acquisition cost of 'Tangible assets' held by the Group under finance lease contracts, amounted to Euro 30,541,539 and Euro 28,943,984 as of 31 December 2010 and 2009, and their net book value as of those dates amounted to Euro 17,147,392 and Euro 19,136,822, respectively.

At 31 December 2010, the heading 'Tangible assets' included an amount of Euro 19 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 2010 the heading 'Tangible assets' does not include any asset pledged or given as a guarantee for loans obtained, except for the assets acquired under financial lease contracts.

During the first half of 2010, the Board of Directors of the Group proceeded with prospective effect, to the revision of estimated useful life of a set of assets related to mobile telecommunications networks, based on an evaluation report produced by specialised and independent entities, which was recorded prospectively with effect from 1 January 2010 and the impact has meant that depreciation for the year ended at 31 December 2010 were approximately Euro 8.8 million lower than the year ended at 31 December 2009.

Additionally, the comparison of depreciation in the year ended at 31 December 2010 with the same period in the previous year is also affected by revisions to the estimated useful life of a set of tangible assets and software, related to the mobile and fixed telecommunications networks, made in the second semester of 2009, which were then recorded prospectively and whose impact was that the depreciation in the year ended at 31 December 2010 was approximately Euro 18 million and Euro 5.7 million lower, respectively, than in the year ended at 31 December 2009.

The transfers of the period include the transfer for 'Intangible Assets' of a set of assets that were hitherto classified as 'Tangible assets in progress' (note 7).

'Tangible assets in progress' at 31 December 2010 and 2009 were made up as follows:

	2010	2009
Development of fixed network	3,707,908	56,587,660
Development of mobile network	33,838,157	34,617,636
Information systems	153,510	4,951,431
Other projects in progress	3,283,257	3,631,814
	<b>40,982,832</b>	<b>99,788,541</b>

At 31 December 2010, the decrease in amounts related to the 'Development of the fixed network' refers, essentially, at the beginning of amortization of the investments in the development of optical network (FTTH).

At 31 December 2010 and 2009, the amounts of commitments to third parties relating to investments to be made were as follows:

	2010	2009
Network	20,444,493	17,282,698
Information systems	2,291,541	3,451,214
	<b>22,736,034</b>	<b>20,733,912</b>

## 7. Intangible assets

In the years ended at 31 December 2010 and 2009, the movement occurred in Intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

				2010
	Brands and patents and other rights	Software	Intangible assets in progress	Total
<b>Gross assets</b>				
Balance at 31 December 2009	304,081,633	229,169,691	19,212,155	552,463,479
New Companies	-	2,145	-	2,145
Additions	6,959,102	2,138,467	24,099,525	33,197,094
Disposals	(115,130)	-	-	(115,130)
Transfers and write-offs	(306,138)	33,071,025	(27,225,826)	5,539,061
Balance at 31 December 2010	310,619,467	264,381,328	16,085,854	591,086,649
<b>Accumulated amortisation and impairment losses</b>				
Balance at 31 December 2009	86,606,233	192,163,071	-	278,769,304
New Companies	-	2,145	-	2,145
Amortisation for the year	19,986,262	19,275,650	-	39,261,912
Disposals	(44,773)	-	-	(44,773)
Transfers and write-offs	61	201,058	-	201,119
Balance at 31 December 2010	106,547,783	211,641,924	-	318,189,707
<b>Net value</b>	<b>204,071,684</b>	<b>52,739,404</b>	<b>16,085,854</b>	<b>272,896,942</b>

				2009
	Brands and patents and other rights	Software	Intangible assets in progress	Total
<b>Gross assets</b>				
Balance at 31 December 2008	287,617,028	214,987,219	11,249,369	513,853,616
Additions	16,191,881	2,524,565	18,920,145	37,636,591
Disposals	(591)	(83,586)	(5,250)	(89,427)
Transfers and write-offs	273,315	11,741,494	(10,952,109)	1,062,699
Balance at 31 December 2009	304,081,633	229,169,691	19,212,155	552,463,479
<b>Accumulated amortisation and impairment losses</b>				
Balance at 31 December 2008	69,111,102	171,924,626	-	241,035,728
Amortisation for the year	17,495,227	20,061,301	-	37,556,528
Disposals	(102)	(65,620)	-	(65,722)
Transfers and write-offs	6	242,764	-	242,770
Balance at 31 December 2009	86,606,233	192,163,071	-	278,769,304
<b>Net value</b>	<b>217,475,400</b>	<b>37,006,620</b>	<b>19,212,155</b>	<b>273,694,175</b>

The additions of the year include the value of Euro 5 million related to the acquisition of contractual rights by We Do (subsidiary).

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 2010, 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, will be realised, as agreed between Optimus – Comunicações S.A. and MOPTC, through contributions to the 'Iniciativas E' project (modem offers, discounts on tariffs, cash contributions, among others, assigned to the widespread use of broadband internet for students and teachers). These contributions are made through the 'Fund for the Information Society', now known as the 'Fundação para as Comunicações Móveis' (Foundation for Mobile Communications), established by the three mobile operators with businesses in Portugal. All responsibility is recognised as an additional cost of UMTS license, against an entry in the captions 'Other non-current liabilities' and 'Other current liabilities'. Thus, at 31 December 2010, all the responsibilities with such commitments are fully recorded in the attached consolidated financial statements.

At 31 December 2010, the caption 'Brands and patents and other rights' includes the amount of Euro 111,5 million that correspond at the present value of the estimate responsibility with 'Initiatives E' project, recorded in June 2008 and updated in September 2009.

At 31 December 2010 and 2009, the Group kept recorded under the heading 'Intangible assets' the amounts of Euro 191,238,132 and Euro 202,090,404, respectively, that correspond to the investments net of depreciations made in the development of the UMTS network, including: (i) Euro 60,005,762 (2009: Euro 63,006,050) related to the license; (ii) Euro 20,050,125 (2009: Euro 21,052,631) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal; (iii) Euro 6,157,999 (2009: Euro 6,465,899) 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 99,897,320 (2009: Euro 106,182,551) related with the programme 'Initiatives E', these last two associated to the commitments assumed by the Group in relation to the 'Information Society'.

The intangible assets in progress, at 31 December 2010 and 2009, were mainly composed of software development.

The assessment of impairment for the main tangible and intangible assets, in the mobile and fixed segments, is carried out as described in note 9 ('Goodwill'), to the extent that such assets are closely related to the overall activity of the segment and consequently cannot be analysed separately.

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

At 31 December 2010 and 2009, the total gross of these expenses amounted to Euro 19,469,903 and Euro 18,511,070, respectively. The amounts capitalised in the years ended at 31 December 2010 and 2009 were Euro 958,833 and Euro 1,576,563, respectively. An interest capitalisation rate of 1.64% was used in 2010 (2.31% in 2009), which corresponds to the average interest rate supported by the Group.

## 8. Breakdown of financial instruments

At 31 December 2010 and 2009, the breakdown of financial instruments was as follows:

					2010
	Loans and receivables	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
<b>Non-current assets</b>					
Investments available for sale (note 10)	-	212,323	212,323	-	212,323
	-	212,323	212,323	-	212,323
<b>Current assets</b>					
Trade debtors (note 13)	143,294,200	-	143,294,200	-	143,294,200
Other current debtors (note 14)	23,036,517	-	23,036,517	38,266,181	61,302,698
Cash and cash equivalents (note 16)	68,577,903	-	68,577,903	-	68,577,903
	234,908,620		234,908,620	38,266,181	273,174,801

					2009
	Loans and receivables	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
<b>Non-current assets</b>					
Investments available for sale (note 10)	-	1,207,320	1,207,320	-	1,207,320
	-	1,207,320	1,207,320	-	1,207,320
<b>Current assets</b>					
Trade debtors (note 13)	158,921,462	-	158,921,462	-	158,921,462
Other current debtors (note 14)	7,703,616	-	7,703,616	5,713,890	13,417,506
Cash and cash equivalents (note 16)	83,629,417	-	83,629,417	-	83,629,417
	250,254,495		250,254,495	5,713,890	255,968,385

					2010
	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IFRS 7	Total
<b>Non-current liabilities</b>					
Medium and long-term loans net of short-term portion (note 20)	305,038,006	-	305,038,006	-	305,038,006
Other non-current financial liabilities (note 21)	-	19,253,869	19,253,869	-	19,253,869
Securitisation of receivables (note 23)	39,740,412	-	39,740,412	-	39,740,412
	<b>344,778,418</b>	<b>19,253,869</b>	<b>364,032,287</b>	<b>-</b>	<b>364,032,287</b>
<b>Current liabilities</b>					
Short-term loans and other loans (note 20)	30,942,240	-	30,942,240	-	30,942,240
Trade creditors (note 25)	-	178,732,746	178,732,746	-	178,732,746
Other current financial liabilities (note 26)	-	2,171,140	2,171,140	-	2,171,140
Securitisation of receivables (note 23)	19,634,161	-	19,634,161	-	19,634,161
Other creditors (note 27)	-	12,090,269	12,090,269	44,661,886	56,752,155
	<b>50,576,401</b>	<b>192,994,155</b>	<b>243,570,556</b>	<b>44,661,886</b>	<b>288,232,442</b>

					2009
	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IFRS 7	Total
<b>Non-current liabilities</b>					
Medium and long-term loans net of short-term portion (note 20)	299,139,698	-	299,139,698	-	299,139,698
Other non-current financial liabilities (note 21)	-	20,707,936	20,707,936	-	20,707,936
Securitisation of receivables (note 23)	59,374,480	-	59,374,480	-	59,374,480
	<b>358,514,178</b>	<b>20,707,936</b>	<b>379,222,114</b>	<b>-</b>	<b>379,222,114</b>
<b>Passivo corrente</b>					
Short-term loans and other loans (note 20)	59,256,449	-	59,256,449	-	59,256,449
Trade creditors (note 25)	-	195,303,884	195,303,884	-	195,303,884
Other current financial liabilities (note 26)	-	3,053,364	3,053,364	-	3,053,364
Securitisation of receivables (note 23)	19,488,569	-	19,488,569	-	19,488,569
Other creditors (note 27)	-	36,666,068	36,666,068	10,313,425	46,979,493
	<b>78,745,018</b>	<b>235,023,316</b>	<b>313,768,334</b>	<b>10,313,425</b>	<b>324,081,759</b>

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

## 9. Goodwill

For the years ended at 31 December 2010 and 2009, the movements occurred in Goodwill were as follows:

	2010	2009
Opening balance	526,106,175	526,030,904
Movements of the year	35,377	75,271
Closing balance	526,141,552	526,106,175

For the years ended at 31 December 2010 and 2009, the caption 'Others' includes, mainly, the exchange rate update of the Goodwill,

Goodwill at 31 December 2010 and 2009 was made up as follows:

	2010	2009
Optimus	485,092,375	485,092,375
Público	20,000,000	20,000,000
Cape Technologies	17,476,354	17,476,354
We Do	1,971,668	1,971,668
Praesidium Services	1,148,671	1,113,294
Unipress	321,698	321,698
SIRS	72,820	72,820
Per-mar	47,253	47,253
Be Towering	10,713	10,713
	526,141,552	526,106,175

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 circa 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	9.00%
Multimedia	9.45%
Information Systems	11.22%

## 10. Investments available for sale

At 31 December 2010 and 2009, this caption included investments classified as available-for-sale and was made up as follows:

	%	2010	2009
Altitude, SGPS, S.A.	-	-	1,000,000
Lusa – Agência de Notícias e Portugal, S.A.	1.38%	197,344	197,344
VISAPRESS - Gestão de Conteúdos dos Média, CRL	10.00%	5,000	-
Others	-	9,979	9,976
		<b>212,323</b>	<b>1,207,320</b>

During the year ended at 31 December 2010, the Group sold the investment on Altitude, SGPS, S.A., and generated a capital gain of Euro 2,091,120, registered in 'Other financial income' (note 33). During the year ended at 31 December 2009, the heading 'Investments available for sale' did not present any movements.

At 31 December 2010, 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' funds	Gross debt	Turnover	Operational results	Net income
VISAPRESS - Gestão de Conteúdos dos Média, CRL <sup>(1)</sup>	15	65	64	-	(113)	(114)
Lusa – Agência de Notícias de Portugal, S.A. <sup>(2)</sup>	17,988	8,283	5,408	19,201	19,303	466

(1) Amounts expressed in thousands euros at 31 December 2010.

(2) Amounts expressed in thousands euros at 31 December 2009.

## 11. Deferred taxes

Deferred tax assets at 31 December 2010 and 2009, amounted to Euro 109,587,224 and Euro 121,894,677, respectively, and arose, mainly, from tax losses carried forward, temporary differences and from differences between the accounting and tax amount of some fixed assets.

The movements in deferred tax assets in the years ended at 31 December 2010 and 2009 were as follows:

	2010	2009
Opening balance	121,894,677	124,862,171
Impact on results:		
Tax losses carried forward	-	9,323,827
Write-off of Deferred tax assets related with Tax losses, recorded in previous years	(4,281,588)	-
Adjustments in the conversion to IAS/IFRS	(6,350,717)	(1,050,010)
Movements in provisions not accepted for tax purposes and tax benefits	1,823,322	1,604,469
Temporary differences resultant of UMTS license	5,573,220	(6,435,247)
Tax benefits (SIFIDE)	3,396,977	(98,000)
Temporary net differences between the tax and the accounting amount of certain fixed assets	(9,269,078)	(3,338,628)
Temporary differences arising from the securitisation of receivables (Optimus)	(3,220,000)	(3,220,000)
Sub-total effect on results (note 34)	(12,327,864)	(3,213,589)
Others	20,411	246,095
<b>Closing balance</b>	<b>109,587,224</b>	<b>121,894,677</b>

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 23). As a result of that operation, and in accordance with the provisions of Decreto-Lei nº 219/2001 (Decree-Law) of 4 August, an amount of Euro 100 million was generated from that operation and it was added for purposes of determining the taxable income for the year 2008, thereby generating a temporary difference between accounting and taxable income result, which led to the recognition of a deferred tax asset to the extent that its use was, with reasonable safety, probable. Until 31 December 2010, an amount of Euro 6.4 million was reversed corresponding to the reversal of the above referred temporary difference during the year.

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 2010 and 2009, assessments of the deferred tax assets to be recognised were made. Potential deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and deductible tax differences could be used. These assessments were made based on the most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated.

The main criteria used in those business plans are described in note 9.

The rate used at 31 December 2010 and 2009 to calculate the deferred tax assets relating to tax losses carried forward was 25%. The rate used to calculate other deferred tax assets was 26.5%. 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.

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 2010 was as follows:

Nature	Companies included in the tax group	Companies excluded from the tax group				Total Sonaecom Group
		Optimus	Cape Technologies	We Do Brasil	Total	
Tax losses:						
To be used until 2012	74,946	-	-	-	-	74,946
To be used until 2013	126,771	-	-	-	-	126,771
To be used until 2014	-	-	-	-	-	-
To be used until 2015	-	6,199,247	-	-	6,199,247	6,199,247
Unlimited utilisation	-	-	134,506	291,016	425,522	425,522
<b>Tax losses</b>	<b>201,717</b>	<b>6,199,247</b>	<b>134,506</b>	<b>291,016</b>	<b>6,624,769</b>	<b>6,826,486</b>
Tax provisions not accepted and other temporary differences	3,008,755	16,622,210	-	-	16,622,210	19,630,965
Tax benefits (SIFIDE)	3,396,977	1,716,399	-	-	1,716,399	5,113,376
Adjustments in the conversion to IAS/IFRS	-	26,218,051	-	-	-	-
Temporary differences arising from the securitisation of receivables	-	9,660,000	-	-	9,660,000	9,660,000
Differences between the tax and accounting amount of certain fixed assets and others	-	42,138,346	-	-	42,138,346	42,138,346
<b>Total</b>	<b>6,607,449</b>	<b>102,554,253</b>	<b>134,506</b>	<b>291,016</b>	<b>102,979,775</b>	<b>109,587,224</b>

At 31 December 2010 and 2009, 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:

	2010	2009
Tax losses	49,143,653	54,390,654
Temporary differences (provisions not accepted for tax purposes and other temporary differences)	36,576,315	36,398,937
Others	11,123,352	10,430,115
<b>Total</b>	<b>96,843,320</b>	<b>101,219,706</b>

At 31 December 2010 and 2009, tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2010	2009
2009	-	1,013,287
2010	3,960	1,635,257
2011	4,456,587	11,743,719
2012	13,625,849	15,411,300
2013	14,930,200	14,927,816
2014	1,782,263	1,326,762
2015	7,394,686	3,556,967
2016	1,204,308	1,204,308
2017	1,771,661	1,771,661
2018	409,870	409,870
2019	1,453,372	-
Unlimited	2,110,897	1,389,708
	<b>49,143,653</b>	<b>54,390,654</b>

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 2010 and 2009 amounting to Euro 786,549 and Euro 106,929, respectively, result mainly from consolidation adjustments and IAS/IFRS conversion adjustments.

The movements that occurred in deferred tax liabilities in the years ended at 31 December 2010 and 2009 were as follows:

	2010	2009
Opening balance	(106,929)	(605,414)
Impact on results:		
Consolidation adjustments	-	605,414
Adjustments in the conversion to IAS / IFRS	(679,620)	(106,929)
Total impact on results (note 34)	(679,620)	498,485
<b>Closing balance</b>	<b>(786,549)</b>	<b>(106,929)</b>

The reconciliation between the earnings before taxes and the taxes recorded for the years ended at 31 December 2010 and 2009 is as follows:

	2010	2009
Earnings before taxes	58,097,553	11,201,295
Income tax rate (25%)	(14,524,388)	(2,800,324)
Ajustamentos IAS/IFRS	(5,415,817)	-
Deferred tax assets not recognised in previous years	(4,281,588)	-
Deferred tax assets not recognised in the individual accounts and / or resulting from consolidation adjustments and other adjustments to taxable income	(3,113,410)	(4,524,338)
Record of deferred tax liabilities	(679,620)	498,485
Temporary differences arising from the securitisation of receivables	1,800,000	1,800,000
Tax benefits (SIFIDE)	3,396,977	(98,000)
Movements in the temporary differences between the tax and accounting amounts of the UMTS license	6,068,500	-
<b>Income taxation recorded in the year (note 34)</b>	<b>(16,749,346)</b>	<b>(5,124,176)</b>



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 2007 (inclusive) are still subject to such review. The Board of Directors believes that any correction that may arise as a result of such review would not have a significant impact on the accompanying consolidated financial statements.

For the year ended 31 December 2010, the subsidiary Optimus was notified of the Report of Tax Inspection, where it considers that it is inappropriate the increase, when calculating the taxable profit for the year 2008, of the amount of Euro 100 million, with respect to initial price of future credits transferred to securitization. After receipt of the Settlement Note, Optimus will challenge that decision and is confidence of the Board of Directors of the Optimus and the Group that there are strong arguments to obtain a favorable decision for Optimus. For this reason, Optimus kept the recording of deferred tax assets associated with this operation.

Supported by the Company's lawyers and Tax consultants, the Board of Directors believes that there are no liabilities not provisioned in the consolidated financial statements, associated to probable tax contingencies that should have been registered or disclosed in the accompanying financial statements, at 31 December 2010.

## 12. Inventories

At 31 December 2010 and 2009, this caption was made up as follows:

	2010	2009
Raw materials	947,502	630,975
Merchandise	31,456,854	26,093,875
	32,404,356	26,724,850
Accumulated impairment losses on inventories (note 22)	(14,930,606)	(12,690,082)
	17,473,750	14,034,768

The cost of goods sold in the years ended at 31 December 2010 and 2009 amounted to Euro 127,913,977 and Euro 153,951,259 respectively and was determined as follows:

	2010	2009
Opening inventories	26,724,850	40,886,903
Purchases	153,505,688	162,992,321
Increase of accumulated impairment losses on inventories (Nota 22)	3,923,887	-
Inventory adjustments	(23,836,093)	(23,203,115)
Closing inventories	(32,404,356)	(26,724,850)
	127,913,977	153,951,259

The amounts recorded under the caption 'Inventory adjustments' at 31 December 2010 and 2009 correspond, essentially, to the transfer of telecommunications handsets from the caption 'Inventories' to the caption 'Tangible assets', as a result of the rental contracts agreements signed with customers by the subsidiary Optimus – Comunicações S.A. (note 6).

The accumulated impairment losses on inventories reflect the difference between the acquisition cost and market net realisable value of the inventory, as well as the estimate of impairment losses due to low stock turnover, obsolescence and deterioration. The accumulated impairment losses are registered in the caption 'Cost of sales', from 1 January 2010 (note 1.j).

### 13. Trade debtors

At 31 December 2010 and 2009, this caption was made up as follows:

	2010	2009
Trade debtors:		
Telecommunications	113,218,382	136,520,597
Information Systems	25,322,246	16,951,542
Multimedia and others	4,753,572	5,449,323
	<b>143,294,200</b>	<b>158,921,462</b>
Doubtful debtors	69,882,223	67,319,126
	<b>213,176,423</b>	<b>226,240,588</b>
Impairment losses in accounts receivable (note 22)	(69,882,223)	(67,319,126)
	<b>143,294,200</b>	<b>158,921,462</b>

At 31 December 2010 and 2009, the accumulated impairment losses by segment were made up as follows:

	2010	2009
Impairment losses in accounts receivable:		
Telecommunications	65,609,712	63,367,027
Information Systems	1,330,035	895,183
Multimedia and others	2,942,476	3,056,916
	<b>69,882,223</b>	<b>67,319,126</b>

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 2010 and 2009 were as follows:

	Total	Due without impairment				Due with impairment			
		Not due	Until 30 days	From 30 to 90 days	More than 90 days	Until 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
<b>2010</b>									
Trade debtors	213,176,422	51,571,775	17,506,632	11,680,213	34,712,640	5,985,244	5,859,106	6,197,103	79,663,709
<b>2009</b>									
Trade debtors	226,240,589	57,041,686	26,683,222	11,399,858	44,068,057	2,952,382	3,589,051	5,016,947	75,489,386

At 31 December 2010, 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:

The amounts receivable from operators are subject to review on an individual basis. The maximum exposure to risk is determined for each operator and the impairment adjustment is calculated based on the age of each balance, the existence of claims and the financial situation of the operator.

Agents are classified, in terms of risk, based on the regularity of the services rendered and their financial situation, the impairment

adjustment is calculated by applying an uncollectibility percentage, based on historical data, to the accounts receivables overdue. In the case of regular customers, impairment adjustment is calculated by applying an uncollectibility percentage based on historical data regarding collections, to the accounts receivables overdue.

In the case of the remaining accounts receivable, impairment adjustments are determined on a stand alone basis, based on the age of the receivables, net of the amounts payable.

Guarantees and pledges obtained from some operators and agents are not material.

#### 14. Other current debtors

At 31 December 2010 and 2009, this caption was made up as follows:

	2010	2009
Information Society	17,390,276	-
Other debtors	3,544,925	5,003,632
Advances to suppliers	2,629,722	3,219,536
State and other public entities	38,266,184	5,713,890
Accumulated impairment losses in accounts receivable (note 22)	(528,408)	(519,552)
	<b>61,302,698</b>	<b>13,417,506</b>

At 31 December 2010, the caption 'State and other public entities' includes VAT reimbursement requests of Be Artis, in an amount of Euro 31,281,446, due essentially to the purchase of assets of Optimus - Comunicações S.A., at the end of that year (note 27).

At 31 December 2010 and 2009, 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 2010 and 2009 are as follows:

	Total	Due without impairment				Due with impairment			
		Not due	Until 30 days	From 30 to 90 days	More than 90 days	Until 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
<b>2010</b>									
Other debtors	20,935,204	2,258,167	641,962	2,233,492	15,568,690	-	-	-	232,893
Advances to suppliers	2,629,722	250,639	867,132	274,779	1,237,172	-	-	-	-
	<b>23,564,926</b>	<b>2,508,806</b>	<b>1,509,094</b>	<b>2,508,271</b>	<b>16,805,862</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>232,893</b>
<b>2009</b>									
Other debtors	5,003,632	1,184,834	543,648	1,097,131	835,251	888,509	41,612	944	411,703
Advances to suppliers	3,219,536	45,806	879,952	246,084	2,047,694	-	-	-	-
	<b>8,223,168</b>	<b>1,230,640</b>	<b>1,423,600</b>	<b>1,343,215</b>	<b>2,882,945</b>	<b>888,509</b>	<b>41,612</b>	<b>944</b>	<b>411,703</b>

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

At 31 December 2010, 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 17,390,276 ( Euro 20,337,515 in 31 December 2009) and can be broken down as follows:

	2010	2009
<b>Assets</b>		
Other current debtors	17,390,276	-
Other current assets (note 15)	-	75,145,779
	<b>17,390,276</b>	<b>75,145,779</b>
<b>Liabilities</b>		
Other creditors (note 27)	-	(32,862,235)
Other current liabilities (note 28)	-	(21,946,029)
	-	(54,808,264)
	<b>17,390,276</b>	<b>20,337,515</b>

During the year ended at 31 December 2010, the values related to the net position with 'Fundação para as Comunicações móveis' were aggregated and reflected in the caption 'Other current debtors'.

At 31 December 2010, the amounts of Euro 2,253,107 (Euro 32,923,892 in 2009) and Euro 33,219,196 (Euro 33,480,367 in 2009), are recorded in 'Other non-current liabilities' and 'Other current liabilities', respectively and relates to the parcels estimated but not yet realised, associated with the commitments made by the Company under the 'Iniciativas E' programme (notes 7, 24 and 28).

## 15. Other current assets

At 31 December 2010 and 2009, this caption was made up as follows:

	2010	2009
Information Society	-	75,145,779
Invoices to be issued to clients for services rendered	38,486,597	37,621,302
Invoices to be issued to operators	18,421,496	17,321,445
Specialised work paid in advance	9,389,330	9,542,595
Other accrued income	1,212,637	1,021,987
Rappel discounts (annual quantity discounts)	820,998	1,090,239
Prepaid rents	946,377	1,030,403
Medium Term Incentive Plan (notes 1.y) and 39)	-	252,015
Other costs paid in advance	561,695	701,072
	<b>69,839,130</b>	<b>143,726,837</b>

During the year ended at 31 December 2010, the value related to the net position with the 'Fundação para as Comunicações móveis' were aggregated and reflected in caption 'Other current debtors' (note 14).

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 2010 and 2009, projects in progress could be summarised as follows:

	2010	2009
Number of projects in progress	407	353
Total costs recognised	17,294,331	14,409,377
Total revenues recognised	24,410,691	23,306,775
Total deferred revenues	5,369,221	3,303,630
Total accrued revenues	3,719,521	3,652,042

## 16. Cash and cash equivalents

At 31 December 2010 and 2009, the detail of cash and cash equivalents was as follows:

	2010	2009
Cash	190,896	63,627
Bank deposits repayable on demand	6,709,461	3,875,125
Treasury applications	61,677,547	79,690,665
Cash and cash equivalents	68,577,903	83,629,417
Bank overdrafts (note 20)	(2,553,704)	(682,546)
	66,024,199	82,946,871

At 31 December 2010 and 2009, the 'Treasury applications' had the following breakdown:

	2010	2009
Sonae Investments BV	56,810,000	78,810,000
Bank applications	4,867,547	880,665
	61,677,547	79,690,665

During the year ended at 31 December 2010, the above mentioned treasury applications bear interests at an average rate of 2.132% (2.65% in 2009).

## 17. Share capital

At 31 December 2010 and 2009, 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:

	2010		2009	
	Number of shares	%	Number of shares	%
Sontel BV	183,374,470	50.07%	183,374,470	50.07%
Atlas Service Belgium	73,249,374	20.00%	73,249,374	20.00%
Shares traded on the Portuguese Stock Exchange ('Free float')	69,117,232	18.87%	71,204,015	19.44%
Banco Comercial Português, S.A. (BCP)	12,500,998	3.41%	12,500,998	3.41%
Sonae Investments BV	10,500,000	2.87%	10,500,000	2.87%
Own shares	9,256,357	2.53%	7,169,574	1.96%
Santander Asset Management	7,408,788	2.02%	7,408,788	2.02%
Sonae S.G.P.S., S.A.	838,649	0.23%	838,649	0.23%
Efanor Investimentos, S.G.P.S., 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.

## 18. Own shares

During the year ended at 31 December 2010, Sonaecom delivered to its employees 1,040,605 own shares under its Medium Term Incentive Plan (794,871 own shares during the year ended at 31 December 2009).

Additionally, during the year, Sonaecom acquired 3,127,388 shares (at an average price of Euro 1.58), holding at 31 December 2010 9,256,357 own shares, representative of 2.53% of its share capital at the average acquisition cost of Euro 1.624.

## 19. Non-controlling interests

Non-controlling interests at 31 December 2010 and 2009 are made up as follows:

	2010	2009
Digitmarket	507,442	450,952
Saphety	83,495	54,331
Others	2,853	2,869
	<b>593,790</b>	<b>508,152</b>

## 20. Loans

At 31 December 2010 and 2009, the caption Loans had the following breakdown:

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

Company	Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
					2010	2009
Sonaecom	'Obrigações Sonaecom SGPS 2005'	150,000,000	Jun-13	Final	150,000,000	150,000,000
SGPS	'Obrigações Sonaecom SGPS 2010'	40,000,000	Mar-15	Final	40,000,000	-
	'Obrigações Sonaecom SGPS 2010'	30,000,000	Feb-13	Final	30,000,000	-
	Costs associated with financing set-up	-	-	-	(1,883,453)	(1,912,757)
	Interests incurred but not yet due	-	-	-	800,356	85,800
					<b>218,916,903</b>	<b>148,173,043</b>
Sonaecom	Commercial paper	150,000,000	Jul-12	-	85,000,000	150,000,000
SGPS	Costs associated with financing set-up	-	-	-	(114,339)	(337,385)
	Interests incurred but not yet due	-	-	-	416,833	358,518
					<b>85,302,494</b>	<b>150,021,133</b>
Unipress	Bank loan	-	-	-	431,059	557,856
Saphety	Minority shareholder loan's	-	-	-	387,550	387,665
					<b>305,038,006</b>	<b>299,139,698</b>

## b) Short-term loans and other loans

Company	Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
					2010	2009
Sonaecom SGPS	Commercial paper	100,000,000	Jul-10	-	-	15,000,000
	Commercial paper	70,000,000	Dec-10	-	-	40,000,000
	Commercial paper	40,000,000	May-11	-	15,000,000	-
	Commercial paper	30,000,000	Apr-11	-	4,000,000	-
	Commercial paper	15,000,000	Jun-11	-	9,250,000	-
	Interests incurred but not yet due	-	-	-	138,536	73,903
					<b>28,388,536</b>	<b>55,073,903</b>
Sonaecom SGPS	Overdraft facility	-	-	-	-	3,500,000
Several	Bank overdrafts (note 16)	-	-	-	2,553,704	682,546
					<b>30,942,240</b>	<b>59,256,449</b>

## 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.

All the loans above are unsecured and the fulfillment of the obligations under these loans is exclusively guaranteed by the underlying activities and the indebted company cash flows generation capacity.

The average interest rate of the bond loans, in the period, was 2.01% (3.18% in 2009).

## 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).

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

Montain	Hire date	Subscription guarantee	Maturity
Euro 40 million	January 2005	Banco Comercial Português	May 2011
Euro 30 million	April 2010	Caja de Ahorros Y Monte de Piedad de Madrid (representative in Portugal) and Banco BPI	one year, possibly renewable
Euro 15 million	June 2010	Caixa Económica Montepio Geral	one year, possibly renewable

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.

#### Bank credit lines of short-term portion

Sonaecom has also bank credit lines for short term, 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 2010 and 2009, 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
<b>2010</b>					
Bond loan:					
Reimbursements	-	-	180,000,000	-	40,000,000
Interests	5,361,400	5,376,089	2,833,123	1,254,400	288,684
Commercial paper:					
Reimbursements	-	85,000,000	-	-	-
Interests	1,098,810	547,900	-	-	-
	6,460,210	90,923,989	182,833,123	1,254,400	40,288,684
<b>2009</b>					
Bond loan:					
Reimbursements	-	-	-	150,000,000	-
Interests	2,808,000	2,808,000	2,815,693	1,315,529	-
Commercial paper:					
Reimbursements	-	-	150,000,000	-	-
Interests	1,494,000	1,494,000	867,748	-	-
	4,302,000	4,302,000	153,683,441	151,315,529	-

Although the maturity of commercial paper issuance is six months, the counterparties assumed the placement and the maintenance of those limits for a period of five years. As so, such liabilities are recorded in the medium and long term.

Minority Shareholder loans have no maturity defined.



At 31 December 2010 and 2009, the available credit lines of the Group were as follows:

Company	Credit	Limit	Amount outstanding	Amount available	Maturity	
					Until 12 months	More than 12 months
<b>2010</b>						
Sonaecom	Commercial paper	150,000,000	85,000,000	65,000,000		x
Sonaecom	Commercial paper	40,000,000	15,000,000	25,000,000	x	
Sonaecom	Commercial paper	30,000,000	4,000,000	26,000,000	x	
Sonaecom	Commercial paper	15,000,000	9,250,000	5,750,000	x	
Sonaecom	Bond loan	150,000,000	150,000,000	-		x
Sonaecom	Bond loan	30,000,000	30,000,000	-		x
Sonaecom	Bond loan	40,000,000	40,000,000	-		x
Sonaecom	Overdraft facilities	16,500,000	-	16,500,000	x	
Sonaecom	Overdraft facilities	10,000,000	-	10,000,000	x	
Sonaecom	Authorised overdrafts	2,500,000	-	2,500,000	x	
		<b>484,000,000</b>	<b>333,250,000</b>	<b>150,750,000</b>		
<b>2009</b>						
Sonaecom	Commercial paper	150,000,000	150,000,000	-		x
Sonaecom	Commercial paper	100,000,000	15,000,000	85,000,000	x	
Sonaecom	Commercial paper	70,000,000	40,000,000	30,000,000	x	
Sonaecom	Bond loan	150,000,000	150,000,000	-		x
Sonaecom	Overdraft facilities	26,500,000	3,500,000	23,000,000	x	
Sonaecom	Authorised overdrafts	2,500,000	-	2,500,000	x	
Público	Overdraft facilities	1,500,000	-	1,500,000	x	
		<b>500,500,000</b>	<b>358,500,000</b>	<b>142,000,000</b>		

At 31 December 2010 and 2009, there are no interest rate hedging instruments.

In September 2007, Sonaecom entered into an interest rate swap, with a notional amount of Euro 110 million, for a period of 18 months re-fixed every semester, to hedge the risk associated to the interest rate of one plot of the commercial paper issued in 13 September 2007, for the same amount and the period of 6 months. The maturity of this interest rate swap occurred on 13 March 2009.

In December 2007, Sonaecom contracted an interest rate swap, with a notional amount of Euro 75 million, for a period of 18 months re-fixed every semester, to hedge 50% of the risk associated to the interest rate of the bond loan issued in June 2005, for the amount of Euro 150 million and for the period of eight years with re-fixations every semester. The maturity of this interest rate swap was on 21 June 2009.

During the year ended at 31 December 2009, the movements that occurred in the fair value of the swaps, related to the Commercial Paper Programme, in the amount of minus Euro 174,106 and to the bonds loans, in the amount of plus Euro 481,174, were recorded under the caption 'Hedging reserve', as the hedging was considered effective, in accordance with IAS 39.

During the year ended at 31 December 2009, the interest rate hedging instruments reached its maturity. Therefore, at 31 December 2010 and 2009, the total gross debt is exposed to changes in the interest rates.

Based on the debt exposed to variable rates at the end of 2010, including the debt on finance lease, and considering the applications and bank balances at the same date, if market interest rates rise (fall), in average, 75bp during the year 2010, the interest paid that year would be increased (decreased) in an amount of approximately Euro 2,500,000.

## 21. Other non-current financial liabilities

At 31 December 2010 and 2009, this caption was made up of accounts payable to fixed assets suppliers related to lease contracts which are due in more than one year in the amount of Euro 19,253,869 and Euro 20,707,936, respectively.

At 31 December 2010 and 2009, the payment of these amounts was due as follows:

	2010		2009	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
2010	-	-	4,256,110	3,053,364
2011	3,299,843	2,171,140	2,917,149	2,054,610
2012	3,118,469	2,265,391	2,910,799	2,076,147
2013	2,861,485	2,106,910	2,738,701	1,992,811
2014	2,535,270	1,348,567	2,022,009	1,345,821
2015 onwards	16,755,683	13,533,001	16,422,216	13,238,547
	28,570,750	21,425,009	31,266,984	23,761,300
Interests	(7,145,741)	-	(7,505,684)	-
	21,425,009	21,425,009	23,761,300	23,761,300
Short-term liability (note 26)	-	(2,171,140)	-	(3,053,364)
	21,425,009	19,253,869	23,761,300	20,707,936

The medium and long-term agreements made with suppliers of optical fibre network capacity, under which the Group has the right to use that network, which is considered as a specific asset, are recorded as finance leases in accordance with IAS 17 - 'Leases' and IFRIC 4 - 'Determining whether an arrangement contains a Lease'. These contracts have a 15 to 20 year maturity.

## 22. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2010 and 2009 were as follows:

	Opening balance	Transfers	Increases	Utilisations	Decreases (note 30)	Closing balance
<b>2010</b>						
Accumulated impairment losses on accounts receivables (notes 13 and 14)	67,838,678	-	15,166,366	(12,577,739)	(16,674)	70,410,631
Accumulated impairment losses on inventories (note 12)	12,690,082	-	3,923,887	(1,683,363)	-	14,930,606
Provisions for other liabilities and charges	32,175,824	-	1,547,629	(71,924)	(501,501)	33,150,028
	<b>112,704,584</b>	<b>-</b>	<b>20,637,882</b>	<b>(14,333,026)</b>	<b>(518,175)</b>	<b>118,491,265</b>
<b>2009</b>						
Accumulated impairment losses on accounts receivables (notes 13 and 14)	75,788,067	194,177	15,765,057	(23,700,672)	(207,951)	67,838,678
Accumulated impairment losses on inventories (note 12)	11,273,207	502,706	2,614,759	(1,387,661)	(312,929)	12,690,082
Provisions for other liabilities and charges	32,205,441	(194,177)	2,480,295	(266,734)	(2,049,001)	32,175,824
	<b>119,266,715</b>	<b>502,706</b>	<b>20,860,111</b>	<b>(25,355,067)</b>	<b>(2,569,881)</b>	<b>112,704,584</b>

The increase of 'Provisions for other liabilities and charges' includes the amount of Euro 520,360 (1,601,580 in 2009) related to the dismantling of sites, as foreseen in IAS 16 (note 1.d.)), and the amount of Euro 163,566 (226,341 in 2009) recorded in the profit and loss statement, under the caption 'Income taxation' (note 34).

The reinforcement on 'Accumulated Impairment losses on Inventories' is recorded from the year 2010, 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 16,030,069 (2009: Euro 19,032,191).

The heading 'Utilisations' refers, essentially, to the utilisation of provisions registered against entries in customers current accounts of the subsidiary Optimus – Comunicações S.A., fully subject to impairment losses already recognised in the profit and loss statement.

At 31 December 2010 and 2009, the breakdown of the provisions for other liabilities and charges is as follows:

	2010	2009
Dismantling of sites	22,729,081	22,208,721
Several contingencies	2,598,683	3,359,135
Legal processes in progress	2,485,534	2,131,861
Indemnities	617,779	561,580
Others	4,718,951	3,914,527
	<b>33,150,028</b>	<b>32,175,824</b>

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

In relation to the provisions recorded in headings 'Legal processes in progress' and 'Others', given the uncertainty of such proceedings, the Board of Directors is unable to estimate, with reliability, the moment when such provisions will be used and therefore no financial actualisation was carried out.

### 23. Securitisation of receivables

On 30 December 2008, the subsidiary Optimus – Comunicação, S.A., carried out a securitisation operation of future receivables amounting to Euro 100 million (Euro 98,569,400, net of initial costs) following which it ceded future credits to be generated under a portfolio of existing 'Corporate' customer contracts, under the regime established in the Decreto-Lei nº 453/99 (Decree-Law), of 5 November (note 11).

This operation was coordinated by Deutsche Bank, the future credits having been assigned to TAGUS – Sociedade de Titularização de Créditos, S.A. (TAGUS), which, for this purpose, issued securitised bonds designated 'Magma No. 1 Securitisation Notes', that received from the CMVM (National Securities Market Commission) the legally required alphanumeric code: 200812TGSSONSXXN0031.

Future receivables in the necessary amounts required for TAGUS to perform the quarter interest and principal instalment payments due to bondholders, as well as all the other payments due to the other creditors of this transaction, shall be allocated by Optimus - Comunicação, S.A. throughout calendar years 2009/2013, up to a maximum of Euro 213,840,362. Under the terms of this transaction, the amount to be allocated in the next 12 months (Euro 19,643,161) was registered in current liabilities and the remainder, amounting to Euro 39,740,412, was registered in non-current liabilities.

The transaction did not determine any change in the accounting treatment of the underlying receivables or in the relationship established with the customers.

At 31 December 2010 and 2009, the amount recorded in 'Securitisation of receivables' has the following maturity:

	N+1	N+2	N+3	N+4	N+5	Total
<b>2010</b>						
Securitisation of receivables	19,634,161	19,792,061	19,948,351	-	-	59,374,573
<b>2009</b>						
Securitisation of receivables	19,488,569	19,634,018	19,791,996	19,948,466	-	78,863,049

### 24. Other non-current liabilities

At 31 December 2010, the caption 'Other non-current liabilities' is as follows:

	2010	2009
Information Society	2,253,107	32,923,892
Medium Term Incentive Plan (note 39)	444,303	252,015
Others	42,207	42,193
	2,739,617	33,218,100

The heading 'Information Society' refers to the medium and long -term portion of the estimate for the Company's commitments under the 'Iniciativas E' programme (notes 7 and 14) not yet realised.

During the year ended at 31 December 2010, the value related to net position with the 'Fundação para as Comunicações Móveis' were aggregated and reflected in caption 'Other current debtors' (note 14).

## 25. Trade creditors

At 31 December 2010 and 2009, this caption had the following composition and maturity plans:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
<b>2010</b>				
Suppliers – current account	127,714,078	94,668,318	3,307,222	29,738,538
Fixed assets suppliers	43,117,660	37,548,290	847,624	4,721,746
Suppliers – invoices pending approval	7,901,008	7,901,008	-	-
	<b>178,732,746</b>	<b>140,117,616</b>	<b>4,154,846</b>	<b>34,460,284</b>
<b>2009</b>				
Suppliers – current account	14,755,280	14,755,280	-	-
Fixed assets suppliers	42,052,543	42,052,543	-	-
Suppliers – invoices pending approval	5,698,540	5,698,540	-	-
	<b>195,303,884</b>	<b>195,303,884</b>	<b>-</b>	<b>-</b>

At 31 December 2010 and 2009, this caption included balances payable to suppliers resulting from the Group's operations and the acquisition of fixed assets. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

## 26. Other current financial liabilities

At 31 December 2010, this caption includes the amount of Euro 2,171,140 (2009: Euro 3,053,364) related to the short term portion of lease contracts (note 21).

## 27. Other creditors

At 31 December 2010 and 2009, this caption was made up as follows:

	2010	2009
Other creditors	12,090,269	36,666,068
State and other public entities	44,661,886	10,313,425
	<b>56,752,155</b>	<b>46,979,493</b>

At 31 December 2009, the heading "Other creditors" included the amount of Euro 32,862,235 to be paid to the 'Fundação para as Comunicações Móveis', under the 'Iniciativas E' programme (notes 7 and 14). From 2010, the payable amounts are recorded by their net position under the caption "Other debtors" (note 14).

At 31 December 2010, the heading "Other creditors" included the amount of Euro 8,860,291 related to the acquisition of Sontária (note 5).

The liability to other creditors matures as follows:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
<b>2010</b>				
Other creditors	12,090,269	12,090,269	-	-
<b>2009</b>				
Other creditors	36,666,068	36,666,068	-	-

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 2010 and 2009, 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:

	2010	2009
Optimus	33,929,861	1,080,885
Público	4,596,900	563,065
WeDo Brasil	1,694,830	1,191,716
WeDo	954,065	777,213
Digitmarket	927,284	721,580
Be Artis	693,484	3,611,813
Mainroad	471,202	303,698
Sonaecom	319,771	203,830
Be Towering	315,357	1,165,192
Others	759,132	694,433
	<b>44,661,886</b>	<b>10,313,425</b>

At 31 December 2010, the caption 'State and other public entities' of the subsidiary Optimus – Comunicações S.A. includes the amount of Euro 31,281,446 of VAT related to the sale of tangible assets to Be Artis which occurred between October and December 2010 (note 14).

## 28. Other current liabilities

At 31 December 2010 and 2009, this caption was made up as follows:

	2010	2009
Costs:		
Information Society	33,219,196	55,426,396
Invoices to be issued by operators	43,994,936	42,253,761
Personnel costs	27,266,801	27,169,996
Advertising and promotion	12,052,377	16,236,622
Tangible assets	8,803,023	14,472,471
Specialised works	6,050,563	8,684,570
Commissions	5,656,915	5,866,194
Rappel discounts (annual quantity discounts)	3,890,940	1,087,169
Maintenance and repairs	1,122,412	1,263,043
Medium Term Incentive Plans (note 39)	214,096	219,145
Other costs	5,689,930	6,092,806
Other external suppliers and services	16,743,419	9,370,346
	<b>164,704,608</b>	<b>188,142,519</b>
Deferred income:		
Customer advance payments	31,133,380	24,675,276
Other deferred income	1,838,921	2,843,485
	<b>32,972,301</b>	<b>27,518,761</b>
	<b>197,676,909</b>	<b>215,661,280</b>

At 31 December 2010, the heading 'Information Society' in the amount of Euro 33,219,196 (Euro 33,480,367 in 2009) relates to the short-term portion, not yet realised, of the estimate Company's commitments under the 'Iniciativas E' programme (notes 7 and 14).

At 31 December 2009, the heading 'Information Society' also includes Euro 21,946,029 related to the values to be delivered to 'Fundação para as Comunicações Móveis'. From 2010, the amounts to be delivered are recorded by their net position under the caption "Other debtors" (note 14).

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

## 29. Sales and services rendered

At 31 December 2010 and 2009, the caption 'Sales and services rendered' was made up as follows:

	2010	2009
Telecommunications	779,252,625	797,836,891
Multimedia	29,604,556	30,103,619
Information Systems	111,858,284	121,454,005
Others	3,523	5,812
	<b>920,718,988</b>	<b>949,400,327</b>

### 30. Other operating revenues

At 31 December 2010 and 2009, the caption 'Other operating revenues' was made up as follows:

	2010	2009
Supplementary income	2,680,618	2,124,008
Reversal of provisions (note 22)	518,175	2,569,881
Others	5,026,191	2,337,629
	<b>8,224,984</b>	<b>7,031,518</b>

At 31 December 2010, the caption 'Others' includes the amount of Euro 2,035,017 related to the capital gain obtained from the sale of a set of assets related with 2G network (note 6).

### 31. External supplies and services

'External supplies and services' for the years ended at 31 December 2010 and 2009 had the following composition:

	2010	2009
Interconnection costs	204,086,050	201,773,863
Specialised works	57,217,261	63,708,518
Commissions	42,743,208	47,924,372
Advertising and promotion	34,929,381	46,237,027
Rents	34,118,298	34,908,268
Other subcontracts	29,849,483	26,776,313
Leased lines	21,973,260	24,482,694
Energy	10,478,603	9,128,473
Maintenance and repairs	6,677,721	4,798,755
Communications	5,984,616	6,603,898
Travelling costs	5,533,926	5,131,971
Fees	4,210,566	5,263,552
Others	21,971,798	18,255,197
	<b>479,774,171</b>	<b>494,992,901</b>

The commitments assumed by the Group at 31 December 2010 and 2009 related to operational leases are as follows:

	2010	2009
Minimum payments of operational leases:		
2010	-	43,948,815
2011	45,447,226	40,373,138
2012	42,369,869	36,951,671
2013	40,754,278	33,789,891
2014	36,101,605	27,741,796
2015	33,286,152	23,814,616
2016 onwards	32,407,017	-
Renewable by periods of one year	3,980,102	4,814,399
	<b>234,346,249</b>	<b>211,434,325</b>

During the year ended at 31 December 2010, an amount of Euro 49,915,160 (2009: Euro 54,858,675) was recorded in the heading 'External supplies and services' related with operational leasing rents, divided between the lines 'Rents' and 'Leased lines'.

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



### 32. Other operating costs

At 31 December 2010 and 2009, the caption 'Other operating costs' was made up as follows:

	2010	2009
Taxes	14,012,737	13,548,750
Others	650,745	1,201,508
	<b>14,663,482</b>	<b>14,750,258</b>

The caption 'Taxes' at 31 December 2010 and 2009 includes, essentially, the fees paid by the subsidiary Optimus – Comunicações to ANACOM, calculated based on the number of its active customers. This obligation was included in the terms of the GSM operator license granted to that subsidiary.

### 33. Financial results

Net financial results for the years ended at 31 December 2010 and 2009 were made up as follows:

	2010	2009
Financial expenses:		
Interest expenses:	(13,455,875)	(17,902,087)
Bank loans	(7,513,862)	(9,122,667)
Securitisation interests (note 23)	(3,615,502)	(5,178,565)
Swap interests	-	(488,408)
Leasing	(984,631)	(1,062,088)
Other interests	(1,341,879)	(2,050,359)
Foreign exchange losses	(528,343)	(132,869)
Other financial expenses	(546,879)	(564,176)
	<b>(14,531,097)</b>	<b>(18,599,132)</b>
Financial income:		
Interest income	5,278,324	5,049,591
Foreign exchange gains	501,818	856,323
Others financial gains	2,379,628	-
	<b>8,159,770</b>	<b>5,905,914</b>

During the years ended at 31 December 2010 and 2009, the caption 'Financial income: Interest income' includes, mainly, interests earned on treasury applications and interests arising from late collections associated with cases in litigation. At the year ended at 31 December 2009, the caption 'Financial income: Interest income' also includes interests related with the swaps contracted by Sonaecom.

The caption 'Financial Income: Others financial gains' includes the gain on disposal of Altitude by Sonaecom SI, amounted Euro 2,091,120 (note 10).

### 34. Income taxation

Income taxes recognised during the years ended at 31 December 2010 and 2009 were made up as follows ((costs) / gains):

	2010	2009
Current tax	(3,578,296)	(2,182,731)
Tax provision (note 22)	(163,566)	(226,341)
Deferred tax assets (note 11)	(12,327,864)	(3,213,589)
Deferred tax liabilities (note 11)	(679,620)	498,485
	(16,749,346)	(5,124,176)

### 35. Related parties

During the years ended at 31 December 2010 and 2009, 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 2010 and 2009 were as follows:

	Balances at 31 December 2010			
	Accounts receivable	Accounts payable	Treasury applications	Other assets / (liabilities)
Sonae SGPS	47,030	3,552	-	5,737
Modelo Continente Hipermercados, S.A.	1,987,059	2,079,983	-	(996,504)
Worten	3,763,754	5,042	-	(1,073,063)
Sonaecenter II	2,277,512	269,649	-	(347,359)
Sonae Investimentos, SGPS, S.A.	9,411	8,860,291	-	253
Sonae Investments BV	-	-	56,810,000	9,342
France Telecom	2,376,029	1,469,802	-	(5,928,334)
	10,460,795	12,688,319	56,810,000	(8,329,928)

	Balances at 31 December 2009			
	Accounts receivable	Accounts payable	Treasury applications	Other assets / (liabilities)
Sonae SGPS	53,353	22,925	-	(269,927)
Modelo Continente Hipermercados, S.A.	685,448	2,797,523	-	(36,050)
Worten	3,776,717	4,238	-	(596,934)
Sonae Investments BV	-	-	78,810,000	11,619
France Telecom	1,592,750	1,684,684	-	(7,773,114)
	6,108,268	4,509,370	78,810,000	(8,664,406)

	Transactions at 31 December 2010			
	Sales and services rendered	Supplies and services received	Interest and similar income / (expense)	Supplementary income
Sonae SGPS	92,699	(77,128)	320,747	-
Modelo Continente Hipermercados, S.A.	4,142,814	1,805,522	-	285,610
Worten	7,195,673	3,164,762	-	-
Sonaecenter II	7,409,178	623,015	-	11,572
Sonae Investimentos, SGPS, S.A.	9,501	-	-	-
Sonae Investments BV	-	-	1,888,461	-
France Telecom	14,475,308	11,671,570	-	-
	33,325,173	17,187,741	2,209,208	297,182
	Transactions at 31 December 2009			
	Sales and services rendered	Supplies and services received	Interest and similar income / (expense)	Supplementary income
Sonae SGPS	306,486	1,596,670	(2,739)	(5,103)
Modelo Continente Hipermercados, S.A.	8,701,412	1,375,581	-	158,024
Worten	10,068,959	3,169,730	-	-
Sonae Investments BV	-	-	2,914,117	-
France Telecom	15,029,005	13,377,524	-	-
	34,105,862	19,519,505	2,911,378	152,921

Additionally, during the year ended at 31 December 2010, Sonaecom acquired Sontária from Sonae Investimentos, SGPS, S.A., for an amount of Euro 8,860,291 (notes 5 and 27).

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

All the above transactions were made at market prices.

Accounts receivable and payable to related companies will be settled in cash and are not covered by guarantees. During the years ended at 31 December 2010 and 2009, no impairment losses referring to related entities were recognised.

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

### 36. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 2010 and 2009 were as follows:

Company	Beneficiary	Description	2010	2009
Optimus and Sonaecom	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT Reimbursements	9,350,818	9,386,530
Optimus and Sonaecom	Direcção de Contribuições e Impostos (Portuguese tax authorities)	IRC – Tax assessment	1,711,220	1,801,117
Sonaecom	Direcção de Contribuições e Impostos (Portuguese tax authorities)	Tax audit 2005	754,368	754,368
Optimus and Público	Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT – Impugnation process	598,000	598,000
We Do, We Do Egypt and We Do Mexico	Emirates Telecom. Corp., Oman Telecommunications and AD Makedonski	Completion of work to be done	1,159,405	437,079
Optimus	Direcção Geral do Tesouro (Portuguese tax authorities)	IRC – Withholding tax on payments to non-residents	306,954	431,954
Optimus	IAPMEI (Institute of Support to Small and Medium Enterprises and Investment)	'HERMES' project – QREN	619,528	327,730
Optimus	Câmara Municipal de Coimbra, Lisboa, Barcelos, Elvas, Mealhada, Loures, Covil, Chaves (Coimbra, Lisbon, Barcelos, Elvas, Mealhada, Loures, Covil and Chaves Municipalities)	Performance bond – works	274,551	312,993
Público	Governo Civil de Lisboa (Lisbon Government Civil)	Guarantee the sweepstakes plan complete fulfilment	22,180	287,906
Several	Tribunal de Trabalho de Lisboa (Lisbon Labour Court)	Execution action n. 199A/92	271,511	271,511
	Others		1,112,712	1,106,110
			<b>16,181,247</b>	<b>15,715,298</b>

In addition to these guarantees were set up two sureties for the current fiscal processes. The Sonae SGPS consisted of Sonaecom SGPS surety to the amount of Euro 2,830,506 and Sonaecom SGPS consisted of Optimus surety for the amount of Euro 9,264,267.

At 31 December 2010 and 2009, the Board of Directors of the Group believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the consolidated financial statements.

### 37. Information by business segment

The following business segments were identified for the years ended at 31 December 2010 and 2009:

- Telecommunications;
- Multimedia;
- Information systems;
- Holding activities.

The segment 'Holding activities' includes the operations of the Group companies that have as their main activity the management of shareholdings.

Excluding the ones mentioned above, the remaining activities of the Group have been classified as unallocated.

Inter-segment transactions during the years ended at 31 December 2010 and 2009 were eliminated in the consolidation process. All these transactions were made at market prices.

Inter-segment transfers or transactions were entered under the normal commercial terms and conditions that would also be available to unrelated third parties and were mainly related to interest on treasury applications and management fees.

Overall information by business segment at 31 December 2010 and 2009, prepared in accordance with the same accounting policies and measurement criteria adopted in the preparation of the consolidated financial statements, can be summarised as follows:

	Telecommunications		Multimedia		Information Systems		Holding Activities		Other		Sub Total		Eliminations		Total	
	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009
<b>Revenues:</b>																
Sales and services rendered	780,358,120	800,086,152	29,735,815	30,401,293	142,537,694	149,908,112	6,277,673	7,093,568	220,800	220,800	987,709,925	987,709,925	(58,411,113)	(38,309,598)	920,718,988	949,400,327
Other operating revenues	10,064,880	9,353,072	583,938	286,335	512,080	427,093	14,585	19,160	-	-	10,085,660	10,085,660	(2,950,499)	(3,054,142)	8,224,984	703,538
Total revenues	790,423,000	809,439,224	30,319,753	30,687,628	143,049,774	150,335,205	6,292,258	7,112,728	220,800	220,800	997,795,585	997,795,585	(41,361,612)	(41,363,740)	928,943,972	956,431,845
Depreciation and amortisation	(124,662,671)	(149,381,697)	(1,416,257)	(1,709,773)	(4,394,344)	(2,020,051)	(111,539)	(134,923)	(28,806)	(28,806)	(153,275,250)	(153,275,250)	1,072,058	1,500,980	(129,942,660)	(151,774,270)
Net operating income / (loss) for the segment	64,331,362	22,918,901	(2,684,337)	(4,368,908)	4,064,239	6,363,018	(1,171,555)	(1,363,595)	34,320	34,320	23,583,736	23,583,736	(130,305)	310,777	64,468,880	23,894,313
Net interests	(9,232,272)	(12,061,470)	(91,596)	(132,681)	(660,185)	(96,685)	2,613,269	(526,102)	(35,558)	(35,558)	(12,852,496)	(12,852,496)	(754,735)	-	(8,177,551)	(12,852,496)
Gains and losses in associated companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial results	(368,882)	(266,341)	(9,374)	(18,638)	2,438,546	540,041	86,233,459	(16,098,572)	(40)	(54)	16,353,580	16,353,580	(86,487,485)	(16,194,302)	1,806,224	159,278
Income taxation	(12,737,326)	(3,397,635)	86,036	(209,620)	(3,016,632)	(2,704,670)	(1,242,945)	(63,105)	(87)	(453)	(6,375,483)	(6,375,483)	161,609	1,251,307	(16,749,346)	(5,124,176)
Consolidated net income / (loss) for the year	41,992,902	7,933,455	(2,699,271)	(4,729,847)	2,825,968	4,101,704	86,432,228	14,145,770	7,296	(1,745)	20,709,337	20,709,337	(87,210,916)	(14,632,218)	41,348,207	6,077,119
Attributable to:																
Shareholders of parent company	41,992,902	7,933,455	(2,699,271)	(4,729,847)	2,646,845	3,786,498	86,432,228	14,145,770	7,296	(1,745)	20,394,131	20,394,131	(87,197,413)	(14,645,634)	41,182,587	5,748,497
Non-controlling interests	-	-	-	-	179,123	315,206	-	-	-	-	315,206	315,206	(13,503)	13,416	165,620	328,622
<b>Assets:</b>																
Tangible and intangible assets and goodwill	859,423,449	854,677,532	4,333,706	5,805,921	69,556,922	63,667,282	437,294	544,491	1,574,705	1,569,841	926,269,931	926,269,931	456,087,023	456,949,911	1,391,408,235	1,383,219,842
Inventories	16,034,959	15,037,731	937,502	585,975	501,289	411,062	-	-	-	-	14,034,768	14,034,768	-	-	17,473,750	14,034,768
Financial investments	1,282,025	1,282,025	441,509	436,509	2,494	907,494	11,314,674	1,117,166,353	-	-	1,119,792,381	1,119,792,381	(1,132,981,182)	(1,118,585,061)	212,523	1,207,320
Other non-current assets	111,180,671	121,159,168	-	-	1,254,958	1,464,380	414,018,652	425,225,000	-	-	547,848,548	547,848,548	(417,296,965)	(425,846,065)	109,157,316	121,949,442
Other current assets of the segment	243,980,319	356,554,398	10,546,272	8,773,208	60,287,988	41,187,466	107,866,898	94,839,197	71,467	71,467	500,925,736	500,925,736	(83,297,266)	(99,506,431)	339,475,068	399,695,222
	1,231,901,423	1,346,710,854	16,258,989	15,601,613	131,603,251	107,637,684	1,653,790,321	1,637,775,041	1,646,172	1,661,098	3,108,871,364	3,108,871,364	(1,117,488,390)	(1,186,987,546)	1,857,726,692	1,920,106,594
<b>Liabilities:</b>																
Liabilities of the segment	765,338,900	882,846,102	14,455,730	18,987,658	77,538,379	56,687,199	370,021,458	436,779,079	1,498,035	1,505,666	1,395,798,073	1,395,798,073	(346,385,435)	(409,554,943)	882,474,698	984,466,006
	765,338,900	882,846,102	14,455,730	18,987,658	77,538,379	56,687,199	370,021,458	436,779,079	1,498,035	1,505,666	1,395,798,073	1,395,798,073	(346,385,435)	(409,554,943)	882,474,698	984,466,006
CAPEX	127,134,582	149,227,278	584,226	794,001	10,060,109	3,177,403	14,024,581	25,730,141	-	25,046	178,928,823	178,928,823	(73,888,116)	(271,407,784)	144,440,428	151,788,039

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

	Mobile network		Fixed network and internet		Eliminations		Telecommunications	
	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009
Income:								
Services rendered	592,757,616	607,022,975	237,645,533	245,199,641	(50,045,029)	(52,136,464)	780,358,120	800,086,152
Other operating revenues	33,418,687	36,181,554	1,792,040	2,548,032	(25,145,847)	(29,376,514)	10,064,880	9,353,072
Total revenues	626,176,303	643,204,529	239,437,573	247,747,673	(75,190,876)	(81,512,978)	790,423,000	809,439,224
Depreciation and amortisation	(91,478,384)	(110,556,482)	(33,024,526)	(38,772,576)	(159,761)	(52,639)	(124,662,671)	(149,381,697)
Operational results of the segments	94,024,816	56,081,322	(29,543,482)	(33,025,428)	(149,952)	(136,993)	64,331,382	22,918,901
Assets:								
Tangible assets and goodwill	695,939,434	657,068,238	163,484,015	197,609,295	-	7,510,087	859,423,449	854,677,532
Inventories	13,444,518	8,244,662	2,590,440	4,793,068	-	-	16,034,958	13,037,730
Financial investments	1,282,025	1,282,025	-	-	-	-	1,282,025	1,282,025
CAPEX	110,437,851	98,712,003	16,696,731	50,515,276	-	-	127,134,582	149,227,278

During the years ended at 31 December 2010 and 2009, the inter-segments sales and services were as follows:

	Telecommunications	Multimedia	Information Systems	Holding Activities	Others
<b>2010</b>					
Telecommunications	-	37,005	29,081,130	5,894,238	220,800
Multimedia	1,397,533	-	198,622	164,391	-
Information Systems	992,808	88,640	-	202,700	-
Holding Activities	66,461	4,091	60,221	-	-
Sonaecom others	1,408	-	-	1,066	-
Others	777,899,910	29,606,079	113,197,721	15,278	-
	780,358,120	29,735,815	142,537,694	6,277,673	220,800
<b>2009</b>					
Telecommunications	-	233,455	28,162,057	6,804,632	220,800
Multimedia	1,195,269	-	226,868	157,127	-
Information Systems	979,581	60,136	-	125,956	-
Holding Activities	73,003	4,083	65,182	-	-
Sonaecom others	1,408	-	-	41	-
Others	797,836,891	30,103,619	121,454,005	5,812	-
	800,086,152	30,401,293	149,908,112	7,093,568	220,800

### 38. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 41,182,587 in 2010 and Euro 5,748,497 in 2009) by the average number of shares outstanding during the years ended at 31 December 2010 and 2009, net of own shares (358,008,787 in 2010 and 359,776,301 in 2009).

### 39. Medium Term Incentive Plans

In June 2000, Sonaecom Group created a discretionary Medium Term Incentive Plan, for more senior employees, based on Sonaecom options and shares and Sonae S.G.P.S., S.A. shares. The vesting occurs three years after the award of each plan, assuming that the employees are still employed in the Group.

The Sonaecom plans outstanding at 31 December 2010 can be summarised as follows:

	Vesting period			31 December 2010	
	Share price at award date*	Award date	Vesting date	Aggregate number of participations	Number of options / shares
<b>Sonaecom shares</b>					
2006 Plan	4.697	09 Mar 2007	08 Mar 2010	-	-
2007 Plan	2.447	10 Mar 2008	09 Mar 2011	379	1,625,795
2008 Plan	1,117	10 Mar 2009	09 Mar 2012	394	3,476,627
2009 Plan	1.685	10 Mar 2010	08 Mar 2013	403	2,473,756
<b>Sonae SGPS shares</b>					
2006 Plan	1.680	09 Mar 2007	08 Mar 2010	-	-
2007 Plan	1.160	10 Mar 2008	09 Mar 2011	4	186,234
2008 Plan	0,526	10 Mar 2009	09 Mar 2012	4	389,258
2009 Plan	0.761	10 Mar 2010	08 Mar 2013	4	302,131

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

During the year ended at 31 December 2010, the movements that occurred in the plans can be summarised as follows:

	Sonaecom shares		Sonae SGPS shares	
	Aggregate number of participations	Number of shares	Aggregate number of participations	Number of shares
Outstanding at 31 December 2009:				
Unvested	1,192	6,575,867	17	877,654
Total	1,192	6,575,867	17	877,654
Movements in the year:				
Awarded	408	2,498,790	4	290,000
Vested	(381)	(943,725)	(5)	(131,764)
Vested beforehand	(8)	(96,880)	-	-
Cancelled / elapsed <sup>(1)</sup>	(35)	(457,874)	(4)	(158,267)
Outstanding at 31 December 2010:				
Unvested	1,176	7,576,178	12	877,623
<b>Total</b>	<b>1,176</b>	<b>7,576,178</b>	<b>12</b>	<b>877,623</b>

(1) Corrections are made according to the dividend paid or by changes in the capital.

For Sonaecom's share plans, the total responsibility is calculated taking into consideration the share price at 2 January 2009, the date after which the change of settlement of the share plans becomes effective, with the exception of the plans attributed in 2009 and 2010, for which responsibility is calculated based on the corresponding award date. The responsibility for the mentioned plans is Euro 4,812,753 and was recorded under the heading 'Medium Term Incentive Plans Reserve'. For the Sonae SGPS share plans, the Group entered into hedging contracts with external entities and the liabilities are calculated based on the prices agreed in those contracts and recorded under the headings of 'Other current liabilities' (note 28) and 'Other non-current liabilities' (note 24).

Share plan costs are recognised in the accounts over the year between the award and the vesting date of those shares. The costs recognised in previous years and in the year ended at 31 December 2010, were as follows:

	Amount
Costs recognised in previous years	23,493,468
Costs recognised in the year	3,423,057
Costs of plans from subsidiary Exit (no longer consolidated)	(8,882)
Costs of plans vested in previous year	(20,035,730)
Costs of plans vested in the year	(1,400,761)
<b>Total cost of the plans</b>	<b>5,471,152</b>
Recorded in other current liabilities (note 28)	214,096
Recorded in other non current liabilities (note 24)	444,303
Recorded in reserves	4,812,753



#### 40. Remuneration attributed to the key management personnel

During 2010 and 2009, the remunerations paid to Directors and other members of key management in functions at the years ended 31 December 2010 and 2009 (19 managers in 2010 and 14 in 2009) were as follows:

	2010	2009
Short-term employee benefits	3,305,557	2,733,421
Share-based payments	902,011	801,633
	<b>4,207,568</b>	<b>3,535,054</b>

The short-term employee benefits, which include the salary and performance bonus, were calculated on an accruals basis. The share-based payments for 2010 and 2009 correspond to the value of the Medium Term Incentive Plan and will be awarded in 2011, in respect of performance during 2010 (and the Medium Term Incentive Plan awarded in 2010 in respect of performance during 2009, for the 2009 amounts), whose shares, or the cash equivalent, will be delivered in March 2014 and March 2013, respectively. Full details on the Sonaecom Group remuneration policy are disclosed in the Corporate Governance Report.

#### 41. Fees of Statutory Auditor

In 2010, the Group paid, in respect of fees, to the Statutory Auditor of the Group, Deloitte, and its network of companies, the following amounts:

	2010	2009
Statutory audit	232,762	218,736
Other guarantee and reliability services	42,756	14,125
Tax Advice	13,283	44,176
Total	<b>288,801</b>	<b>277,037</b>

#### 42. Average number of employees

During the years ended at 31 December 2010 and 2009, the companies included in the consolidation employed an average number of 2,120 and 2,047, respectively. At 31 December 2010, the number of employees was 2,121.

#### 43. Other matters

At 31 December 2010, accounts receivable from customers and accounts payable to suppliers include Euro 371,392,53 and Euro 29,913,608, respectively, as well the captions 'Other current assets' and 'Other current liabilities' include Euro 411,649 and Euro 6,817,553, respectively, resulting from a dispute between the subsidiary Optimus - Comunicação, S.A. and, essentially, the operator TMN - Telecomunicações Móveis Nacionais, S.A., in relation to the vagueness of interconnection tariffs, recorded in the year ended 31 December 2001. The Group has considered the most penalising tariffs in their consolidated financial statements.

In the lower court, the decision was favourable to Optimus. The 'Tribunal da Relação' (Court of Appeal), on appeal, rejected the intentions of TMN. However, TMN again appealed to the 'Supremo Tribunal de Justiça' (Supreme Court), 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.

#### 44. Subsequent events

At 18 February 2010, the Group received a communication from “Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.”, stating that funds managed by this institution held, since 16 February 2011, 3,732.774 shares, corresponding to 1.019% of the share capital and voting rights of Sonaecom; thereby decreasing its qualified participation above 2%.

These consolidated financial statements were approved by the Board of Directors on 2 March 2011, being its conviction that these will be approved at Shareholders General Meeting without any changes.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

## Appendix

### Key management personnel - Sonaecom

Ana Cristina Dinis da Silva Fanha Vicente Soares	Franck Emmanuel Dangeard
Ana Paula Garrido Pina Marques	Gervais Pellissier
Ângelo Gabriel Ribeirinho dos Santos Paupério	Jean François Pontal
António Bernardo Aranha da Gama Lobo Xavier	José Manuel Pinto Correia
António de Sampaio e Mello	Manuel Antonio Neto Portugal Ramalho Eanes
Artur Carlos Gomes Loureiro	Maria Cláudia Teixeira de Azevedo
David Charles Denholm Hobley	Miguel Nuno Santos Almeida
David Graham Shenton Bain	Nuno Manuel Moniz Trigo Jordão
David Pedro Oliveira Parente Ferreira Alves	Pedro Rafael de Sousa Nunes Pedro
Duarte Paulo Teixeira de Azevedo	Rui José Silva Gonçalves Paiva

### Key management personnel - Sonae SGPS

Álvaro Carmona e Costa Portela	Luís Filipe Palmeira Lampreia
Álvaro Cuervo Garcia	Michel Marie Bon
Belmiro Mendes de Azevedo	Nuno Miguel Teixeira Azevedo

### Sonae/Efanor Group Companies

3DO Holding GmbH	Avenida M – 40 B.V.
3DO Shopping Centre GmbH	Avenida M – 40, S.A.
3shoppings – Holding S.G.P.S., S.A.	Azulino Imobiliária, S.A.
ADD/Avaliações Engenharia de Avaliações e Perícias Ltda	BB Food Service, S.A.
ADDmakler Administração e Corretagem de Seguros Ltda	Beeskow Holzwerkstoffe
ADDmakler Administradora, Corretora de Seguros Partic. Ltda	Beralands BV
Adlands B.V.	Bertimóvel – Sociedade Imobiliária, S.A.
Aegean Park, S.A.	Best Offer – Prest. Inf. p/Internet, S.A.
Agepan Eiweiler Management GmbH	Bikini, Portal de Mulheres, S.A.
Agepan Flooring Products, S.A.RL	Bloco Q – Sociedade Imobiliária, S.A.
Agepan Tarket Laminat Park GmbH Co. KG	Bloco W – Sociedade Imobiliária, S.A.
Aglom Investimentos, S.G.P.S., S.A.	Boavista Shopping Centre BV
Aglom-Soc. Ind. Madeiras e Aglom., S.A.	BOM MOMENTO – Comércio Retalhista, S.A.
Águas Furtadas – Imobiliária, S.A.	Boulanger España, SL
Airone – Shopping Center, Srl	Box Lines Navegação, S.A.
ALBCC Albufeirashopping C.Comercial S.A.	Campo Limpo, Lda
ALEXA Administration GmbH	Canasta – Empreendimentos Imobiliários, S.A.
ALEXA Asset GmbH & Co KG	Carnes do Continente – Ind.Distr.Carnes, S.A.
ALEXA Holding GmbH	CarPlus – Comércio de Automóveis, S.A.
ALEXA Shopping Centre GmbH	Casa Agrícola de Ambrães, S.A.
Alexa Site GmbH & Co. KG	Casa Agrícola João e A. Pombo, S.A.

## Sonae/Efanor Group Companies

Algarveshopping – Centro Comercial, S.A.	Casa da Ribeira – Hotelaria e Turismo, S.A.
Alpêssego – Soc. Agrícola, S.A.	Cascaishopping – Centro Comercial, S.A.
Andar – Sociedade Imobiliária, S.A.	Cascaishopping Holding I, SGPS, S.A.
Aqualuz – Turismo e Lazer, Lda	CCCB Caldas da Rainha – Centro Comercial, S.A.
Arat inmebles, S.A.	Centro Colombo – Centro Comercial, S.A.
ARP Alverca Retail Park, S.A.	Centro Residencial da Maia, Urban., S.A.
Arrábidasshopping – Centro Comercial, S.A.	Centro Vasco da Gama – Centro Comercial, S.A.
Aserraderos de Cuellar, S.A.	Change, SGPS, S.A.
Atlantic Ferries – Tráf.Loc.Flu.e Marít, S.A.	Chão Verde – Soc.Gestora Imobiliária, S.A.
Choice Car – Comércio de Automóveis, S.A.	Fashion Division, S.A.
Choice Car SGPS, S.A.	Finlog – Aluguer e Comércio de Automóveis, S.A.
Cia.de Industrias e Negócios, S.A.	Fontana Corretora de Seguros Ltda
Cinclus Imobiliária, S.A.	Fozimo – Sociedade Imobiliária, S.A.
Citorres – Sociedade Imobiliária, S.A.	Fozmassimo – Sociedade Imobiliária, S.A.
Clérigoshopping – Gestão do C.Comerc., S.A.	Freccia Rossa – Shopping Centre S.r.l.
Coimbrashopping – Centro Comercial, S.A.	Friengineering International Ltda
Colombo Towers Holding, BV	Fundo de Invest. Imobiliário Imosedo
Contacto Concessões, SGPS, S.A.	Fundo Invest.Imob.Shopp. Parque D.Pedro
Contibomba – Comérc.Distr.Combustiveis, S.A.	Gaiashopping I – Centro Comercial, S.A.
Contimobe – Imobil.Castelo Paiva, S.A.	Gaiashopping II – Centro Comercial, S.A.
Continente Hipermercados, S.A.	GHP GmbH
Contry Club da Maia-Imobiliaria, S.A.	Gli Orsi Shopping Centre 1 Srl
Cooper Gay (Holding) Limited	Global S – Hipermercado, Lda
Coral - Correctores de Seguros, S.A.	Glunz AG
Craiova Mall BV	Glunz Service GmbH
Cronosaúde – Gestão Hospitalar, S.A.	Glunz UK Holdings Ltd
Cumulativa – Sociedade Imobiliária, S.A.	Glunz Uka GmbH
Darbo S.A.S.	Golf Time – Golfe e Invest. Turísticos, S.A.
Developpement & Partenariat Assurances, S.A.	GOOD AND CHEAP – Comércio Retalhista, S.A.
Distrifin – Comercio y Prest.Servicios, S.A.	Guerin – Rent a Car (Dois), Lda.
Dortmund Tower GmbH	Guimarãesshopping – Centro Comercial, S.A.
Dos Mares – Shopping Centre B.V.	Harvey Dos Iberica, S.L.
Dos Mares – Shopping Centre, S.A.	Herco Consultoria de Riscos e Corretora de Seguros Ltda
Ecociclo – Energia e Ambiente, S.A.	HIPOTÉTICA – Comércio Retalhista, SA
Ecociclo II	Hornitex Polska Sp z.o.o
Edições Book.it, S.A.	Iberian Assets, S.A.
Edifícios Saudáveis Consultores, S.A.	IGI – Investimento Imobiliário, S.A.
Efanor – Design e Serviços, S.A.	Igimo – Sociedade Imobiliária, S.A.
Efanor – Indústria de Fios, S.A.	Iginha – Sociedade Imobiliária, S.A.
Efanor Investimentos, SGPS, S.A.	Imoareaia – Invest. Turísticos, SGPS, S.A.
Efanor Serviços de Apoio à Gestão, S.A.	Imobiliária da Cacela, S.A.
El Rosal Shopping, S.A.	Imoclub – Serviços Imobiliários, S.A.
Empreend.Imob.Quinta da Azenha, S.A.	Imoconti – Soc.Imobiliária, S.A.
Equador & Mendes, Lda	Imodivor – Sociedade Imobiliária, S.A.
Espimaia – Sociedade Imobiliária, S.A.	Imoestrutura – Soc.Imobiliária, S.A.
Estação Oriente – Gest.de Galerias Com., S.A.	Imoferro – Soc.Imobiliária, S.A.
Estação Viana – Centro Comercial, S.A.	Imohotel – Emp.Turist.Imobiliários, S.A.
Estêvão Neves – Hipermercados Madeira, S.A.	Imomuro – Sociedade Imobiliária, S.A.
Etablissement A. Mathe, S.A.	Imopenínsula – Sociedade Imobiliária, S.A.
Euromegantic, Lteé	Imoplamac Gestão de Imóveis, S.A.
Euroresinas – Indústrias Químicas, S.A.	Imoponte – Soc.Imobiliaria, S.A.
Farmácia Selecção, S.A.	Marmagno – Expl.Hoteleira Imob., S.A.
Imoresort – Sociedade Imobiliária, S.A.	Martimope – Sociedade Imobiliária, S.A.
Imoresultado – Soc.Imobiliaria, S.A.	Marvero – Expl.Hoteleira Imob., S.A.
Imosedas – Imobiliária e Seviços, S.A.	

## Sonae/Efanor Group Companies

Imosistema – Sociedade Imobiliária, S.A.	MC Property Management S.A.
Imosonae II	MC SGPS, S.A.
Impaper Europe GmbH & Co. KG	MDS Consultores, S.A.
Implantação – Imobiliária, S.A.	MDS Corretor de Seguros, S.A.
Infofield – Informática, S.A.	Mediterranean Cosmos Shop. Centre Investments, S.A.
Inparsi – Gestão Galeria Comercial, S.A.	Megantic BV
Inparvi SGPS, S.A.	Miral Administração e Corretagem de Seguros Ltda
Integrum – Edifícios Sustentáveis, S.A.	MJLF – Empreendimentos Imobiliários, S.A.
Integrum – Serviços Partilhados, S.A.	Modalfa – Comércio e Serviços, S.A.
Integrum Colombo Energia, S.A.	MODALLOOP – Vestuário e Calçado, S.A.
Interclean, S.A.	Modelo – Dist.de Mat. de Construção, S.A.
Interlog – SGPS, S.A.	Modelo Cont. Seguros-Soc. De Mediação, Lda
Investalentejo, SGPS, S.A.	Modelo Continente – Oper.Retalho SGPS, S.A.
Invsaude – Gestão Hospitalar, S.A.	Modelo Continente Hipermercados, S.A.
Ipaper – Industria Papeis Impregnados, S.A.	Modelo Continente, SGPS, S.A.
ISF – Imobiliário, Serviços e Participaç	Modelo Hiper Imobiliária, S.A.
Isoroy SAS	Modelo Hipermercados Trading, S.A.
JUST SPORT – Comércio Art. Desporto, S.A.	Modelo.com – Vendas p/Correspond., S.A.
KLC Holdings XII S.A.	Monselice Centre Srl
La Farga – Shopping Center, SL	Movelpartes – Comp.para Ind.Mobiliária, S.A.
Larim Corretora de Resseguros Ltda	Movimento Viagens – Viag. e Turismo U.Lda
Larissa Develop. Of Shopping Centers, S.A.	Mundo Vip – Operadores Turisticos, S.A.
Lazam – MDS Corretora e Administradora de Seguros, S.A.	NA – Comércio de Artigos de Desporto, S.A.
Lazam Corretora, Ltda.	NA – Equipamentos para o Lar, S.A.
LCC LeiriaShopping Centro Comercial S.A.	NAB, Sociedade Imobiliária, S.A.
Le Terrazze - Shopping Centre 1 Srl	Norscut – Concessionária de Scut Interior Norte, S.A.
Lembo Services Ltd (Euro)	Norte Shop. Retail and Leisure Centre BV
Libra Serviços, Lda.	Norteshopping – Centro Comercial, S.A.
Lidergraf – Artes Gráficas, Lda.	Nova Equador Internacional,Ag.Viag.T, Lda
Lima Retail Park, S.A.	Nova Equador P.C.O. e Eventos
Loureshopping – Centro Comercial, S.A.	Novobord (PTY) Ltd.
Luso Assistência – Gestão de Acidentes, S.A.	Oeste Retail Park – Gestão G.Comerc., S.A.
Luz del Tajo – Centro Comercial S.A.	Operscut – Operação e Manutenção de Auto-estradas, S.A.
Luz del Tajo B.V.	OSB Deustchland GmbH
Madeirashopping – Centro Comercial, S.A.	Paracentro – Gest.de Galerias Com., S.A.
Maiashopping – Centro Comercial, S.A.	Pareuro, BV
Maiequipa – Gestão Florestal, S.A.	Park Avenue Develop. of Shop. Centers S.A.
Marcas do Mundo – Viag. e Turismo Unip, Lda	Parque Atlântico Shopping – C.C., S.A.
Marcas MC, ZRT	Parque D. Pedro 1 B.V.
Marimo – Exploração Hoteleira Imobiliária	Parque D. Pedro 2 B.V.
Marina de Tróia S.A.	Parque de Famalicão – Empr. Imob., S.A.
Marinamagic – Expl.Cent.Lúdicos Marít, Lda	Parque Principado SL
Pátio Boavista Shopping Ltda.	Project SC 2 BV
Pátio Campinas Shopping Ltda	Project Sierra 1 B.V.
Pátio Goiânia Shopping Ltda	Project Sierra 1 B.V.
Pátio Londrina Empreend. e Particip. Ltda	Project Sierra 2 B.V.
Pátio Penha Shopping Ltda.	Project Sierra 3 BV
Pátio São Bernardo Shopping Ltda	Project Sierra 4 BV
Pátio Sertório Shopping Ltda	Project Sierra 6 BV
Peixes do Continente – Ind.Dist.Peixes, S.A.	Project Sierra 7 BV
Pharmaconcept – Actividades em Saúde, S.A.	Project Sierra 8 BV
PHARMACONTINENTE – Saúde e Higiene, S.A.	Project Sierra 9 BV
PJP – Equipamento de Refrigeração, Lda	Project Sierra Brazil 1 B.V.
Plaza Eboli B.V.	Project Sierra Charagionis 1 S.A.
Plaza Eboli – Centro Comercial S.A.	Project Sierra Germany Shop. Center 1 BV
Plaza Mayor Holding, SGPS, S.A.	Project Sierra Germany Shop. Center 2 BV
Plaza Mayor Parque de Ócio B.V.	Project Sierra Italy 5 Srl

## SonaE/Efanor Group Companies

Plaza Mayor Parque de Ocio, S.A.	Project Sierra Spain 1 B.V.
Plaza Mayor Shopping B.V.	Project Sierra Spain 2 – Centro Comer. S.A.
Plaza Mayor Shopping, S.A.	Project Sierra Spain 2 B.V.
Ploi Mall BV	Project Sierra Spain 3 – Centro Comer. S.A.
Ploiesti Shopping Center (Euro)	Project Sierra Spain 3 B.V.
Poliface Brasil, Ltda	Project Sierra Spain 5 BV
Poliface North America	Project Sierra Spain 6 – Centro Comer. S.A.
Porturbe – Edifícios e Urbanizações, S.A.	Project Sierra Spain 6 B.V.
Praedium II – Imobiliária, S.A.	Project Sierra Spain 7 – Centro Comer. S.A.
Praedium III – Serviços Imobiliários, S.A.	Project Sierra Spain 7 B.V.
Praedium SGPS, S.A.	Project Sierra Three Srl
Predicomercial – Promoção Imobiliária, S.A.	Project Sierra Two Srl
Prédios Privados Imobiliária, S.A.	Promessa Sociedade Imobiliária, S.A.
Predisedas – Predial das Sedas, S.A.	Prosa – Produtos e serviços agrícolas, S.A.
Pridelease Investments, Ltd	Publimeios – Soc.Gestora Part. Finan., S.A.
Proj. Sierra Germany 1 – Shop.C. GmbH	Puravida – Viagens e Turismo, S.A.
Proj. Sierra Germany 4 (four) – Sh.C.GmbH	Racionaliz. y Manufact.Florestales, S.A.
Proj. Sierra Italy 2 – Dev.of Sh.C. Srl	RASO, SGPS, S.A.
Proj.Sierra 1 – Shopping Centre GmbH	Resoflex – Mob.e Equipamentos Gestão, S.A.
Proj.Sierra Germany 2 (two) – Sh.C.GmbH	Resolução, SGPS, S.A.
Proj.Sierra Germany 3 (three) – Sh.C.GmbH	Rio Sul – Centro Comercial, S.A.
Proj.Sierra Italy 1 – Shop.Centre Srl	River Plaza Mall, Srl
Proj.Sierra Italy 2 – Dev. Of Sh.C.Srl	Rochester Real Estate, Limited
Proj.Sierra Italy 3 – Shop. Centre Srl	RSI Corretora de Seguros Ltda
Proj.Sierra Portugal III – C.Comerc., S.A.	S. C. Setler Mina Srl
Proj.Sierra Portugal VIII – C.Comerc., S.A.	S.C. Microcom Doi Srl
Project 4, Srl	Saúde Atlântica – Gestão Hospitalar, S.A.
Project SC 1 BV	SC – Consultadoria, S.A.
SC – Eng. e promoção imobiliária,SGPS, S.A.	Sierra Investments SGPS, S.A.
SC Aegean B.V.	Sierra Italy Holding B.V.
SC Assets SGPS, S.A.	Sierra Man.New Tech.Bus. – Serv.Comu.CC, S.A.
SC Mediterranean Cosmos B.V.	Sierra Management Germany GmbH
SCS Beheer, BV	Sierra Management Hellas S.A.
Selfrio – Engenharia do Frio, S.A.	Sierra Management II – Gestão de C.C. S.A.
Selfrio,SGPS, S.A.	Sierra Management Italy S.r.l.
Selifa – Empreendimentos Imobiliários, S.A.	Sierra Management Portugal – Gest. CC, S.A.
Sempre à Mão – Sociedade Imobiliária, S.A.	Sierra Management Spain – Gestión C.Com.S.A.
Sempre a Postos – Produtos Alimentares e Utilidades, Lda	Sierra Management, SGPS, S.A.
Serra Shopping – Centro Comercial, S.A.	Sierra Portugal Fund, Sarl
Sesagest – Proj.Gestão Imobiliária, S.A.	Sierra Property Management, Srl
Sete e Meio – Invest. Consultadoria, S.A.	SII – Soberana Invest. Imobiliários, S.A.
Sete e Meio Herdades – Inv. Agr. e Tur., S.A.	SIRS – Sociedade Independente de Radiodifusão Sonora, S.A.
Shopping Centre Colombo Holding, BV	Sistavac – Sist.Aquecimento,V.Ar C., S.A.
Shopping Centre Parque Principado B.V.	SKK – Central de Distr., S.A.
Shopping Penha B.V.	SKK SRL
Siaf – Soc.Iniciat.Aprov.Florestais, S.A.	SKKFOR – Ser. For. e Desen. de Recursos
SIAL Participações Ltda	SMP – Serv. de Manutenção Planeamento
Sic Indoor – Gestão de Suportes Publicitários, S.A.	Soc.Inic.Aproveit.Florest. – Energias, S.A.
Sierra Asset Management – Gest. Activos, S.A.	Sociedade de Construções do Chile, S.A.
Sierra Asset Management Luxemburg, Sarl	Sociedade Imobiliária Troia – B3, S.A.
Sierra Berlin Holding BV	Société de Tranchage Isoroy S.A.S.
Sierra Brazil 1 B.V.	Socijofra – Sociedade Imobiliária, S.A.
Sierra Central S.A.S	Sociloures – Soc.Imobiliária, S.A.
Sierra Charagionis Develop.Sh. Centre S.A.	Soconstrução BV
Sierra Charagionis Propert.Management S.A.	Sodesa, S.A.
Sierra Corporate Services – Ap.Gestão, S.A.	Soflorin, BV
Sierra Corporate Services Holland, BV	Soira – Soc.Imobiliária de Ramalde, S.A.

## Sonae/Efanor Group Companies

Sierra Develop.Iberia 1, Prom.Imob., S.A.	Solaris Supermercados, S.A.
Sierra Development Greece, S.A.	Solinca – Investimentos Turísticos, S.A.
Sierra Developments – Serv. Prom.Imob., S.A.	Solinca III – Desporto e Saúde, S.A.
Sierra Developments Germany GmbH	Solinfitness – Club Malaga, S.L.
Sierra Developments Holding B.V.	Soltroia – Imob.de Urb.Turismo de Tróia, S.A.
Sierra Developments Italy S.r.l.	Sonae Capital Brasil, Lda
Sierra Developments Services Srl	Sonae Capital,SGPS, S.A.
Sierra Developments Spain – Prom.C.Com.SL	Sonae Center Serviços, S.A.
Sierra Developments, SGPS, S.A.	Sonae Center II S.A.
Sierra Enplanta Ltda	Sonae Financial Participations BV
Sierra European R.R.E. Assets Hold. B.V.	Sonae Ind., Prod. e Com.Deriv.Madeira, S.A.
Sierra GP Limited	Sonae Indústria – SGPS, S.A.
Sierra Investimentos Brasil Ltda	Sonae Indústria Brasil, Ltda
Sierra Investments (Holland) 1 B.V.	Sonae Industria de Revestimentos, S.A.
Sierra Investments (Holland) 2 B.V.	Sonae Investments, BV
Sierra Investments Holding B.V.	Sonae Novobord (PTY) Ltd
Sonae RE, S.A.	Tecmasa Reciclados de Andalucia, SL
Sonae Retalho Espana – Servicios Gen., S.A.	Teconologias del Medio Ambiente, S.A.
Sonae Serviços de Gestão, S.A.	Terra Nossa Corretora de Seguros Ltda
Sonae, SGPS, S.A.	Textil do Marco, S.A.
Sonae Sierra Brasil Ltda	Tlantic Portugal – Sist. de Informação, S.A.
Sonae Sierra Brazil B.V.	Tlantic Sistemas de Informação Ltdª
Sonae Sierra, SGPS, S.A.	Todos os Dias – Com.Ret.Expl.C.Comer., S.A.
Sonae Tafibra Benelux, BV	Tool GmbH
Sonae Turismo – SGPS, S.A.	Torre Colombo Ocidente – Imobiliária, S.A.
Sonae Turismo Gestão e Serviços, S.A.	Torre Colombo Oriente – Imobiliária, S.A.
Sonae UK, Ltd.	Torre São Gabriel – Imobiliária, S.A.
Sonaecenter Serviços, S.A.	TP – Sociedade Térmica, S.A.
Sonaegest – Soc.Gest.Fundos Investimentos	Troia Market – Supermercados, S.A.
Sondis Imobiliária, S.A.	Troia Market, S.A.
Sontel BV	Tróia Natura, S.A.
Sontur BV	Troiareort – Investimentos Turísticos, S.A.
Sonvecap BV	Troiaverde – Expl.Hoteleira Imob., S.A.
Sopair, S.A.	Tulipamar – Expl.Hoteleira Imob., S.A.
Sótaqua – Soc. de Empreendimentos Turist	Unishopping Administradora Ltda.
Spanboard Products, Ltd	Unishopping Consultoria Imob. Ltda.
SPF – Sierra Portugal Real Estate, Sarl	Urbisedas – Imobiliária das Sedas, S.A.
Spinveste – Gestão Imobiliária SGII, S.A.	Valecenter Srl
Spinveste – Promoção Imobiliária, S.A.	Valor N, S.A.
Sport Zone – Comércio Art.Desporto, S.A.	Vastgoed One – Sociedade Imobiliária, S.A.
SRP Development, S.A.	Vastgoed Sun – Sociedade Imobiliária, S.A.
Tableros Tradema, S.L.	Venda Aluga – Sociedade Imobiliária, S.A.
Tafiber,Tableros de Fibras Ibéricas, SL	Via Catarina – Centro Comercial, S.A.
Tafibras Participações, S.A.	Viajens y Turismo de Geotur España, S.L.
Tafisa – Tableros de Fibras, S.A.	Vuelta Omega, S.L.
Tafisa Canadá Societé en Commandite	WELL W – Electrodomésticos e Equip., SA
Tafisa France, S.A.	World Trade Center Porto, S.A.
Tafisa UK, Ltd	Worten – Equipamento para o Lar, S.A.
Taiber,Tableros Aglomerados Ibéricos, SL	Worten España, S.A.
Tarkett Agepan Laminate Flooring SCS	Zubiarte Inversiones Inmob, S.A.
Tavapan, S.A.	

## FT Group Companies

France Telecom, S.A.

Atlas Services Belgium, S.A.

## 6.3 Sonaecom individual financial statements

### Balance sheets

At 31 December 2010 and 2009

	Notes	December 2010	December 2009
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	1.a), 1.e) and 2	428,818	516,887
Intangible assets	1.b) and 3	8,476	27,603
Investments in Group companies	1.c) and 5	996,797,029	925,155,905
Other non-current assets	1.c), 1.l), 1.m), 4 and 6	560,706,652	635,868,036
<b>Total non-current assets</b>		<b>1,557,940,975</b>	<b>1,561,568,431</b>
<b>Current assets</b>			
Other current debtors	1.d), 1.f), 4 and 8	9,668,483	7,618,844
Other current assets	1.l), 1.m) e 9	1,638,580	7,001,871
Cash and cash equivalents	1.g), 4 and 10	75,631,256	3,189,749
<b>Total current assets</b>		<b>86,938,319</b>	<b>17,810,464</b>
<b>Total assets</b>		<b>1,644,879,294</b>	<b>1,579,378,895</b>
<b>Shareholder' funds and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	11	366,246,868	366,246,868
Own shares	1.o) and 12	(15,030,834)	(12,809,015)
Reserves	1.n)	788,244,305	795,738,278
Net income / (loss) for the year		135,403,787	(6,056,465)
<b>Total Shareholders' funds</b>		<b>1,274,864,126</b>	<b>1,143,119,666</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Medium and long-term loans – net of short-term portion	1.h), 4 and 13.a)	304,333,736	298,531,561
Provisions for other liabilities and charges	1.j), 1.m) and 14	56,487	41,634
Other non-current liabilities	1.l), 1.m), 1.r) and 15	374,091	247,722
Deferred tax liabilities	1.k), 1.m) and 7	-	10,480
<b>Total non-current liabilities</b>		<b>304,764,314</b>	<b>298,831,397</b>
<b>Current liabilities</b>			
Short-term loans and other loans	1.h), 1.g) 4, and 13.b)	53,472,759	134,585,855
Other creditors	4 and 16	10,367,886	798,465
Other current liabilities	1.l), 1.m), 1.r) and 17	1,410,209	2,043,512
<b>Total current liabilities</b>		<b>65,250,854</b>	<b>137,427,832</b>
<b>Total Shareholders' funds and liabilities</b>		<b>1,644,879,294</b>	<b>1,579,378,895</b>

The notes are an integral part of the financial statements at 31 December 2010 and 2009.

#### The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

#### The Board of Directors

Duarte Paulo Teixeira de Azevedo  
 Ângelo Gabriel Ribeirinho Paupério  
 António Bernardo Aranha da Gama Lobo Xavier  
 Maria Cláudia Teixeira de Azevedo

Miguel Nuno Santos Almeida  
 António Sampaio e Mello  
 David Charles Denholm Hobley  
 Frank Emmanuel Dangeard

Gervais Gilles Pellissier  
 Jean-François René Pontal  
 Nuno Miguel Moniz Trigo Santos Jordão



## Profit and Loss account by nature

For the year ended at 31 December 2010 and 2009

	Notes	December 2010	September to December 2010 (Not audit)	December 2009	September to December 2009 (Not audit)
Services rendered	18	6,278,651	1,454,415	7,114,067	1,689,203
Other operating revenues	1.f)	14,584	9,512	23,247	5,765
		6,293,235	1,463,927	7,137,314	1,694,968
External supplies and services	19 and 21	(2,781,738)	(514,500)	(3,548,014)	(1,050,780)
Staff expenses	1.r), 25 and 26	(4,358,462)	(1,084,081)	(4,612,452)	(1,212,150)
Depreciation and amortisation	1.a), 1.b), 1.q), 2 and 3	(111,539)	(24,028)	(134,923)	(36,937)
Provisions and impairment losses	1.j), 1.q) and 14	-	-	(14)	450,000
Other operating costs		(137,269)	(10,517)	(92,792)	(25,981)
		(7,389,008)	(1,633,126)	(8,388,195)	(1,875,848)
Gains and losses on Group companies	20	129,026,996	126,460,673	(6,071,000)	(2,051,000)
Other financial expenses	1.c), . h), 1.q), 13, 20 and 21	(7,949,668)	(2,148,197)	(10,904,516)	(1,662,463)
Other financial income	1.c), 13, 20 and 21	16,671,281	2,120,062	12,240,316	4,754,966
<b>Current income / (loss)</b>		<b>136,652,836</b>	<b>126,263,339</b>	<b>(5,986,081)</b>	<b>860,623</b>
Income taxation	1.k) and 7	(1,249,049)	276,732	(70,384)	(759,754)
<b>Net income / (loss) for the year</b>		<b>135,403,787</b>	<b>126,540,071</b>	<b>(6,056,465)</b>	<b>100,869</b>
<b>Earnings per share</b>	23				
Including discontinued operations:					
Basic		0.38	0.35	(0.02)	0.00
Diluted		0.38	0.35	(0.02)	0.00
Excluding discontinued operations:					
Basic		0.38	0.35	(0.02)	0.00
Diluted		0.38	0.35	(0.02)	0.00

The notes are an integral part of the financial statements at 31 December 2010 and 2009.

### The Chief Accountant

Patrícia Maria Cruz Ribeiro da Silva

### The Board of Directors

Duarte Paulo Teixeira de Azevedo  
 Ângelo Gabriel Ribeirinho Paupério  
 António Bernardo Aranha da Gama Lobo Xavier  
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 David Charles Denholm Hobley  
 Frank Emmanuel Dangeard

Gervais Gilles Pellissier  
 Jean-François René Pontal  
 Nuno Miguel Moniz Trigos Santos Jordão

## Statement comprehensive income

For the year ended at 31 December 2010 and 2009

	Notes	December 2010	December 2009
Net income / (loss) for the year		135,403,787	(6,056,465)
Components of other comprehensive income, net of tax:			
Increase / (decrease) in financial hedging instruments' fair value	1.i) and 13	-	307,068
Components of other comprehensive income, net of tax		-	307,068
<b>Statement comprehensive income for the year</b>		<b>135,403,787</b>	<b>(5,749,397)</b>

The notes are an integral part of the financial statements at 31 December 2010 and 2009.

### The Chief Accountant

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## Movements in Shareholders' funds

For the year ended at 31 December 2010 and 2009

	2010					Reserves					Net income / (loss)	Total
	Share capital	Own shares (note 12)	Share premium	Legal reserves	Medium Term Incentive Plans reserves (note 24)	Own shares reserves	Hedging reserves	Other reserves	Total reserves			
Balance at 31 December 2009	366,246,868	(12,809,015)	775,290,377	1,985,181	361,418	12,809,015	-	5,292,287	795,738,278	(6,056,465)	1,143,119,666	
Appropriation of result of 2009	-	-	-	-	-	-	-	(6,056,465)	(6,056,465)	6,056,465	-	
Use of legal reserve to cover the accumulated losses recorded in the individual accounts	-	-	-	(764,178)	-	-	-	764,178	-	-	-	
Comprehensive income for the year ended at 31 December 2010	-	-	-	-	-	-	-	-	-	135,403,787	135,403,787	
Delivery of own shares under the Medium Term Incentive Plans	-	2,723,096	-	-	(69,962)	(2,723,096)	-	1,095,625	(1,697,433)	-	1,025,663	
Effect of the recognition of the Medium Term Incentive Plans	-	-	-	-	259,925	-	-	-	259,925	-	259,925	
Acquisition of own shares	-	(4,944,915)	-	-	-	4,944,915	-	(4,944,915)	-	-	(4,944,915)	
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)	798,244,305	135,403,787	1,274,864,126	

For the year ended at 31 December 2010 and 2009

	2009					Reserves					Net income / (loss)	Total
	Share capital	"Own shares (note 12)"	Share premium	Legal reserves	Medium Term Incentive Plans reserves (note 24)	Own shares reserves	Hedging reserves	Other reserves	Total reserves			
Balance at 31 December 2008	366,246,868	(13,499,750)	775,290,377	1,002,287	-	13,499,750	(307,068)	(13,792,204)	775,693,142	19,657,889	1,148,098,149	
Appropriation of result of 2008	-	-	-	982,894	-	-	-	18,674,995	19,657,889	(19,657,889)	-	
Comprehensive income for the year ended at 31 December 2009	-	-	-	-	-	-	-	307,068	307,068	(6,056,465)	(5,749,397)	
Delivery of own shares under the Medium Term Incentive Plans	-	3,825,612	-	-	(86,526)	(3,825,612)	-	3,660,773	(251,365)	-	3,574,247	
Effect of the recognition of the Medium Term Incentive Plans	-	-	-	-	240,790	-	-	-	240,790	-	240,790	
Transfer to liabilities of the responsibilities associated with the Medium Term Incentive	-	-	-	-	207,154	-	-	-	207,154	-	207,154	
Recognition of contracts with share liquidation	-	-	-	-	-	-	-	(116,400)	(116,400)	-	(116,400)	
Acquisition of own shares	-	(3,134,877)	-	-	-	3,134,877	-	(3,134,877)	-	-	(3,134,877)	
Balance at 31 December 2009	366,246,868	(12,809,015)	775,290,377	1,985,181	361,418	12,809,015	-	5,292,287	795,738,278	(6,056,465)	1,143,119,666	

## Cash Flow statements

For the year ended at 31 December 2010 and 2009

	31 December 2010		31 December 2009	
<b>Operating activities</b>				
Payments to employees	(4,208,997)		(4,248,366)	
Cash flows from operating activities	(4,208,997)		(4,248,366)	
Payments / receipts relating to income taxes, net	(1,415,920)		1,096,942	
Other payments / receipts relating to operating activities, net	9,585,807		885,175	
<b>Cash flows from operating activities (1)</b>	<b>3,960,890</b>	<b>3,960,890</b>	<b>(2,266,249)</b>	<b>(2,266,249)</b>
<b>Investing activities</b>				
Receipts from:				
Investments	23,788,458		7,974,187	
Tangible assets	-		601	
Intangible assets	-		284	
Interest and similar income	15,390,097		15,590,569	
Loans granted	49,220,000		-	
Dividends	136,960,673	225,359,228	3,480,000	270,456,641
Payments for:				
Investments	(92,470,000)		(865,200)	
Tangible assets	(309)		(112,137)	
Intangible assets	(2,065)		(999)	
Loans granted	-	(92,472,374)	(78,036,000)	(79,014,336)
<b>Cash flows from investing activities (2)</b>		<b>132,886,854</b>		<b>(51,968,695)</b>
<b>Financing activities</b>				
Receipts from:				
Loans obtained	70,000,000	70,000,000	50,385,000	50,385,000
Payments for:				
Interest and similar expenses	(7,011,322)		(12,551,344)	
Acquisition of own shares	(4,944,915)		(3,134,876)	
Loans obtained	(122,450,000)	(134,406,237)	(27,373,000)	(43,059,220)
<b>Cash flows from financing activities (3)</b>		<b>(64,406,237)</b>		<b>7,325,780</b>
<b>Net cash flows (4)=(1)+(2)+(3)</b>		<b>72,441,507</b>		<b>(46,909,164)</b>
<b>Effect of the foreign exchanges</b>				
Cash and cash equivalents at the beginning of the year		3,189,749		50,098,913
Cash and cash equivalents at year end		75,631,256		3,189,749

The notes are an integral part of the financial statements at 31 December 2010 and 2009.

### Chief Accountant

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## Notes to the cash flow statements

For the year ended at 31 December 2010 and 2009

	2010	2009
<b>1. Acquisition or sale of subsidiaries or other businesses</b>		
<b>a) Other business activities</b>		
Reimburse of supplementary capital from Sonae Telecom S.G.P.S., S.A	15,788,458	-
Reimburse of supplementary capital from Sonaetelecom BV	8,000,000	-
Supplementary capital to Sonae com Sistemas de Informação, S.G.P.S.,S.A.	-	7,974,187
	23,788,458	7,974,187
<b>b) Other business activities</b>		
Supplementary capital to Sonae Telecom S.G.P.S., S.A	38,630,000	-
Supplementary capital to Sonaetelecom BV	27,300,000	-
Share Premium increase in Sonaecom BV	25,000,000	-
Share capital increase in Sonae Telecom S.G.P.S., S.A	1,490,000	-
Establishment of PCJ - Público, Comunicação e Jornalismo, S.A.	50,000	-
Reimburse of supplementary capital from Miauger - Organização e Gestão de Leilões Electrónicos, S.A.	-	800,000
Share capital increase in Sonaecom - Serviços de Comunicações, S.A.	-	65,200
	92,470,000	865,200
<b>2. Details of cash and cash equivalents</b>		
Cash in hand	10,318	10,974
Cash at bank	216,938	284,775
Treasury applications	75,404,000	2,894,000
Overdrafts	-	-
Cash and cash equivalents	75,631,256	3,189,749
Overdrafts	-	-
<b>Cash assets</b>	75,631,256	3,189,749
<b>3. Description of non-monetary financing activities</b>		
a) Bank credit obtained and not used	150,750,000	140,500,000
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 2010 and 2009.

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## 6.4. Notes to the individual financial statements

SONAECOM, S.G.P.S., S.A., (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal.

Pargeste, S.G.P.S., S.A.'s subsidiaries in the communications and information technology area were transferred to the Company through a demerger-merger process, executed by public deed dated 30 September 1997.

On 3 November 1999, the Company's share capital was increased, its Articles of Association were modified and its name was changed to Sonae.com, S.G.P.S., S.A.. Since then the Company's corporate object has been the management of investments in other companies. Also on 3 November 1999, the Company's share capital was re-denominated to euro, being represented by one hundred and fifty million shares with a nominal value of 1 euro each.

On 1 June 2000, the Company carried out a Combined Share Offer, involving the following:

- A Retail Share Offer of 5,430,000 shares, representing 3.62% of the share capital, made in the domestic market and aimed at: (i) employees of the Sonae Group; (ii) customers of the companies controlled by Sonaecom; and (iii) the general public;
- An Institutional Offering for sale of 26,048,261 shares, representing 17.37% of the share capital, aimed at domestic and foreign institutional investors.

In addition to the Combined Share Offer, the Company's share capital was increased under the terms explained below. The new shares were fully subscribed for and paid up by Sonae, S.G.P.S., S.A. (a Shareholder of Sonaecom, hereinafter referred to as 'Sonae'). The capital increase was subscribed for and paid up on the date the price of the Combined Share Offer was determined, and paid up in cash, 31,000,000 new ordinary shares of 1 Euro each being issued. The subscription price

for the new shares was the same as that fixed for the sale of shares in the aforementioned Combined Share Offer, which was Euro 10.

In addition, Sonae sold, 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, S.G.P.S., 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, 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 O93X – Telecomunicações Celulares, S.A. (EDP) and Parública – Participações Públicas, S.G.P.S., S.A. (Parública). The corresponding public deed was executed on 18 October 2006.

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

The financial statements are presented in euro, rounded at unit.

## 1. Basis of presentation

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

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

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

The following standards, interpretations, amendments and revisions approved (endorsed) by the European Union have mandatory application to financial years beginning on or after 1 January 2010 and were first adopted in the year ended at 31 December 2010:

Standard / Interpretation	Effective date (annual periods beginning on or after)
<b>Revised IFRS 1 – First-time adoption of IFRS</b> This standard was revised to consolidate the various amendments that have occurred since its first release.	<b>1-Jan-10*</b>
<b>IFRS 1 – Amendments (Additional exemptions for first-time adopters)</b> These amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue costs or efforts in the transition process.	<b>1-Jan-10</b>
<b>IFRS 2 – Amendments (Accounting for group cash-settled share-based payment transactions)</b> These amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements.	<b>1-Jan-10</b>
<b>IFRS 3 – Business combinations and IAS 27 Consolidated and separate financial statements (2008 revision)</b> This revision brings some changes on the accounting of business combinations, namely: (a) the mensuration of non-controlling interests (previously known as minority interests); (b) the recognition and measurement of contingent consideration; (c) the treatment of acquisition-related costs; (d) the accounting of the acquisition of equity interests on already controlled subsidiaries, and of the disposal of equity interests without the loss of control; and (e) the calculation of the gain or loss on the disposal of a controlling interest, and the need for the remeasurement of the residual interest.	<b>1-Jul-09</b>
<b>IAS 28 – Investments in associates (2008 revision)</b> The above described principles, adopted by IAS 27 (2008), on the calculation of the gain or loss on the disposal, are extended to IAS 28.	<b>1-Jul-09</b>

\* The effective date in accordance with the adoption by the EU was subsequent to the effective date originally established by the standard.

Standard / Interpretation	Effective date (annual periods beginning on or after)
<b>Amendment to IAS 39 – Financial instruments: recognition and measurement - Eligible hedged items</b> Clarifies the use of hedge accounting on the inflation component of financial instruments, and on options, when used as a hedge item.	1-Jul-09
<b>IFRIC 12 – Service concession arrangements</b> This interpretation introduces rules on recognition and measurement by the private operator involved in the provision of infrastructure construction and operating under public-private partnership concessions.	1-Jan-10*
<b>IFRIC 15 – Agreements for the construction of real estate</b> This interpretation establishes the way to assess whether a construction agreement for a property is within the scope of IAS 11 – Construction Contracts or in the scope of IAS 18 – Revenue and how the corresponding revenue should be recognised.	1-Jan-10*
<b>IFRIC 16 – Hedges of a net investment in a foreign operation</b> This interpretation provides guidance on hedge accounting for net investments in foreign operations.	1-Jul-09 *
<b>IFRIC 17 – Distribution of non-cash assets to owners</b> This interpretation provides guidance on the proper accounting for assets other than cash distributed to Shareholders as dividends.	1-Jul-09 *
<b>IFRIC 18 – Transfer of assets from customers</b> This interpretation provides guidance on accounting, by operators, of tangible assets 'of customers'.	Transfers made on or after 1-Jul-09 *
<b>Improvements to IFRSs – 2008</b> This process included the review of 12 accounting standards. * The effective date in accordance with the adoption by the EU was subsequent to the effective date originally established by the standard.	1-Jan-10

The application of these standards did not have significant impacts on the Company's financial statements.

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 future financial years:

Standard / Interpretation	Effective date (annual periods beginning on or after)
<b>IFRS 1 - Amendment (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters)</b> The amendment ensures that first-time adopters benefit from the same transition provisions that the Amendment to IFRS 7 introduced in March 2009 (Improving Disclosures about Financial Instruments) provides to current IFRS preparers.	1-Jul-10
<b>IAS 32 – Amendments (Classification of issuing rights)</b> The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.	1-Feb-10*
<b>Revised IAS 24 – (Related Parties Disclosures)</b> The revised standard addresses concerns that the previous disclosure requirements and definition of a 'related party' were too complex and difficult to apply in practice, particularly in environments where government control is pervasive, by: (1) providing a partial exemption for government-related entities; (2) providing a revised definition of a related party.	1-Jan-11
<b>IFRIC 14 – Amendments (Voluntary pre-paid contributions)</b> The amendments correct an unintended consequence of IFRIC 14. Without the amendments, in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions.	1-Jan-11
<b>IFRIC 19 – (Extinguishing Financial Liabilities with Equity Instruments)</b> Clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to fully or partially settle the financial liability. * The effective date in accordance with the adoption by the EU was subsequent to the effective date originally established by the standard.	1-Jul-10 *



These standards, although approved (endorsed) by the European Union, were not adopted by the Company for the year ended at 31 December 2010, as the application of these standards is not yet mandatory. No significant impacts are expected to arise in the financial statements resulting from their adoption.

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)
<b>IFRS 9 - (Financial Instruments)</b> This standard is the first step in the project to replace IAS 39, it introduces new requirements for classifying and measuring financial assets.	<b>1-Jan-13</b>
<b>Improvements to IFRSs – 2008/2010</b> This process included the review of 7 accounting standards.	<b>Various (earliest is 1-Jul-10)</b>

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 2010 are comparable with those used in the preparation of the individual financial statements at 31 December 2009.

### Main accounting policies

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

#### a) Tangible assets

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

Depreciations are calculated on a straight-line monthly basis as from the date the assets are available for use in the necessary conditions to operate as intended by the management, by a corresponding charge to the profit and loss statement caption 'Depreciation and amortisation'.

Impairment losses detected in the realisation value of tangible assets are recorded in the year in which they arise, by a corresponding charge to the caption 'Depreciation and amortisation' of the profit and loss statement.

The annual depreciation rates used correspond to the estimated useful life of the assets, which are as follows:

	Years of useful life
Buildings and others constructions – improvements in buildings owned by third parties	10-20
Plant and machinery	3-8
Fixtures and fittings	3-10
Tools	4-8
Other tangible assets	4

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

#### b) Intangible assets

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

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

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

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

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

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

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

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

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

The expenses incurred with the acquisition of investments in Group companies are recorded as cost when they are incurred.

#### **d) Financial instruments**

The Company classifies its financial instruments in the following categories: 'financial assets at fair value through profit or loss', 'loans and receivables', 'held-to-maturity

investments', and 'available-for-sale financial assets'.

The classification depends on the purpose for which the investments were acquired.

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

#### **(i) 'Financial assets at fair value through profit or loss'**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term or if the adoption of this method allows reducing or eliminating an accounting mismatch. Derivatives are also registered as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to mature within 12 months of the balance sheet date.

#### **(ii) 'Loans and receivables'**

Loans and receivables are non-derivative financial assets with fixed or variable payments that are not quoted in an active market. These financial investments arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are carried at amortised cost using the effective interest method, deducted from any impairment losses.

Loans and receivables are recorded as current assets, except when its maturity is greater than 12 months from the balance sheet date, a situation in which they are classified as non-current assets. Loans and receivables are included under the caption 'Other current debtors' in the balance sheet.

#### **(iii) 'Held-to-maturity investments'**

Held-to-maturity investments are non-derivative financial assets with fixed or variable payments and with fixed

maturities that the Company's management has the positive intention and ability to hold until their maturity.

**(iv) 'Available-for-sale financial assets'**

Available-for-sale financial assets are non-derivative investments that are either designated in this category or not classified in any of the other above referred categories. They are included in non-current assets unless management intends to dispose them within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. The 'Financial assets at fair value through profit or loss' are initially recognised at fair value and the transaction costs are recorded in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or transferred, and consequently all substantial risks and rewards of their ownership have been transferred.

'Available-for-sale financial assets' and 'Financial assets at fair value through profit or loss' are subsequently carried at fair value.

'Loans and receivables' and 'Held-to-maturity investments' are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of financial assets classified at fair value through profit or loss are recognised in the income statement. Realised and unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss statement as gains or losses from investment securities.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to similar instruments, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. If none of these valuation techniques can be used, the Company values these investments at acquisition cost net of any identified impairment losses. The fair value of listed investments is determined based on the closing Euronext share price at the balance sheet date.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In case of equity securities classified as available-for-sale, a significant decline (above 25%) or prolonged decline (during two consecutive quarters) in the fair value of the security below its cost is considered in determining whether the securities are impaired. If such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that financial asset previously recognised in the profit or loss statement – is removed from equity and recognised in the profit and loss statement. Impairment losses recognised in the profit and loss statement on equity securities are not reversed through the profit and loss statement.

**e) Financial and operational leases**

Lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the detention of the leased asset are transferred by the lease contract or as operational leases, if, in substance, there is no transfer of risks and rewards associated with the detention of the leased assets.

The lease contracts are classified as financial or operational in accordance with the substance and not with the form of the respective contracts.

Fixed assets acquired under finance lease contracts and the related liabilities are recorded in accordance with the financial method. Under this method the tangible assets, the corresponding accumulated depreciation and the related liability are recorded in accordance with the contractual financial plan at fair value or, if less, at the present value of payments. In addition, interest included in lease payments and depreciation of the tangible assets are recognised as expenses in the profit and loss statement for the period to which they relate.

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

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

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

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

The amount relating to this caption is presented net of any impairment losses, which are recorded in the profit and loss statement under the caption 'Provisions and impairment losses'. Future reversals of impairment losses are recorded in the profit and loss statement under the caption 'Other operating revenues'.

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

Amounts included under the caption 'Cash and cash

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

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

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

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

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

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

#### **h) Loans**

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

#### **i) Derivatives**

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

The cash flow hedges used by the Company are related to interest rate swaps operations to hedge against interest rate risks on loans obtained. The amounts, interest payment dates and repayment dates of the underlying interest rate swaps are similar in all respects to the conditions established for the contracted loans. Changes in the fair value of cash flow hedges are recorded in assets or liabilities, against a corresponding entry under the caption 'Hedging reserves' in Shareholders' funds.

In cases where the hedge instrument is not effective, the amounts that arise from the adjustments to fair value are recorded directly in the profit and loss statement. At 31 December 2010, the Company did not have any derivative.

#### **j) Provisions and contingencies**

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

Provisions are reviewed at the balance sheet date and adjusted to reflect the best estimate at that date. Provisions for restructurings are only registered if the Company has a detailed plan and if that plan has already been communicated to the parties involved.

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

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

#### **k) Income Tax**

'Income tax' expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in accordance with IAS 12 – '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.

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

Expenses and income are recorded in the period to which they relate, regardless of their date of payment or receipt. Estimated amounts are used when actual amounts are not known.

The captions '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.

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.

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

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

In addition, considering their nature, the deferred taxes and the provisions for other liabilities and charges, are classified as non-current assets and liabilities (notes 7 and 14).

#### **n) Reserves**

##### **Legal reserve**

Portuguese commercial legislation requires that at least 5% of the annual net profit must be appropriated to a legal reserve, until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in case of liquidation of the Company, but may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

##### **Share premiums**

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

##### **Medium-term incentive plans reserves**

According to IFRS 2 – 'Share based payment', the responsibility related with the equity settled plans is registered, as a credit, under the caption of Medium Term Incentive Plan Reserves, which are not distributable and which can not be used to absorb losses.

##### **Hedging reserve**

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

##### **Own shares reserve**

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

Under Portuguese law, the amount of distributable reserves is determined in accordance with the individual financial statements of the Company, presented in accordance with IAS / IFRS.

Therefore, at 31 December 2010, Sonaecom, SGPS, S.A., have reserves which by their nature could be considered distributable, in the amount of around Euro 124.8 million.

#### o) Own shares

Own shares are recorded as a deduction of Shareholders' funds. Gains or losses related to the sale of own shares are recorded under the caption 'Other reserves'.

#### p) Foreign currency

All assets and liabilities expressed in foreign currency were translated into euro using the exchange rates in force at the balance sheet date.

Favourable and unfavourable foreign exchange differences resulting from changes in the rates in force at transaction date and those in force at the date of collection, payment or at the balance sheet date are recorded as income and expenses in the profit and loss statement of the period, in financial results.

The following rates were used for the translation into euro:

	2010		2009	
	31 December	Average	31 December	Average
Pounds Sterling	1.16178	1.16668	1.126	1.12324
Swiss franc	0.7997	0.7260	-	-
American Dollar	0.74839	0.75587	0.69416	0.71896

#### q) Assets impairment

Impairment tests are performed at the date of each balance sheet and whenever an event or change of circumstances indicates that the recorded amount of an asset may not be recoverable.

Whenever the book value of an asset is greater than the amount recoverable, an impairment loss is recognised and recorded in the profit and loss statement under the caption 'Depreciation and amortisation' in the case of fixed assets, 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.

#### r) Medium-term incentive plans

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

Under IFRS 2, when the settlement of plans established by the Company involves the delivery of Sonaecom's own shares, the estimated responsibility is recorded, as a credit entry, under the caption 'Reserves - Medium Term Incentive Plans', within the 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 2010, all the Sonaecom share plans were covered through the detention of own shares. Therefore the impacts of the share plans of the Medium Term Incentive Plans are registered, in the balance sheet, under the caption 'Medium term incentive plans reserve'. The cost is recognised under the income statement caption 'Staff expenses'.

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

#### s) Subsequent events

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



in the notes to the financial statements.

#### t) Judgements and estimates

The most significant accounting estimates reflected in the financial statements of the years ended at 31 December 2010 and 2009 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.

#### u) 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. i).

#### 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.

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

##### b) Interest rate risk

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility in the Company results or in its Shareholders' funds is mitigated by the effect of the following factors: (i) relatively low level of financial leverage; (ii) possibility to use derivative instruments that hedge the interest rate risk, as mentioned below; (iii) possible correlation between the level of market interest rates and economic growth the latter having a positive effect in other lines of the Company's results, and in this way partially offsetting the increase of financial costs ('natural hedge'); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate.

The Company only uses derivatives or similar transactions to hedge interest rate risks considered significant. Three main principles are followed in all instruments selected and used to hedge interest rate risk:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates on the loans subject to hedging must equalise the settlement dates defined under the hedging instrument;
- Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the facility / transaction which is being hedged;

• As from the start of the transaction, the maximum cost of the debt, resulting from the hedging operation is known and limited, even in scenarios of extreme changes in market interest rates, so that the resulting rates are within the cost of the funds considered in the Company's business plan.

As all Sonaecom's borrowings (note 13) are at variable rates, interest rate swaps and other derivatives are used to hedge future changes in cash flow relating to interest payments. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts. The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, being the Company's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions.

In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

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

The fair value of the derivatives contracted, that are considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions established in IAS 39 –

'Financial Instruments'), are recognised under borrowings captions and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the period. The fair value of derivatives of cash flow hedge, that are considered effective according to IAS 39 – 'Financial Instruments', are recognised under borrowing captions and changes in the fair value are recognised in equity.

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

The analysis of sensibility to interest rate risk is presented in note 13.

#### Liquidity risk

The existence of liquidity in the Company requires the definition of some policies for an efficient and secure management of the liquidity, allowing us to maximise the profitability and to minimise the opportunity costs related with that liquidity.

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

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

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

(i) Amortisation of short-term debt – after comparing the opportunity cost of amortisation and the opportunity cost related to alternative investments;

(ii) Consolidated management of liquidity – the existing liquidity in Group companies, should mainly be applied in Group companies, to reduce the use of bank debt at a consolidated level;

(iii) Applications in the market.

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

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

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

The maturity analysis for each of the liabilities associated to financial instruments is presented in the note 13.

### Credit risk

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

The management of this risk seeks to guarantee that the amounts owing are effectively collected within the periods negotiated without affecting the financial health of the Company.

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

## 2. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in years ended 31 December 2010 and 2009 was as follows:

						2010
	Buildings and other constructions	Plant and machinery	Tools	Fixtures and fittings	Other tangible assets	Total
<b>Gross assets</b>						
Balance at 31 December 2009	721,165	46,325	171	331,750	619	1,100,030
Additions	-	-	-	310	-	310
Balance at 31 December 2010	721,165	46,325	171	332,060	619	1,100,340
<b>Accumulated depreciation and impairment losses</b>						
Balance at 31 December 2009	347,862	17,977	170	216,945	189	583,143
Depreciation for the year	55,430	7,914	-	24,906	129	88,379
Balance at 31 December 2010	403,292	25,891	170	241,851	318	671,522
<b>Net value</b>	<b>317,873</b>	<b>20,434</b>	<b>1</b>	<b>90,209</b>	<b>301</b>	<b>428,818</b>

						2009
	Buildings and other constructions	Plant and machinery	Tools	Fixtures and fittings	Other tangible assets	Total
<b>Gross assets</b>						
Balance at 31 December 2008	679,443	46,325	171	328,207	103	1,054,249
Additions	41,722	-	-	4,798	516	47,036
Disposals	-	-	-	(1,255)	-	(1,255)
Balance at 31 December 2009	721,165	46,325	171	331,750	619	1,100,030
<b>Accumulated depreciation and impairment losses</b>						
Balance at 31 December 2008	276,753	9,607	92	185,127	103	471,682
Depreciation for the year	71,109	8,370	78	32,470	86	112,113
Disposals	-	-	-	(652)	-	(652)
Balance at 31 December 2009	347,862	17,977	170	216,945	189	583,143
<b>Net value</b>	<b>373,303</b>	<b>28,348</b>	<b>1</b>	<b>114,805</b>	<b>430</b>	<b>516,887</b>

The additions in the year of 2009 include, essentially, works in buildings owned by other parties,

### 3. Intangible assets

The movement in intangible assets and in the corresponding accumulated amortisation and impairment losses in the years ended at 31 December 2010 and 2009, was as follows:

				2010
	Brands, patents and other rights	Software	Intangible assets in progress	Total
<b>Gross assets</b>				
Balance at 31 December 2009	6,650	182,283	376	189,309
Additions	3,069	964	-	4,033
Balance at 31 December 2010	9,719	183,247	376	193,342
<b>Accumulated depreciation and impairment losses</b>				
Balance at 31 December 2009	6,259	155,447	-	161,706
Depreciation for the year	1,022	22,138	-	23,160
Balance at 31 December 2010	7,281	177,585	-	184,866
<b>Net value</b>	<b>2,438</b>	<b>5,662</b>	<b>376</b>	<b>8,476</b>

				2009
	Brands, patents and other rights	Software	Intangible assets in progress	Total
<b>Gross assets</b>				
Balance at 31 December 2008	6,650	168,027	13,917	188,594
Additions	284	339	376	999
Disposals	(284)	-	-	(284)
Transfers	-	13,917	(13,917)	-
Balance at 31 December 2009	6,650	182,283	376	189,309
<b>Accumulated depreciation and impairment losses</b>				
Balance at 31 December 2008	5,630	133,290	-	138,920
Depreciation for the year	653	22,157	-	22,810
Disposals	(24)	-	-	(24)
Balance at 31 December 2009	6,259	155,447	-	161,706
<b>Net value</b>	<b>391</b>	<b>26,836</b>	<b>376</b>	<b>27,603</b>

#### 4. Breakdown of financial instruments

At 31 December 2010 and 2009, the breakdown of financial instruments was as follows:

						2010
	Loans and receivables	Investments held to maturity	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
<b>Non-current assets</b>						
Other non-current assets (note 6)	560,706,652	-	-	560,706,652	-	560,706,652
	560,706,652	-	-	560,706,652	-	560,706,652
<b>Current assets</b>						
Other trade debtors (note 8)	7,365,498	-	-	7,365,498	2,302,985	9,668,483
Cash and cash equivalents (note 10)	75,631,256	-	-	75,631,256	-	75,631,256
	82,996,754	-	-	82,996,754	2,302,985	85,299,739
<b>2009</b>						
	Loans and receivables	Investments held to maturity	Investments available for sale	Subtotal	Others not covered by IFRS 7	Total
<b>Non-current assets</b>						
Other non-current assets (note 6)	635,868,036	-	-	635,868,036	-	635,868,036
	635,868,036	-	-	635,868,036	-	635,868,036
<b>Current assets</b>						
Other trade debtors (note 8)	6,647,983	-	-	6,647,983	970,861	7,618,844
Cash and cash equivalents (note 10)	3,189,749	-	-	3,189,749	-	3,189,749
	9,837,732	-	-	9,837,732	970,861	10,808,593

						2010
	Derivatives	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IFRS 7	Total
<b>Non-current liabilities</b>						
Medium and long-term loans – net of short-term portion (note 13)	-	304,333,736	-	304,333,736	-	304,333,736
	-	304,333,736	-	304,333,736	-	304,333,736
<b>Current liabilities</b>						
Short-term loans and other loans (note 13)	-	53,472,759	-	53,472,759	-	53,472,759
Other creditors (note 16)	-	-	10,048,115	10,048,115	319,771	10,367,886
	-	53,472,759	10,048,115	63,520,874	319,771	63,840,645
<b>2009</b>						
	Derivatives	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IFRS 7	Total
<b>Non-current liabilities</b>						
Medium and long-term loans – net of short-term portion (note 13)	-	298,531,561	-	298,531,561	-	298,531,561
	-	298,531,561	-	298,531,561	-	298,531,561
<b>Current liabilities</b>						
Short-term loans and other loans (note 13)	-	134,585,855	-	134,585,855	-	134,585,855
Other creditors (note 16)	-	-	594,635	594,635	203,830	798,465
	-	134,585,855	594,635	135,180,490	203,830	135,384,320

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

## 5. Investments in Group companies

At 31 December 2010 and 2009, this caption included the following investments in Group companies:

Company	2010	2009
Optimus - Comunicações, S.A. ('Optimus')	764,876,231	764,876,231
Sonae Telecom, S.G.P.S., S.A. ('Sonae Telecom')	107,289,987	105,799,987
Sonaetelecom BV	75,009,902	44,209,902
Sonae com - Sistemas de Informação, S.G.P.S., S.A. ('Sonae com SI')	52,241,587	52,241,587
Sonaecom BV	25,020,000	20,000
Be Artis - Concepção, Construção e Gestão de Redes de Comunicações, S.A. ('Be Artis')	8,230,885	50,000
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')	6,120,239	-
Miauger - Organização e Gestão de Leilões Electrónicos, S.A. ('Miauger')	4,568,100	4,568,100
PCJ - Público, Comunicação e Jornalismo, S.A. ('PCJ')	50,000	-
	1,043,406,931	971,765,807
Impairment losses (note 14)	(46,609,902)	(46,609,902)
<b>Total investments in Group companies</b>	<b>996,797,029</b>	<b>925,155,905</b>

The movements that occurred in investments in Group companies during the years ended 31 December 2010 and 2009, were as follows:

Company	Balance at 31 December 2009	Additions	Disposals	Transfers and write-offs	Balance at 31 December 2010
Optimus	764,876,231	-	-	-	764,876,231
Sonae Telecom	105,799,987	1,490,000	-	-	107,289,987
Sonaetelecom BV	44,209,902	4,300,000	-	26,500,000	75,009,902
Sonae com SI	52,241,587	-	-	-	52,241,587
Miauger	4,568,100	-	-	-	4,568,100
Sonaecom BV	20,000	25,000,000	-	-	25,020,000
Be Artis	50,000	-	-	8,180,885	8,230,885
Sontária	-	6,120,239	-	-	6,120,239
PCJ	-	50,000	-	-	50,000
	971,765,807	36,960,239	-	34,680,885	1,043,406,931
Impairment losses (note 14)	(46,609,902)	-	-	-	(46,609,902)
	925,155,905	36,960,239	-	34,680,885	996,797,029

Company	Balance at 31 December 2008	Additions	Disposals	Transfers and write-offs	Balance at 31 December 2009
Optimus	749,628,393	65,200	-	15,182,638	764,876,231
Sonae Telecom	105,799,987	-	-	-	105,799,987
Sonaetelecom BV	44,209,902	-	-	-	44,209,902
Sonae com SI	26,641,587	-	-	25,600,000	52,241,587
Miauger	4,568,100	-	-	-	4,568,100
Tele 2	13,076,489	-	-	(13,076,489)	-
Sonaecom BV	100,000	-	(80,000)	-	20,000
Be Artis	50,000	-	-	-	50,000
	944,074,458	65,200	(80,000)	27,706,149	971,765,807
Impairment losses (note 14)	(45,977,902)	(2,400,000)	-	1,768,000	(46,609,902)
	898,096,556	(2,334,800)	(80,000)	29,474,149	925,155,905

The amounts of Euro 4,300,000 and Euro 25,000,000 under the caption 'Additions' at Sonaetelecom BV and Sonaecom BV, in the year 2010, relates to the share capital increase through share premium realised in the year 2010 in these subsidiaries.



In the year 2010, the amount of Euro 6,120,239 relates to the acquisition of the entire share capital of Sontária- Empreendimentos Imobiliários, S.A. to Sonae Investimentos SGPS, S.A. (note 16).

In the year ended at 31 December 2010, the amount of Euro 8,180,885 under the caption 'Transfers' at Be Artis relates to cover losses of this company through the use of supplementary capital (note 6).

The amount of Euro 26,500,000 under the caption 'Transfers' at Sonaetelecom BV, in the year 2010, relates to the share capital increase by incorporation of supplementary capital in this subsidiary (note 6).

With accounting effect from 1 January 2009, the subsidiary Telemilénio Telecomunicações, Sociedade Unipessoal, Lda. was merged by incorporation into the subsidiary Optimus – Comunicações, S.A.. This transaction was approved at the General Shareholder Meetings of each company, both held on 24 November 2008.

In the year ended at 31 December 2009, the amount of Euro 15,182,638 under the caption 'Transfers' at Optimus relates to the investment in Tele 2, and to the reinforcement of supplementary capital in the amount of Euro 2,106,149 under the terms of the merger (note 6).

The amount of Euro 25,600,000 under the caption 'Transfers' at Sonae com SI, in the year 2009, relates to the share capital increase by conversion of supplementary capital in this subsidiary (note 6).

The variation in 'Impairment losses' result from the increase made during the year 2009 in the amount of Euro 2,400,000 and the transfer of Euro 1,768,000 to the caption 'Other non-current assets' (note 14).

The Company presents separate consolidated financial statements at 31 December 2010, in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union, which presents total consolidated assets of Euro 1,857,726,692, total consolidated liabilities of Euro 882,474,698, consolidated operational revenues of Euro 928,943,972 and consolidated Shareholders' funds of Euro 975,251,994, including a consolidated net profit (attributable to the Shareholders of the parent company – Sonaecom, S.G.P.S., S.A.) for the year ended at 31 December 2010 of Euro 41,182,587.

At 31 December 2010 and 2009, the main financial information regarding the subsidiaries directly owned by the Company is as follows (values in accordance with IAS / IFRS):

Company	Head office	2010			2009		
		% holding	Shareholders' funds	Net profit / (loss)	% holding	Shareholders' funds	Net profit / (loss)
Optimus	Maia	53.54%	449,201,872	34,632,662	53.54%	512,472,399	2,920,511
Sonae Telecom	Maia	100%	165,252,034	35,195,035	100%	190,088,655	15,478,275
Sonaecom SI	Maia	100%	39,550,583	2,920,527	100%	36,630,056	688,611
Miauger	Maia	100%	1,260,038	(1,060,804)	100%	2,320,841	637,414
Sonaetelecom BV	Amsterdam	100%	244,441	(10,385,882)	100%	(8,669,677)	(613,738)
Sonaecom BV	Amsterdam	100%	13,496,248	4,952,908	100%	(16,456,660)	(1,433,302)
Be Artis	Maia	100%	167,261,649	106,684	100%	108,710,509	(1,972,907)
PCJ	Maia	100%	50,000	-	-	-	-
Sontária	Maia	100%	633,803	431,644	-	-	-

At 31 December 2010 and 2009, Sonaecom owned, indirectly, through Sonae Telecom S.G.P.S., S.A. and Sonaecom BV, an additional shareholding of 35.86% and 10.60% in Optimus – Comunicações, S.A., respectively, amounting to 100% of participation.

The evaluation of the existence of impairment losses for the main investments in the Group companies is made by taking into account the cash-generating units, based on most up-to-date business plans duly approved by the Group's Board of Directors, which include projected cash flows for periods of five years. The discount rates used were based on the estimated weighted average cost of capital, which depends on the business segment of each subsidiary, and are as indicated in the table below. In perpetuity, the Group considered a growth rate of circa 3% or others considered more conservative, for specific cases. In situations where the measurement of the existence, or not, of impairment is made based on the net selling price, values of similar transactions and other proposals made are used.

	Discount rate
Telecommunications	9.00%
Multimedia	9.45%
Information systems	11.22%

## 6. Other non-current assets

At 31 December 2010 and 2009, this caption was made up as follows:

	2010	2009
<b>Financial assets</b>		
Medium and long-term loans granted to Group companies:		
Be Artis	175,720,000	271,915,000
Sonaecom BV	168,158,000	199,088,000
Sonae com SI	21,190,000	7,350,000
Sonaetelecom BV	18,141,000	28,521,000
Sontária	2,676,637	-
Lugares Virtuais	1,170,000	1,030,000
Wedo Consulting	520,000	8,490,000
	<b>387,575,637</b>	<b>516,394,000</b>
Supplementary capital:		
Be Artis	165,889,115	115,640,000
Sonae Telecom SGPS	38,630,000	15,788,458
Miauger	800,000	800,000
Sonaetelecom BV	-	11,500,000
	<b>205,319,115</b>	<b>143,728,458</b>
	<b>592,894,752</b>	<b>660,122,458</b>
Accumulated impairment losses (note 14)	(32,188,100)	(24,254,422)
	<b>560,706,652</b>	<b>635,868,036</b>

During the years ended at 31 December 2010 and 2009, the movements that occurred in 'Medium and long-term loans granted to Group companies' were as follows:

					2010
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
Be Artis	271,915,000	206,720,001	(220,640,001)	(82,275,000)	175,720,000
Sonaecom BV	199,088,000	23,590,000	(54,520,000)	-	168,158,000
Sonae com SI	7,350,000	14,240,000	(400,000)	-	21,190,000
Sonaetelecom BV	28,521,000	9,120,000	(19,500,000)	-	18,141,000
Sontária (Nota 16)	-	2,676,637	-	-	2,676,637
Lugares Virtuais	1,030,000	600,000	(460,000)	-	1,170,000
Wedo Consulting	8,490,000	-	(7,970,000)	-	520,000
	516,394,000	256,946,637	(303,490,001)	(82,275,000)	387,575,637

					2009
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
Be Artis	190,780,000	215,645,000	(134,510,000)	-	271,915,000
Sonaecom BV	138,887,000	79,296,000	(19,095,000)	-	199,088,000
Sonaetelecom BV	27,401,000	1,120,000	-	-	28,521,000
Wedo Consulting	-	9,960,000	(1,470,000)	-	8,490,000
Sonae com SI	390,000	7,350,000	(390,000)	-	7,350,000
Lugares Virtuais	900,000	930,000	(800,000)	-	1,030,000
	358,358,000	314,301,000	(156,265,000)	-	516,394,000

During the years ended at 31 December 2010 and 2009, the movements in 'Supplementary capital' were as follows:

					2010
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
Be Artis	115,640,000	-	(23,845,000)	74,094,115	165,889,115
Sonae Telecom SGPS	15,788,458	38,630,000	(15,788,458)	-	38,630,000
Sonaetelecom BV	11,500,000	15,000,000	-	(26,500,000)	-
Miauger	800,000	-	-	-	800,000
	143,728,458	53,630,000	(39,633,458)	47,594,115	205,319,115

					2009
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
Be Artis	115,640,000	-	-	-	115,640,000
Sonaetelecom BV	11,500,000	-	-	-	11,500,000
Sonae Telecom SGPS	15,788,458	-	-	-	15,788,458
Sonae com SI	33,574,187	-	(7,974,187)	(25,600,000)	-
Tele 2	2,106,149	-	-	(2,106,149)	-
Miauger	-	800,000	-	-	800,000
	178,608,794	800,000	(7,974,187)	(27,706,149)	143,728,458

During the year ended at 31 December 2010, the amount of Euro 82,275,000 under the caption Transfers of 'Medium and long-term loans granted to Group companies' at Be Artis, relates to the conversion of Shareholder loans in 'Supplementary capital'. The amount of Euro 74,094,115, under the caption Transfers of Supplementary capital at Be Artis, relates to this movement of conversion of Shareholder loans, net of movement to cover losses through the use of Supplementary capital (note 5).

During the years ended at 31 December 2010 and 2009, the loans granted to Group companies earned interest at market rates with an average interest rate of 3.60% and 2.22%, respectively. Supplementary capital is non-interest bearing.

The movement under the caption 'Accumulated impairment losses' is due to the reinforcements performed during the year, in the amount of Euro 7,933,678 (note 14).

Loans granted to Group companies and Supplementary capital, do not have a defined maturity, therefore no information about the aging of these loans is presented.

The evaluation of the existence of impairment losses for the loans made to Group companies was based on the most up-to-date business plans duly approved by the Group's Board of Directors, which include projected cash flows for periods of five years. The discount rates used and the perpetuity growth considered are presented in the previous note (note 5).

## 7. Deferred taxes

The movement in deferred tax liabilities in the years ended at 31 December 2010 and 2009 was as follows:

	2010	2009
Opening balance	10,480	-
Impact on results		
IFRS adjustments	(10,480)	10,480
Closing balance	-	10,480

At 31 December 2010, the value of deferred tax assets not recorded where it is not expected that sufficient taxable profits will be generated in the future to cover those losses, have the following detail:

Year of origin	Tax losses	Provisions not acceptable for tax purposes	Total	Deferred tax assets
2001	-	3,463,000	3,463,000	917,695
2002	-	11,431,819	11,431,819	3,029,432
2003	-	31,154,781	31,154,781	8,256,017
2004	-	9,662,981	9,662,981	2,560,690
2005	-	(3,033,899)	(3,033,899)	(803,983)
2006	19,808,429	(149,858)	19,658,571	4,912,395
2007	54,563,604	(537,036)	54,026,568	13,498,586
2008	-	9,893,940	9,893,940	2,621,894
2009	-	9,903,475	9,903,475	2,624,421
2010	-	8,227,517	8,227,517	2,180,292
	74,372,033	80,016,720	154,388,753	39,797,439

The rate used at 31 December 2010 to calculate the deferred tax assets/liabilities relating to tax losses carried forward was of 25%, and of 26.5% for remaining deferred tax assets and liabilities. It wasn't considered the state surcharge, as it was understood to be unlikely the taxation of temporary differences during the estimated period when the referred rate will be applicable.

The reconciliation between the earnings before tax and the tax recorded for the years ended at 31 December 2010 and 2009 is as follows:

	2010	2009
Earnings before tax	136,652,836	(5,986,081)
Income tax rate (25%)	(34,163,209)	1,496,520
Current income tax and other related taxes	(340,348)	(59,904)
Deferred tax liabilities	10,480	(10,480)
Movements in provisions not accepted for tax purposes (note 14)	(1,983,419)	(2,531,015)
Adjustments to the taxable income	34,240,169	1,034,495
Use of losses carried forward, which deferred taxes were not recorded	987,278	-
Income taxation recorded in the year	(1,249,049)	(70,384)

The adjustments to the taxable income relates, mainly, to dividends received in 2010 (note 20), which do not contribute to the calculation of the taxable profit for the year.

Portuguese Tax Authorities can review the income tax returns of the Company for a period of four years (five years for Social Security), except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in progress, in which circumstances, the periods are extended or suspended. Consequently, tax returns of each year, since the year 2007 (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 2010.

## 8. Other current debtors

At 31 December 2010 and 2009, this caption was made up as follows:

	2010	2009
Trade debtors	7,367,428	6,649,913
State and other public entities	2,302,985	970,861
Accumulated impairment losses on accounts receivables (note 14)	(1,930)	(1,930)
	9,668,483	7,618,844

At 31 December 2010 and 2009, the caption 'Other current debtors' included amounts to be received from subsidiary Group companies, relating to interests receivable from subsidiaries on Shareholders' loans, interest on treasury applications and services rendered (note 21).

The caption 'State and other public entities', at 31 December 2010 and 2009, includes the special advanced payment, retentions and taxes to be recovered.

At 31 December 2010 and 2009, 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
<b>2010</b>									
Trade debtors	7,367,428	1,701,597	-	2,085,684	3,578,217	-	-	-	1,930
<b>2009</b>									
Trade debtors	6,649,913	6,096,642	-	20,959	530,382	-	-	-	1,930

The balances related to 'State and other public entities' are not financial assets, and therefore such caption was not detailed in the table above.

## 9. Other current assets

At 31 December 2010 and 2009, this caption was made up as follows:

	2010	2009
<b>Accrued income</b>		
Interest receivable	1,492,476	3,086,332
Invoices to be issued	37,609	3,804,721
Other accrued income	450	1,031
	1,530,535	6,892,084
<b>Pluriannual costs</b>		
Insurance	31,375	56,340
Rents	12,258	13,998
Other pluriannual costs	64,412	39,449
	108,045	109,787
	1,638,580	7,001,871

At 2009, the caption 'Invoices to be issued' relates essentially to an amount to be charged to Optimus.

## 10. Cash and cash equivalents

At 31 December 2010 and 2009, the breakdown of cash and cash equivalents was as follows:

	2010	2009
Cash	10,318	10,974
Bank deposits repayable on demand	216,938	284,775
Treasury applications	75,404,000	2,894,000
	<b>75,631,256</b>	<b>3,189,749</b>

At 31 December 2010 and 2009, the caption 'Treasury applications' had the following breakdown:

	2010	2009
Optimus	70,240,000	-
Bank applications	4,800,000	-
Wedo	360,000	-
Sontária	4,000	-
Público	-	2,894,000
	<b>75,404,000</b>	<b>2,894,000</b>

During the year ended at 31 December 2010, the above mentioned treasury applications bear interests at an average rate of 2.25% (3.02% in 2009).

## 11. Share capital

At 31 December 2010 and 2009, 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:

	2010		2009	
	Number of shares	%	Number of shares	%
Sontel BV	183,374,470	50.07%	183,374,470	50.07%
Atlas Service Belgium	73,249,374	20.00%	73,249,374	20.00%
Free Float	69,117,232	18.87%	71,204,015	19.44%
Millenium BCP	12,500,998	3.41%	12,500,998	3.41%
Sonae Investments BV	10,500,000	2.87%	10,500,000	2.87%
Santander Asset Management	7,408,788	2.02%	7,408,788	2.02%
Own shares (Note 12)	9,256,357	2.53%	7,169,574	1.96%
Sonae S.G.P.S., S.A.	838,649	0.23%	838,649	0.23%
Efanor Investimentos, S.G.P.S., S.A.	1,000	0.00%	1,000	0.00%
	<b>366,246,868</b>	<b>100.00%</b>	<b>366,246,868</b>	<b>100.00%</b>

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

## 12. Own shares

During the year ended at 31 December 2010, Sonaecom delivered to its employees 1,040,605 own shares under its Medium Term Incentive Plans.

Additionally, during the year ended at 31 December 2010, Sonaecom acquired 3,127,388 shares (at an average price of Euro 1.58), holding at the end of the year 9,256,357 own shares, representative of 2.53% of its share capital, with an average price of Euro 1.62.

## 13. Loans

At 31 December 2010 and 2009, the caption 'Loans' had the following breakdown:

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

Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
				2010	2009
'Obrigações Sonaecom SGPS 2005'	150,000,000	Jun-13	Final	150,000,000	150,000,000
'Obrigações Sonaecom SGPS 2010'	40,000,000	Mar-15	Final	40,000,000	-
'Obrigações Sonaecom SGPS 2010'	30,000,000	Feb-13	Final	30,000,000	-
Costs associated with setting-up the financing	-	-	-	(1,883,453)	(1,912,757)
Interests incurred but not yet due	-	-	-	800,356	85,800
				<b>218,916,903</b>	<b>148,173,043</b>
Commercial paper	150,000,000	Jul-12	-	85,000,000	150,000,000
Interests incurred but not yet due	-	-	-	416,833	358,518
				<b>85,416,833</b>	<b>150,358,518</b>
				<b>304,333,736</b>	<b>298,531,561</b>

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

Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
				2010	2009
Tresuary applications	-	-	-	25,084,223	76,011,952
Commercial paper	100,000,000	Jul-10	-	-	15,000,000
Commercial paper	70,000,000	Dec-10	-	-	40,000,000
Commercial paper	40,000,000	May 11	-	15,000,000	-
Commercial paper	30,000,000	Apr-11	-	4,000,000	-
	15,000,000	Jun-11	-	9,250,000	-
Interest incurred but not yet due	-	-	-	138,536	73,903
				<b>28,388,536</b>	<b>55,073,903</b>
Overdrafts facilities - CGD	-	-	-	-	3,500,000
				<b>53,472,759</b>	<b>134,585,855</b>



### Bond Loan

In June 2005, Sonaecom signed a Bond Loan, privately placed, amounting to 150 million euros without guarantees and with a maturity of eight years. The bonds bear interest at floating rate, indexed to Euribor and paid semiannually. This issue was organised and mounted by Millennium BCP Investimento.

In February and March 2010, Sonaecom signed two other Bond Loan, both privately placed, in the amount of 30 and 40 million euros, without guarantees and maturities of 3 and 5 years respectively. Both loans bear interest at floating rate indexed to Euribor, and paid semiannually. The issues were organised if mounted by, respectively, Banco Espirito Santo de Investimento and Caixa - Banco de Investimento. These bond issues were traded on Euronext Lisbon market.

All the loans above are unsecured and the fulfillment of the obligations under these loans is exclusively guaranteed by the underlying activities and the indebted company cash flows generation capacity.

The average interest rate of the bond loans, in the period, was 2.01% (3.18% in 2009).

### 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).

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

Amount	Hire date	Subscription guarantee	Maturity
Euro 40 million	January 2005	Banco Comercial Português	May 2011
Euro 30 million	April de 2010	Caja de Ahorros Y Monte de Piedad de Madrid (representative in Portugal) and Banco BPI	One year, possibly renewable
Euro 15 million	June 2010	Caixa Económica Montepio Geral	One year, possibly renewable

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.

### Bank credit lines of short-term portion

Sonaecom has also bank credit lines for short term, 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 2010 and 2009, the detail of 'Treasury applications' received from subsidiaries was as follows:

	2010	2009
Be Towering	12,703,410	7,432,557
Digitmarket	3,759,125	3,597,549
Sonae com SI	3,240,480	161,927
Público	2,144,963	4,757
Mainroad	1,545,062	1,094,285
Miauger	1,026,643	828,316
Optimus	401,581	62,722,607
Lugares Virtuais	140,273	50,043
Saphety	91,418	106,389
Be Artis	15,201	-
Sonae Telecom	10,121	8,265
Wedo Consulting	5,946	5,257
	<b>25,084,223</b>	<b>76,011,952</b>

The treasury applications received from Group companies are payable in less than one year and earn interests at market rates. During the periods ended at 31 December 2010 and 2009, the treasury applications earned an average interest rate of 0.50% and 0.73%, respectively.

At 31 December 2010 and 2009, 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
<b>2010</b>					
<b>Bond loan</b>					
Reimbursements	-	-	180,000,000	-	40,000,000
Interests	5,361,400	5,376,089	2,833,123	1,254,400	288,684
<b>Commercial paper</b>					
Reimbursements	-	85,000,000	-	-	-
Interests	1,098,810	547,900	-	-	-
	6,460,210	90,923,989	182,833,123	1,254,400	40,288,684
<b>2009</b>					
<b>Bond loan</b>					
Reimbursements	-	-	-	150,000,000	-
Interests	2,808,000	2,808,000	2,815,693	1,315,529	-
<b>Commercial paper</b>					
Reimbursements	-	-	150,000,000	-	-
Interests	1,494,000	1,494,000	867,748	-	-
	4,302,000	4,302,000	153,683,441	151,315,529	-

Although the maturity of commercial paper issuance is six months, the counterparties assumed the placement and the maintenance of those limits for a period of five years. As so, such liabilities are recorded in the medium and long term.

At 31 December 2010 and 2009, the available credit lines of the Company are as follows:

Credit	Limit	Amount outstanding	Amount available	Maturity	
				Until 12 months	More than 12 months
<b>2010</b>					
Commercial paper	150,000,000	85,000,000	65,000,000		x
Commercial paper	40,000,000	15,000,000	25,000,000	x	
Commercial paper	30,000,000	4,000,000	26,000,000	x	
Commercial paper	15,000,000	9,250,000	5,750,000	x	
Bond loan	150,000,000	150,000,000	-		x
Bond loan	40,000,000	40,000,000	-		x
Bond loan	30,000,000	30,000,000	-		x
Overdraft facilities	16,500,000	-	16,500,000	x	
Overdraft facilities	10,000,000	-	10,000,000	x	
Authorised overdrafts	2,500,000	-	2,500,000	x	
	484,000,000	333,250,000	150,750,000		
<b>2009</b>					
Commercial paper	150,000,000	150,000,000	-		x
Commercial paper	100,000,000	15,000,000	85,000,000	x	
Commercial paper	70,000,000	40,000,000	30,000,000	x	
Bond loan	150,000,000	150,000,000	-		x
Overdraft facilities	26,500,000	3,500,000	23,000,000	x	
Authorised overdrafts	2,500,000	-	2,500,000	x	
	499,000,000	358,500,000	140,500,000		

At 31 December 2010 and 2009, there are no interest rate hedging instruments.

In September 2007, Sonaecom contracted an interest rate swap, with a notional amount of Euro 110 million, for a period of 18 months re-fixed every semester, to hedge the risk associated to the interest rate of one plot of the commercial paper issued in 13 September 2007, for the same amount and the period of 6 months. The maturity of this interest rate swap was on 13 March 2009.

In December 2007, Sonaecom contracted an interest rate swap, with a notional amount of Euro 75 million, for a period of 18 months re-fixed every semester, to hedge 50% of the risk associated to the interest rate of the bond loan issued in June 2005, for the amount of Euro 150 million and for the period of eight years with re-fixations every semester. The maturity of this interest rate swap was on 21 June 2009.

During the year ended at 31 December 2009, the movements occurred in the fair value of the swaps related to the Commercial Paper Programme, in the amount of Euro 174,106 negative and to the bond loan, in the amount of Euro 481,174, were recorded in reserves, as the hedging is effective, in accordance with IAS 39.

During the year ended at 31 December 2009, the interest rate hedging instrument reached their maturity. Therefore, at 31 December 2010 the total gross debt is exposed to changes in the interest rates.

#### 14. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2010 and 2009 were as follows:

	Opening balance	Increases	Transfers	Decreases	Closing balance
<b>2010</b>					
Accumulated impairment losses on accounts receivables (note 8)	1,930	-	-	-	1,930
Accumulated impairment losses on investments in Group companies (note 5)	46,609,902	-	-	-	46,609,902
Accumulates impairment losses on other non-current assets (notes 6 and 20)	24,254,422	7,933,678	-	-	32,188,100
Provisions for other liabilities and charges	41,634	14,853	-	-	56,487
	<b>70,907,888</b>	<b>7,948,531</b>	-	-	<b>78,856,419</b>
<b>2009</b>					
Accumulated impairment losses on accounts receivables (note 8)	2,006	14	-	(90)	1,930
Accumulated impairment losses on investments in Group companies (note 5)	45,977,902	2,400,000	(1,768,000)	-	46,609,902
Accumulates impairment losses on other non-current assets (notes 6 and 20)	15,335,424	7,151,000	1,768,000	(2)	24,254,422
Provisions for other liabilities and charges	57,264	7,370	-	(23,000)	41,634
	<b>61,372,596</b>	<b>9,558,384</b>	-	<b>(23,092)</b>	<b>70,907,888</b>

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 2010 and 2009, the increase of 'Provisions for other liabilities and charges' includes the amount of Euro 14,853 and 7,370, respectively, registered in the financial statements, under the caption 'Income taxation' (note 7).

## 15. Other non-current liabilities

This caption, in the amounts of Euro 374,091 and Euro 247,722, at 31 December 2010 and 2009, respectively, corresponds to the medium and long-term amounts associated with the Medium Term Incentive Plans (note 24).

## 16. Other creditors

At 31 December 2010 and 2009, this caption was made up as follows:

	2010	2009
Other creditors	10,046,147	594,635
State and other public entities	319,771	203,830
Fixed assets suppliers	1,968	-
	<b>10,367,886</b>	<b>798,465</b>

At 2010, the caption 'Other creditors' includes the amount of Euro 8,860,291, relating to the acquisition of Sontária - Empreendimentos Imobiliários, S.A., of which Euro 6,120,239 relates to financial investment, Euro 2,676,637 Euros relates to loans granted and Euro 63,415 relates to others.

The other creditors had the following maturity plan:

	Total	Until 90 days	From 90 to 180 days	More than 180 days
<b>2010</b>				
Fixed assets suppliers	1,968	1,968	-	-
Other creditors	10,046,147	10,046,147	-	-
	<b>10,048,115</b>	<b>10,048,115</b>	-	-
<b>2009</b>				
Fixed assets suppliers	-	-	-	-
Other creditors	594,635	594,635	-	-
	<b>594,635</b>	<b>594,635</b>	-	-

## 17. Other current liabilities

At 31 December 2010 and 2009, this caption was made up as follows:

	2010	2009
<b>Accrued costs</b>		
Staff expenses	1,144,864	1,321,371
Medium Term Incentive Plans (note 24)	160,357	182,034
Consultancy	26,228	221,426
Other accrued costs	66,353	306,541
	<b>1,397,802</b>	<b>2,031,372</b>
<b>Deferred income</b>		
Other deferred income	12,407	12,140
	<b>12,407</b>	<b>12,140</b>
	<b>1,410,209</b>	<b>2,043,512</b>

## 18. Services rendered

At 31 December 2010 and 2009, the caption 'Services rendered' was comprised by the charge of management fees to subsidiaries (note 21).

## 19. External supplies and services

At 31 December 2010 and 2009, this caption was made up as follows:

	2010	2009
Specialised work	1,802,835	2,181,399
Rents and travelling expenses	359,272	395,474
Fees	164,641	327,807
Travel and accommodation	156,903	205,601
Other external supplies and services	298,087	437,733
	<b>2,781,738</b>	<b>3,548,014</b>

The commitments assumed, at 31 December 2010 and 2009, related to operational leases are as follows:

	2010	2009
Minimum payments of operational leases:		
2010	-	323,797
2011	112,976	261,153
2012	53,450	73,768
2013	28,184	18,929
2014	12,816	-
Renewable by periods of one year	135,695	124,601
	<b>343,121</b>	<b>802,248</b>

## 20. Financial results

Net financial results for the years ended 31 December 2010 and 2009 are made up as follows:

	2010	2009
<b>Gains and losses on investments in Group companies</b>		
Losses related to Group companies (notes 5, 6 and 14)	(7,933,677)	(9,551,000)
Gains related to Group companies	136,960,673	3,480,000
	129,026,996	(6,071,000)
<b>Other financial expenses</b>		
Interest expenses:		
Bank loans	(2,853,510)	(5,049,550)
Other loans	(4,895,718)	(5,217,212)
Overdrafts and others	(43,332)	(543,623)
	(7,792,560)	(10,810,385)
Foreign currency exchange losses	(4,489)	(1)
Other financial expenses	(152,619)	(94,130)
	(157,108)	(94,131)
	(7,949,668)	(10,904,516)
<b>Other financial income</b>		
Interest income	16,671,281	12,239,907
Foreign currency exchange gains	-	409
	16,671,281	12,240,316

At 31 December 2010, the caption 'Gains related to Group companies' relates to the dividends received from Optimus (Euro 52,597,475) and Sonae Telecom (Euro 84,363,198). At 31 December 2009, this caption was comprised by dividends received from Sonaecom SI and Sonae Telecom.

## 21. Related parties

The most significant balances and transactions with related parties (which are detailed in the appendix) at 31 December 2010 and 2009 were as follows:

					Balances at 31 December 2010
	Accounts receivable	Accounts payable	Treasury applications	Other assets and liabilities	Loans granted / (obtained)
Optimus	694,103	(107,905)	70,240,000	(7,913)	(401,581)
Sonaecom BV	5,512,448	-	-	536,889	168,158,000
Be Artis	353,664	(809)	-	(780,569)	175,704,799
Sonaetelecom BV	-	(104,798)	-	67,607	18,141,000
Be Towering	19,213	-	-	5,614	(12,703,410)
Lugares Virtuais	-	(158,570)	-	(110,320)	1,029,727
Público	23,063	-	-	58,227	(2,144,964)
Digitmarket	5,631	(1,505)	-	(771)	(3,759,125)
Wedo	673,148	-	360,000	939,831	514,054
Sonae Investimentos SGPS	-	(8,860,291)	-	-	-
Sonaecom SI	187,725	(6,304)	-	44,415	17,949,520
Sontária	-	-	4,000	59,415	2,676,637
Mainroad	51,304	(9,230)	-	40,194	(1,545,062)
Miauger	14,357	-	-	(20,111)	(1,026,643)
Others	2,611	(248,206)	-	16,215	(101,539)
	7,537,267	(9,497,618)	70,604,000	848,723	362,491,413

					Balances at 31 December 2009
	Accounts receivable	Accounts payable	Treasury applications	Other assets and liabilities	Loans granted / (obtained)
Optimus	1,699,029	145,580	-	4,411,764	(62,722,607)
Sonaecom BV	1,972,912	-	-	260,050	199,088,000
Be Artis	1,731,654	589	-	1,865,925	271,915,000
Sonaetelecom BV	104,017	-	-	36,299	28,521,000
Be Towering	762,482	-	-	5,614	(7,432,557)
Lugares Virtuais	10,540	360	-	(129,361)	979,957
Público	28,687	-	2,894,000	38,272	(4,757)
Digitmarket	20,536	1,505	-	6	(3,597,549)
Wedo	207,280	-	-	822,587	8,484,743
Sonae com SI	1,085	201,884	-	17,996	7,188,074
Others	58,347	22,565	-	(109,790)	(2,037,256)
	6,596,569	372,483	2,894,000	7,219,362	440,382,048



				Transactions at 31 December 2010
	Sales and services rendered	Supplies and services received	Interest and similar income / (expense)	Supplementary income
Optimus	5,520,026	641,863	(180,308)	9,362
Be Artis	289,387	(76,619)	7,522,519	(42)
Be Towering	84,825	(56,505)	(22,516)	-
Wedo	133,861	(49)	266,815	-
Sonaecom BV	219	-	7,319,561	-
Sonae SGPS	-	-	320,747	-
Others	245,744	379,713	1,349,848	-
	<b>6,274,062</b>	<b>888,403</b>	<b>16,576,666</b>	<b>9,320</b>

				Transactions at 31 December 2009
	Sales and services rendered	Supplies and services received	Interest and similar income / (expense)	Supplementary income
Optimus	6,478,618	(86,767)	(66,801)	-
Be Artis	271,039	(6,874)	6,969,188	(42)
Be Towering	54,976	(107,772)	(60,597)	-
Wedo	82,171	-	203,533	-
Sonaecom BV	-	-	4,312,727	-
Sonae SGPS	-	458,817	(2,739)	(5,220)
Others	221,450	79,470	472,033	(515)
	<b>7,108,254</b>	<b>336,874</b>	<b>11,827,344</b>	<b>(5,777)</b>

All the above transactions were made at market prices.

## 22. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 2010 and 2009 were as follows:

Beneficiary	Description	2010	2009
Direcção de Contribuições e Impostos (Portuguese tax authorities)	VAT reimbursements	8,115,243	8,115,243
		<b>8,115,243</b>	<b>8,115,243</b>

In addition to these guarantees were set up two sureties for the current fiscal processes, totaling Euro 12,094,773. 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 2010 and 2009, the Board of Directors of the Group believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the financial statements.

## 23. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the net income of the year (Euro 135,403,787 in 2010 and minus Euro 6,056,465 in 2009) by the average number of shares outstanding during the years ended at 31 December 2010 and 2009, net of own shares (358,008,787 in 2010 and Euro 359,776,301 in 2009).

## 24. Medium Term Incentive Plans

In June 2000, the Company created a discretionary Medium Term Incentive Plan for more senior employees, based on Sonaecom options and shares and Sonae S.G.P.S., S.A. shares. The vesting occurs three years after the award of each plan, assuming that the employees are still employed in the Company. In some annual plans, beneficiaries can choose between options or shares. Options are valued using the Black Scholes options pricing model.

The Sonaecom plans outstanding at 31 December 2010 can be summarised as follows:

	Share price at award date*	Award date	Vesting period		31 December 2010	
			Vesting date	Aggregate number of participations	Number of shares	
<b>Sonaecom shares</b>						
2006 Plan	4.697	09 Mar 07	08 Mar 10	-	-	
2007 Plan	2.447	10 Mar 08	09 Mar 11	19	188,386	
2008 Plan	1.117	10 Mar 09	09 Mar 12	18	395,553	
2009 Plan	1.685	10 Mar 10	08 Mar 13	18	283,307	
<b>Sonae SGPS shares</b>						
2006 Plan	1.68	09 Mar 07	08 Mar 10	-	-	
2007 Plan	1.16	10 Mar 08	09 Mar 11	3	164,685	
2008 Plan	0.526	10 Mar 09	09 Mar 12	3	342,364	
2009 Plan	0.761	10 Mar 10	08 Mar 13	3	265,824	

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

During the year ended at 31 December 2010, the movements that occurred in the plans can be summarised as follows:

	Sonaecom shares		Sonae SGPS shares	
	Aggregate number of participations	Number of shares	Aggregate number of participations	Number of shares
Outstanding at 31 December 2009:				
Unvested	58	817,507	11	711,330
Total	58	817,507	11	711,330
Movements in year:				
Awarded	18	283,307	3	255,151
Vested	(19)	(97,731)	(3)	(95,019)
Cancelled / lapsed*	(2)	(135,837)	(2)	(98,589)
Outstanding at 31 December 2010:				
Unvested	55	867,246	9	772,873
Total	55	867,246	9	772,873

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

For Sonaecom's share plans, the responsibility was calculated taking into consideration the share price at 2 January 2010, the date as from which the change to the form of settlement of the share plans is effective, with the exception of the plans attributed in 2009 and 2010, for which responsibility is calculated based on the corresponding award date. The total responsibility for the mentioned plans is Euro 551,381 and was recorded under the caption 'Medium Term Incentive Plans Reserve'. For the Sonae SGPS share plan, the Group entered into hedging contracts with external entities, and the liabilities are calculated based on the prices agreed on those contracts. The responsibility for these plans is recorded under the captions 'Other current liabilities' (note 17) and 'Other non-current liabilities' (note 15), by an amount of Euro 534,448.

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 2010, were as follows:

	Value
Costs recognised in previous years	3,935,581
Costs recognised in the year	734,717
Costs of plans vested in previous years	(3,144,406)
Costs of plans vested in the year	(440,063)
	1,085,829
Recorded in other current liabilities (note 17)	160,357
Recorded in other non current liabilities (note 15)	374,091
Recorded in reserves	551,381

## 25. Remuneration attributed to the key management personnel

The remuneration of Directors and other members of key management during the years ended 31 December 2010 and 2009 were as follows:

	2010	2009
Short-term employee benefits	1,498,092	2,209,425
Share-based payments	435,600	713,233
	1,933,692	2,922,658

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 2010 and 2009 correspond to the value of the Medium Term Incentive Plan and will be awarded in 2011, in respect to the performance during 2010 (and the Medium Term Incentive Plan awarded in 2010 in respect to the performance during 2009, for the 2009 values), whose shares, or the cash equivalent, will be delivered in March 2014 and March 2013, respectively.

## 26. Average number of employees

During the years ended at 31 December 2010 and 2009, the Company had an average of 38 and 39 employees, respectively. As of 31 December 2010, the Company had 38 employees.

## 27. Fees of Statutory Auditor

In 2010, the Company paid, in respect of fees, to the Statutory Auditor, Deloitte, and its network of companies, the following amounts:

	2010	2009
Statutory audit	16,019	15,480
Other guarantee and reliability services	24,928	4,261
Tax advice	2,452	9,623
Total	43,399	29,364

## 28. Subsequent Events

At 18 February 2010, the Group received a communication from "Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.", stating that funds managed by this institution held, since 16 February 2011, 3,732.774 shares, corresponding to 1.019% of the share capital and voting rights of Sonaecom; thereby decreasing its qualified participation above 2%.

These financial statements were approved by the Board of Directors on 2 March 2011, 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 2010, the related parties of Sonaecom, S.G.P.S., S.A., are as follows:

### Key management personnel

Ana Cristina Dinis da Silva Fanha Vicente Soares	Franck Emmanuel Dangeard
Ana Paula Garrido Pina Marques	Gervais Pellissier
Ângelo Gabriel Ribeirinho dos Santos Paupério	Jean François Pontal
António Bernardo Aranha da Gama Lobo Xavier	José Manuel Pinto Correia
António de Sampaio e Mello	Manuel Antonio Neto Portugal Ramalho Eanes
Artur Carlos Gomes Loureiro	Maria Cláudia Teixeira de Azevedo
David Charles Denholm Hobley	Miguel Nuno Santos Almeida
David Graham Shenton Bain	Nuno Manuel Moniz Trigo Jordão
David Pedro Oliveira Parente Ferreira Alves	Pedro Rafael de Sousa Nunes Pedro
Duarte Paulo Teixeira de Azevedo	Rui José Silva Gonçalves Paiva

### Key management personnel -Sonae SGPS

Álvaro Carmona e Costa Portela	Luís Filipe Palmeira Lampeira
Álvaro Cuervo Garcia	Michel Marie Bon
Belmiro Mendes de Azevedo	Nuno Miguel Teixeira Azevedo

### Sonaecom Group Companies

Be Artis – Conceção ,Construção e Gestão Redes Comunicações, S.A.	Optimus – Comunicações, S.A.
Be Towering – Gestão de Torres de Telecomunicações, S.A.	Sonaecom BV
Cape Technologies Americas, Inc	Sonaetelecom BV
Cape Technologies Limited	Sonaecom, S.G.P.S., S.A.
Digitmarket – Sistemas de Informação, S.A.	Sonaecom – Sistemas de Información España, S.L.
Lugares Virtuais, S.A.	Sontária - Empreendimentos Imobiliários, S.A.
M3G – Edições Digitais, S.A.	Tecnológica Telecomunicações LTDA.
Mainroad – Serviços Tec. Informação, S.A.	Unipress – Centro Gráfico, Lda
Miauger – Organização e Gestão de Leilões Electrónicos., S.A.	WeDo Consulting – Sistemas de Informação, S.A.
PCJ - Público, Comunicação e Jornalismo, S.A.	WeDo Poland Sp. Z.o.o.
Permar – Sociedade de Construções, S.A.	WeDo Technologies Egypt a Limited Liability Company
Praesidium Services Limited	WeDo Technologies Mexico, s de R.L. de C.V.
Público – Comunicação Social, S.A.	WeDo Technologies BV
Saphety Level – Trusted Services, S.A.	WeDo Technologies Australia PTY Limited
Sociedade Independente de Radiodifusão Sonora, S.A.	WeDo Technologies (UK) Limited
Sonae Telecom, S.G.P.S., S.A.	WeDo do Brasil – Soluções Informáticas, Ltda
Sonae com – Sistemas Informação, S.G.P.S., S.A.	WeDo Technologies BV – Sucursal Malaysia
	WeDo Technologies Chile SpA.
	We Do Technologies Panamá S.A.
	We Do Technologies Singapore PTE. LDT.

## Sonae/Efanor Group Companies

3DO Holding GmbH	Avenida M – 40 B.V.
3DO Shopping Centre GmbH	Avenida M – 40, S.A.
3shoppings – Holding, S.G.P.S., S.A.	Azulino Imobiliária, S.A.
ADD/Avaliações Engenharia de Avaliações e Perícias Ltda	BB Food Service, S.A.
ADDmakler Administração e Corretagem de Seguros Ltda	Beeskow Holzwerkstoffe
ADDmakler Administradora, Corretora de Seguros Partic. Ltda	Beralands BV
Adlands B.V.	Bertimóvel – Sociedade Imobiliária, S.A.
Aegean Park, S.A.	Best Offer – Prest. Inf. p/Internet, S.A.
Agepan Eiweiler Management GmbH	Bikini, Portal de Mulheres, S.A.
Agepan Flooring Products, S.A.RL	Bloco Q – Sociedade Imobiliária, S.A.
Agepan Tarket Laminare Park GmbH Co. KG	Bloco W – Sociedade Imobiliária, S.A.
Aglom Investimentos, S.G.P.S., S.A.	Boavista Shopping Centre BV
Aglom-Soc. Ind. Madeiras e Aglom., S.A.	BOM MOMENTO – Comércio Retalhista, S.A.
Águas Furtadas – Imobiliária, S.A.	Boulangier Espanha, SL
Airone – Shopping Center, Srl	Box Lines Navegação, S.A.
ALBCC Albufeirashopping C.Comercial S.A.	Campo Limpo, Lda
ALEXA Administration GmbH	Canasta – Empreendimentos Imobiliários, S.A.
ALEXA Asset GmbH & Co KG	Carnes do Continente – Ind.Distr.Carnes, S.A.
ALEXA Holding GmbH	CarPlus – Comércio de Automóveis, S.A.
ALEXA Shopping Centre GmbH	Casa Agrícola de Ambrães, S.A.
Alexa Site GmbH & Co. KG	Casa Agrícola João e A. Pombo, S.A.
Algarveshopping – Centro Comercial, S.A.	Casa da Ribeira – Hotelaria e Turismo, S.A.
Alpêssego – Soc. Agrícola, S.A.	Cascaishopping – Centro Comercial, S.A.
Andar – Sociedade Imobiliária, S.A.	Cascaishopping Holding I, SGPS, S.A.
Aqualuz – Turismo e Lazer, Lda	CCCB Caldas da Rainha - Centro Comercial, S.A.
Arat inmebles, S.A.	Centro Colombo – Centro Comercial, S.A.
ARP Alverca Retail Park, S.A.	Centro Residencial da Maia,Urban., S.A.
Arrábidasshopping – Centro Comercial, S.A.	Centro Vasco da Gama – Centro Comercial, S.A.
Aserraderos de Cuellar, S.A.	Change, SGPS, S.A.
Atlantic Ferries – Tráf.Loc,Flu.e Marít, S.A.	Chão Verde – Soc.Gestora Imobiliária, S.A.
Choice Car – Comércio de Automóveis, S.A.	Fashion Division, S.A.
Choice Car SGPS, S.A.	Finlog – Aluguer e Comércio de Automóveis, S.A.
Cia.de Industrias e Negócios, S.A.	Fontana Corretora de Seguros Ltda
Cinclus Imobiliária, S.A.	Fozimo – Sociedade Imobiliária, S.A.
Citorres – Sociedade Imobiliária, S.A.	Fozmassimo – Sociedade Imobiliária, S.A.
Clérigoshopping – Gestão do C.Comerc., S.A.	Freccia Rossa – Shopping Centre S.r.l.

## Sonae/Efanor Group Companies

Coimbrashopping – Centro Comercial, S.A.	Friengineering International Ltda
Colombo Towers Holding, BV	Fundo de Invest. Imobiliário Imosede
Contacto Concessões, SGPS, S.A.	Fundo I.I. Parque Dom Pedro Shop.Center
Contibomba – Comérc.Distr.Combustíveis, S.A.	Fundo Invest.Imob.Shopp. Parque D.Pedro
Contimobe – Imobil.Castelo Paiva, S.A.	Gaiashopping I – Centro Comercial, S.A.
Continente Hipermercados, S.A.	Gaiashopping II – Centro Comercial, S.A.
Contry Club da Maia-Imobiliaria, S.A.	GHP GmbH
Cooper Gay (Holding) Limited	Gli Orsi Shopping Centre 1 Srl
Coral - Correctores de Seguros, SA	Global S – Hipermercado, Lda
Craiova Mall BV	Glunz AG
Cronosaúde – Gestão Hospitalar, S.A.	Glunz Service GmbH
Cumulativa – Sociedade Imobiliária, S.A.	Glunz UK Holdings Ltd
Darbo S.A.S.	Glunz Uka GmbH
Developpement & Partenariat Assurances, S.A.	Golf Time – Golfe e Invest. Turísticos, S.A.
Distrifin – Comercio y Prest.Servicios, S.A.	GOOD AND CHEAP – Comércio Retalhista, S.A.
Dortmund Tower GmbH	Guerin – Rent a Car (Dois), Lda.
Dos Mares – Shopping Centre B.V.	Guimarãeshopping – Centro Comercial, S.A.
Dos Mares – Shopping Centre, S.A.	Harvey Dos Iberica, S.L.
Ecociclo – Energia e Ambiente, S.A.	Herco Consultoria de Riscos e Corretora de Seguros Ltda
Ecociclo II	HIPOTÉTICA – Comércio Retalhista, SA
Edições Book.it, S.A.	Hornitex Polska Sp z.o.o
Edifícios Saudáveis Consultores, S.A.	Iberian Assets, S.A.
Efanor – Design e Serviços, S.A.	IGI – Investimento Imobiliário, S.A.
Efanor – Indústria de Fios, S.A.	Igimo – Sociedade Imobiliária, S.A.
Efanor Investimentos, SGPS, S.A.	Iginha – Sociedade Imobiliária, S.A.
Efanor Serviços de Apoio à Gestão, S.A.	Imoareaia – Invest. Turísticos, SGPS, S.A.
El Rosal Shopping, S.A.	Imobiliária da Cacela, S.A.
Empreend.Imob.Quinta da Azenha, S.A.	Imoclub – Serviços Imobiliários, S.A.
Equador & Mendes, Lda	Imoconti – Soc.Imobiliária, S.A.
Espimaia – Sociedade Imobiliária, S.A.	Imodivor – Sociedade Imobiliária, S.A.
Estação Oriente – Gest.de Galerias Com., S.A.	Imoestrutura – Soc.Imobiliária, S.A.
Estação Viana – Centro Comercial, S.A.	Imoferro – Soc.Imobiliária, S.A.
Estêvão Neves – Hipermercados Madeira, S.A.	Imohotel – Emp.Turist.Imobiliários, S.A.
Etablissement A. Mathe, S.A.	Imomuro – Sociedade Imobiliária, S.A.
Euromegantic, Lteé	Imopenínsula – Sociedade Imobiliária, S.A.
Euroresinas – Indústrias Químicas, S.A.	Imoplamac Gestão de Imóveis, S.A.
Farmácia Selecção, S.A.	Imoponte – Soc.Imobiliaria, S.A.

## Sonae/Efanor Group Companies

Imoresort – Sociedade Imobiliária, S.A.	Marmagno – Expl.Hoteleira Imob., S.A.
Imoresultado – Soc.Imobiliaria, S.A.	Martimope – Sociedade Imobiliária, S.A.
Imosedas – Imobiliária e Serviços, S.A.	Marvero – Expl.Hoteleira Imob., S.A.
Imosistema – Sociedade Imobiliária, S.A.	MC Property Management S.A.
Imosonae II	MC SGPS, S.A.
Impaper Europe GmbH & Co. KG	MDS Consultores, S.A.
Implantação – Imobiliária, S.A.	MDS Corretor de Seguros, S.A.
Infoclean – Informática, S.A.	Mediterranean Cosmos Shop. Centre Investments, S.A.
Inparsa – Gestão Galeria Comercial, S.A.	Megantic BV
Inparvi SGPS, S.A.	Miral Administração e Corretagem de Seguros Ltda
Integrum – Edifícios Sustentáveis, S.A.	MJLF – Empreendimentos Imobiliários, S.A.
Integrum – Serviços Partilhados, S.A.	Modalfa – Comércio e Serviços, S.A.
Integrum Colombo Energia, S.A.	MODALLOOP – Vestuário e Calçado, S.A.
Interclean, S.A.	Modelo – Dist.de Mat. de Construção, S.A.
Interlog – SGPS, S.A.	Modelo Cont. Seguros-Soc. De Mediação, Lda
Investalentejo, SGPS, S.A.	Modelo Continente – Oper.Retalho SGPS, S.A.
Invsauade – Gestão Hospitalar, S.A.	Modelo Continente Hipermercados, S.A.
Ipaper – Industria Papeis Impregnados, S.A.	Modelo Continente, SGPS, S.A.
ISF – Imobiliário, Serviços e Participaç	Modelo Hiper Imobiliária, S.A.
Isoroy SAS	Modelo Hipermercados Trading, S.A.
JUST SPORT – Comércio Art. Desporto, S.A.	Modelo.com – Vendas p/Correspond., S.A.
KLC Holdings XII S.A.	Monselice Centre Srl
La Farga – Shopping Center, SL	Movelpartes – Comp.para Ind.Mobiliária, S.A.
Larim Corretora de Resseguros Ltda	Movimento Viagens – Viag. e Turismo U.Lda
Larissa Develop. Of Shopping Centers, S.A.	Mundo Vip – Operadores Turisticos, S.A.
Lazam – MDS Corretora e Administradora de Seguros, S.A.	NA – Comércio de Artigos de Desporto, S.A.
Lazam Corretora, Ltda.	NA – Equipamentos para o Lar, S.A.
LCC LeiriaShopping Centro Comercial SA	NAB, Sociedade Imobiliária, S.A.
Le Terrazze - Shopping Centre 1 Srl	Norscut – Concessionária de Scut Interior Norte, S.A.
Lembo Services Ltd (Euro)	Norte Shop. Retail and Leisure Centre BV
Libra Serviços, Lda.	Norteshopping – Centro Comercial, S.A.
Lidergraf – Artes Gráficas, Lda.	Nova Equador Internacional,Ag.Viag.T, Lda
Lima Retail Park, S.A.	Nova Equador P.C.O. e Eventos
Loureshopping – Centro Comercial, S.A.	Novobord (PTY) Ltd.
Luso Assistência – Gestão de Acidentes, S.A.	Oeste Retail Park – Gestão G.Comerc., S.A.
Luz del Tajo – Centro Comercial S.A.	Operscut – Operação e Manutenção de Auto-estradas, S.A.
Luz del Tajo B.V.	OSB Deustchland GmbH
Madeirashopping – Centro Comercial, S.A.	Paracentro – Gest.de Galerias Com., S.A.
Maiashopping – Centro Comercial, S.A.	Pareuro, BV
Maiequipa – Gestão Florestal, S.A.	Park Avenue Develop. of Shop. Centers S.A.
	Parque Atlântico Shopping – C.C., S.A.



## Sonae/Efanor Group Companies

Marcas do Mundo – Viag. e Turismo Unip, Lda	Parque D. Pedro 1 B.V.
Marcas MC, ZRT	Parque D. Pedro 2 B.V.
Marimo – Exploração Hoteleira Imobiliária	Parque de Famalicão – Empr. Imob., S.A.
Marina de Tróia S.A.	Parque Principado SL
Marinamagic – Expl.Cent.Lúdicos Marít, Lda	Project SC 2 BV
Pátio Boavista Shopping Ltda.	Project Sierra 1 B.V.
Pátio Campinas Shopping Ltda	Project Sierra 1 B.V.
Pátio Goiânia Shopping Ltda	Project Sierra 2 B.V.
Pátio Londrina Empreend. e Particip. Ltda	Project Sierra 3 BV
Pátio Penha Shopping Ltda.	Project Sierra 4 BV
Pátio São Bernardo Shopping Ltda	Project Sierra 6 BV
Pátio Sertório Shopping Ltda	Project Sierra 7 BV
Peixes do Continente – Ind.Dist.Peixes, S.A.	Project Sierra 8 BV
Pharmaconcept – Actividades em Saúde, S.A.	Project Sierra 9 BV
PHARMACONTINENTE – Saúde e Higiene, S.A.	Project Sierra Brazil 1 B.V.
PJP – Equipamento de Refrigeração, Lda	Project Sierra Charagonis 1 S.A.
Plaza Eboli B.V.	Project Sierra Germany Shop. Center 1 BV
Plaza Eboli – Centro Comercial S.A.	Project Sierra Germany Shop. Center 2 BV
Plaza Mayor Holding, SGPS, S.A.	Project Sierra Italy 5 Srl
Plaza Mayor Parque de Ócio B.V.	Project Sierra Spain 1 B.V.
Plaza Mayor Parque de Ocio, S.A.	Project Sierra Spain 2 – Centro Comer. S.A.
Plaza Mayor Shopping B.V.	Project Sierra Spain 2 B.V.
Plaza Mayor Shopping, S.A.	Project Sierra Spain 3 – Centro Comer. S.A.
Ploi Mall BV	Project Sierra Spain 3 B.V.
Ploiesti Shopping Center (Euro)	Project Sierra Spain 5 BV
Poliface Brasil, Ltda	Project Sierra Spain 6 – Centro Comer. S.A.
Poliface North America	Project Sierra Spain 6 B.V.
Porturbe – Edifícios e Urbanizações, S.A.	Project Sierra Spain 7 – Centro Comer. S.A.
Praedium II – Imobiliária, S.A.	Project Sierra Spain 7 B.V.
Praedium III – Serviços Imobiliários, S.A.	Project Sierra Three Srl
Praedium SGPS, S.A.	Project Sierra Two Srl
Predicomercial – Promoção Imobiliária, S.A.	Promessa Sociedade Imobiliária, S.A.
Prédios Privados Imobiliária, S.A.	Prosa – Produtos e serviços agrícolas, S.A.
Predisedas – Predial das Sedas, S.A.	PublIMEIOS – Soc.Gestora Part. Finan., S.A.
Pridelease Investments, Ltd	Puravida – Viagens e Turismo, S.A.
Proj. Sierra Germany 1 – Shop.C. GmbH	Racionaliz. y Manufact.Florestales, S.A.
Proj. Sierra Germany 4 (four) – Sh.C.GmbH	RASO, SGPS, S.A.
Proj. Sierra Italy 2 – Dev.of Sh.C. Srl	Resoflex – Mob.e Equipamentos Gestão, S.A.
Proj.Sierra 1 – Shopping Centre GmbH	Resolução, SGPS, S.A.
Proj.Sierra Germany 2 (two) – Sh.C.GmbH	Rio Sul – Centro Comercial, S.A.

### Sonae/Efanor Group Companies

Proj.Sierra Germany 3 (three) – Sh.C.GmbH	River Plaza Mall, Srl
Proj.Sierra Italy 1 – Shop.Centre Srl	Rochester Real Estate, Limited
Proj.Sierra Italy 2 – Dev. Of Sh.C.Srl	RSI Corretora de Seguros Ltda
Proj.Sierra Italy 3 – Shop. Centre Srl	S. C. Setler Mina Srl
Proj.Sierra Portugal III – C.Comerc., S.A.	S.C. Microcom Doi Srl
Proj.Sierra Portugal VIII – C.Comerc., S.A.	Saúde Atlântica – Gestão Hospitalar, S.A.
Project 4, Srl	SC – Consultadoria, S.A.
Project SC 1 BV	Sierra Investments SGPS, S.A.
SC – Eng. e promoção imobiliária,SGPS, S.A.	Sierra Italy Holding B.V.
SC Aegean B.V.	Sierra Man.New Tech.Bus. – Serv.Comu.CC, S.A.
SC Assets SGPS, S.A.	Sierra Management Germany GmbH
SC Mediterraneum Cosmos B.V.	Sierra Management Hellas S.A.
SCS Beheer, BV	Sierra Management II – Gestão de C.C. S.A.
Selfrio – Engenharia do Frio, S.A.	Sierra Management Italy S.r.l.
Selfrio,SGPS, S.A.	Sierra Management Portugal – Gest. CC, S.A.
Selifa – Empreendimentos Imobiliários, S.A.	Sierra Management Spain – Gestión C.Com.S.A.
Sempre à Mão – Sociedade Imobiliária, S.A.	Sierra Management, SGPS, S.A.
Sempre a Postos – Produtos Alimentares e Utilidades, Lda	Sierra Portugal Fund, Sarl
Serra Shopping – Centro Comercial, S.A.	Sierra Property Management, Srl
Sesagest – Proj.Gestão Imobiliária, S.A.	SII – Soberana Invest. Imobiliários, S.A.
Sete e Meio – Invest. Consultadoria, S.A.	SIRS – Sociedade Independente de Radiodifusão Sonora, S.A.
Sete e Meio Herdades – Inv. Agr. e Tur., S.A.	Sistavac – Sist.Aquecimento,V.Ar C., S.A.
Shopping Centre Colombo Holding, BV	SKK – Central de Distr., S.A.
Shopping Centre Parque Principado B.V.	SKK SRL
Shopping Penha B.V.	SKKFOR – Ser. For. e Desen. de Recursos
Siaf – Soc.Iniciat.Aprov.Florestais, S.A.	SMP – Serv. de Manutenção Planeamento
SIAL Participações Ltda	Soc.Inic.Aproveit.Florest. – Energias, S.A.
Sic Indoor – Gestão de Suportes Publicitários, S.A.	Sociedade de Construções do Chile, S.A.
Sierra Asset Management – Gest. Activos, S.A.	Sociedade Imobiliária Troia – B3, S.A.
Sierra Asset Management Luxemburg, Sarl	Société de Tranchage Isoroy S.A.S.
Sierra Berlin Holding BV	Socijofra – Sociedade Imobiliária, S.A.
Sierra Brazil 1 B.V.	Sociloures – Soc.Imobiliária, S.A.
Sierra Central S.A.S	Soconstrução BV
Sierra Charagionis Develop.Sh. Centre S.A.	Sodesa, S.A.
Sierra Charagionis Propert.Management S.A.	Soflorin, BV
Sierra Corporate Services – Ap.Gestão, S.A.	Soira – Soc.Imobiliária de Ramalde, S.A.
Sierra Corporate Services Holland, BV	Solaris Supermercados, S.A.
Sierra Develop.Iberia 1, Prom.Imob., S.A.	Solınca – Investimentos Turísticos, S.A.

## Sonae/Efanor Group Companies

Sierra Development Greece, S.A.	Solinca III – Desporto e Saúde, S.A.
Sierra Developments – Serv. Prom.Imob., S.A.	Solinfitness – Club Malaga, S.L.
Sierra Developments Germany GmbH	Soltroia – Imob.de Urb.Turismo de Tróia, S.A.
Sierra Developments Holding B.V.	Sonae Capital Brasil, Lda
Sierra Developments Italy S.r.l.	Sonae Capital,SGPS, S.A.
Sierra Developments Services Srl	Sonae Center Serviços, S.A.
Sierra Developments Spain – Prom.C.Com.SL	Sonae Center II S.A.
Sierra Developments, SGPS, S.A.	Sonae Financial Participations BV
Sierra Enplanta Ltda	Sonae Ind., Prod. e Com.Deriv.Madeira, S.A.
Sierra European R.R.E. Assets Hold. B.V.	Sonae Indústria – SGPS, S.A.
Sierra GP Limited	Sonae Indústria Brasil, Ltda
Sierra Investimentos Brasil Ltda	Sonae Industria de Revestimentos, S.A.
Sierra Investments (Holland) 1 B.V.	Sonae Investments, BV
Sierra Investments (Holland) 2 B.V.	Sonae Novobord (PTY) Ltd
Sierra Investments Holding B.V.	Tecmasa Reciclados de Andalucia, SL
Sonae RE, S.A.	Teconologias del Medio Ambiente, S.A.
Sonae Retalho Espana – Servicios Gen., S.A.	Terra Nossa Corretora de Seguros Ltda
Sonae Serviços de Gestão, S.A.	Textil do Marco, S.A.
Sonae, SGPS, S.A.	Tlantic Portugal – Sist. de Informação, S.A.
Sonae Sierra Brasil Ltda	Tlantic Sistemas de Informação Ltdª
Sonae Sierra Brazil B.V.	Todos os Dias – Com.Ret.Expl.C.Comer., S.A.
Sonae Sierra, SGPS, S.A.	Tool GmbH
Sonae Tafibra Benelux, BV	Torre Colombo Ocidente – Imobiliária, S.A.
Sonae Turismo – SGPS, S.A.	Torre Colombo Oriente – Imobiliária, S.A.
Sonae Turismo Gestão e Serviços, S.A.	Torre São Gabriel – Imobiliária, S.A.
Sonae UK, Ltd.	TP – Sociedade Térmica, S.A.
Sonaecenter Serviços, S.A.	Troia Market – Supermercados, S.A.
Sonaegest – Soc.Gest.Fundos Investimentos	Troia Market, S.A.
Sondis Imobiliária, S.A.	Tróia Natura, S.A.
Sontel BV	Troiaresort – Investimentos Turísticos, S.A.
Sontur BV	Troiaverde – Expl.Hoteleira Imob., S.A.
Sonvecap BV	Tulipamar – Expl.Hoteleira Imob., S.A.
Sopair, S.A.	Unishopping Administradora Ltda.
Sótaqua – Soc. de Empreendimentos Turist	Unishopping Consultoria Imob. Ltda.
Spanboard Products, Ltd	Urbisedas – Imobiliária das Sedas, S.A.
SPF – Sierra Portugal Real Estate, Sarl	Valecenter Srl
Spinveste – Gestão Imobiliária SGII, S.A.	Valor N, S.A.
Spinveste – Promoção Imobiliária, S.A.	Vastgoed One – Sociedade Imobiliária, S.A.
Sport Zone – Comércio Art.Desporto, S.A.	Vastgoed Sun – Sociedade Imobiliária, S.A.

## Sonae/Efanor Group Companies

SRP Development, S.A.	Venda Aluga – Sociedade Imobiliária, S.A.
Tableros Tradema, S.L.	Via Catarina – Centro Comercial, S.A.
Tafiber, Tableros de Fibras Ibéricas, SL	Viajens y Turismo de Geotur España, S.L.
Tafibras Participações, S.A.	Vuelta Omega, S.L.
Tafisa – Tableros de Fibras, S.A.	WELL W – Electrodomésticos e Equip., SA
Tafisa Canadá Societé en Commandite	World Trade Center Porto, S.A.
Tafisa France, S.A.	Worten – Equipamento para o Lar, S.A.
Tafisa UK, Ltd	Worten España, S.A.
Taiber, Tableros Aglomerados Ibéricos, SL	Zubiarte Inversiones Inmob, S.A.
Tarkett Agepan Laminate Flooring SCS	
Tavapan, S.A.	

## Empresas do Grupo FT

France Telecom, S.A.	Atlas Services Belgium, S.A.
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07



Statement under the  
terms of Article 245





## 7. Statement under the terms of Article 245

The signatories individually declare that, to their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared meeting the standards of the applicable International Financial Reporting Standards, giving a truthful (fairly) and appropriate image, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of the issuer and that the Management Report faithfully describes the business evolution and position of the issuer and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

### The Board of Directors

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho Paupério

António Bernardo Aranha da Gama Lobo Xavier

Maria Cláudia Teixeira de Azevedo

Miguel Nuno Santos Almeida

Nuno Miguel Moniz Trigo Santos Jordão

António Sampaio e Mello

Gervais Gilles Pellissier

David Charles Denholm Hobley

Jean-François René Pontal

Frank Emmanuel Dangeard



08



Legal certification  
of accounts and  
Auditor's Report

## STATUTORY AUDIT AND AUDITOR'S REPORT

*(This is a translation of a report originally issued in Portuguese  
in the event of discrepancies, the Portuguese language version prevails)*

### **Introduction**

1. In compliance with the applicable legislation we hereby present our Statutory Audit and Auditor's Report on the consolidated and individual financial information contained in the Board of Directors' Report, and on the accompanying consolidated and individual financial statements of SONAECOM, S.G.P.S., S.A. ("Company") for the year ended 31 December 2010 which comprise the Consolidated and Individual Balance Sheets as of 31 December 2010 (that present a total net assets of 1,861,869,826 Euro and 1,644,879,294 Euro, respectively, and consolidated and individual equity of 975,251,994 Euro and 1,274,864,126 Euro, respectively, including a consolidated net profit attributable to the Company's shareholders of 41,182,587 Euro and an individual net profit of 135,403,787 Euro), the Consolidated and Individual Statements of profit and loss, comprehensive income, changes in equity and cash-flows for the year then ended and the corresponding Notes.

### **Responsibilities**

2. The Board of Directors is responsible for: (i) the preparation of consolidated and individual financial statements that present a true and fair view of the financial position of the Company and of the group of companies included in the consolidation, the consolidated and individual results of their operations, comprehensive income, changes in equity and their consolidated and individual cash-flows; (ii) the preparation of historical financial information in accordance with the International Financial Reporting Standards as adopted by the European Union and that is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of an appropriate system of internal control; and (iv) informing on any significant facts that have influenced the operations of the Company and of the group of companies included in the consolidation, their financial position or their results and comprehensive income.
3. Our responsibility is to examine the consolidated and individual financial information contained in the documents referred to above, including verifying that, in all material respects, the information is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code, and to issue a professional and independent report based on our examination.

### **Scope**

4. Our examination was performed in accordance with the Technical/Audit Standards ("*Normas Técnicas e as Diretrizes de Revisão/Auditoria*") issued by the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated and individual financial statements are free of material misstatement. Such an examination includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the consolidated and individual financial statements and assessing the estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. Such an examination also includes verifying the consolidation procedures, the application of the equity method and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting principles used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, verifying the adequacy of the overall presentation of the consolidated and individual financial statements and assessing that, in all material respects, the consolidated and individual financial information is complete, true, up-to-date, clear, objective and licit. Our examination also comprises verifying that the financial information contained in the Board of Directors' Report is in accordance with the consolidated and individual financial statements, as well to perform the verifications established in the numbers 4 and 5 of the article 451<sup>o</sup> of the Portuguese Company Law ("*Código das Sociedades Comerciais*"). We believe that our examination provides a reasonable basis for expressing our opinion.

**Opinion**

5. In our opinion, the consolidated and individual financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated and individual financial position of SONAECOM, S.G.P.S., S.A. as of 31 December 2010, the consolidated and individual results of their operations, consolidated and individual comprehensive income, changes in consolidated and individual equity and their consolidated and individual cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union and the information contained therein is, in terms of the definitions included in the technical and audit standards referred to in paragraph 4 above, complete, true, up-to-date, clear, objective and licit.

**Report on other legal requirements**

6. It is also our opinion that the financial information included in the Board of Directors' Report is in accordance with the consolidated and individual financial statements of the year and that the Corporate Governance Report includes the information required to the Company, as established by the article 245º- A of the Securities Market Code.

Porto, 2 March 2011

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Deloitte & Associados, SROC S.A.  
Represented by Jorge Manuel Araújo de Beja Neves





09

Report and opinion  
of the Statutory  
Audit Board

## Report and opinion of the Statutory Audit Board of Sonaecom, SGPS,SA

### To the Shareholders of Sonaecom, SGPS, S.A.

#### 1 – Report

##### 1.1 - Introduction

In compliance with applicable legislation and the mandate given to the Statutory Audit Board we hereby submit our Report and Opinion of the Management Report and other documentation concerning the individual and consolidated accounts of Sonaecom, S.G.P.S., S.A., for the year ended at 31 December 2010, 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 and attended a joint meeting with the Board Audit and Finance Committee.

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 2010, the individual and consolidated profit and loss accounts by nature, statements of comprehensive income, movements in shareholders' funds and cash flow statements for the year ended on that date and related notes;

- The application of results proposal of the Board of Directors.

#### 3 – Statement of Responsibility

In accordance with paragraph 1, point a) of article 8 of Regulation n° 5/2008 of CMVM and point c) of paragraph 1 of article 245 of the Portuguese Securities Market Code, we declare that, to their knowledge, the consolidated and individual financial statements were prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of Sonaecom, S.G.P.S., S.A. and the main companies included in consolidation perimeter, and that the Management Report faithfully describes the business performance and position of the issuer and of the companies included in the consolidation perimeter containing a description of the major risks and uncertainties that they face. Further, we inform that the Corporate Governance report issued complies with the article 245-A of the Portuguese Securities Code.

Maia, 8 March 2011

The Statutory Audit Board

Arlindo Dias Duarte Silva

Óscar José Alçada da Quinta

Armando Luís Vieira de Magalhães









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Glossary of terms

3G	Term used to describe a mobile communication system generation coming after the second generation (2G GSM cellular network. It is an evolution in communications based on circuit switching to high-speed mobile broadband networks, whereby data is transmitted over packages.
ADSL	Asymmetric Digital Subscriber Line – is the asymmetric transmission technology that became widely used within the xDSL family. An ADSL connection provides a high-speed downstream channel and a lower speed upstream channel, apart from the regular telephone service in the low frequency range. It is a modem technology that converts the existing twisted-pair telephone lines into high-speed digital lines for, for instance, a fast internet access.
B2B	Business-to-Business – a way to describe a market (electronic or otherwise) for transactions between two companies.
Backbone	Set of circuits, mostly high-speed circuits, forming the main segments of a communications network to which the secondary segments are connected.
BSC	Base Station Controller – the BSC is responsible for managing the radio resources of one or several BTS's in all its aspects. The BSC is also the connection between the mobile station and the MSC.
Central offices	Local phone exchanges (held in Portugal by PT), used to perform local loop unbundling.
Customer churn	Number of customers who discontinue a service during a specified time period.
DTT	Digital Terrestrial Television.
Femtocell	A small cellular base station, typically designed for use in a home or small business. It connects to the service provider's network via broadband (such as FTTH, xDSL or cable), allowing mobile network offload. A femtocell allows service providers to extend service coverage indoors, especially where access would otherwise be limited or unavailable.
FWA	Fixed Wireless Access – Radio fixed-access technology allowing operators to supply to their customers direct connection to their telecommunications network through a fixed radio connection from the premises of the latter to the local operator station, instead of a copper wire or optical fibre connection.
Gigabit Ethernet	Data transmission through Ethernet technology with a speed up to 1000 Mbps. Ethernet refers to the type of cable and access mode to a network. It is the most commonly used local network in companies. It supports several communication speeds, according to the used Ethernet standard.
GPRS	General Packet Radio Service – GSM system evolution, based on package switching, allowing for a transmission at a speed up to 115 Kbps.
GPS	Global Positioning System.
GSM	Global Standard for Mobile Communications – standard used in 2G digital mobile communications systems, which specifies how data through the spectrum is codified and transferred.
HSDPA	High-Speed Downlink Packet Access over W-CDMA networks – technology improving UMTS data transfer rate, and therefore also been referred to as the third and a half generation (3.5G).
HSUPA	High-Speed Uplink Packet Access over W-CDMA networks – a technology, similar to HSDPA but relates to the sending of information from the mobile terminal to the network ('upload'), which improves the UMTS data transfer rate. The Uplink transfer rate is expected to be lower than the Downlink one at short-medium term.
IMS	IP Multimedia Subsystem – an architectural framework for delivering internet protocol ('IP') multimedia to mobile users. It was originally designed by the wireless standards body 3rd Generation Partnership Project

(3GPP), and is part of the vision for evolving mobile networks beyond GSM.

ISP	Internet Service Provider – Internet access supplier.
IVR	Interactive voice response ('IVR') is a technology that allows a computer to detect voice and keypad inputs, allowing for automatic responses with pre-recorded or dynamically generated audio to further direct users on how to proceed. IVR technology is used extensively in telecommunications, namely in customer support lines.
Kbps	Digital information transmission speed measuring unit which corresponds to 1024 in thousand of bits per second.
Mega/Mbps	Digital information transmission speed measuring unit which corresponds to 1024 kbps.
MMS	Multimedia Messaging Service – multimedia messaging service combining text, image and sound operating in GPRS and 3G networks.
MPEG	Codification and compression systems approved by the moving picture experts group.
MSC	Mobile Switching Centres – control and switching centres, being the key component of a GSM network, acting as a connection/interconnection node between the cellular network and all the other types of network.
MTRs	Mobile Termination Rates – fees mobile phone companies charge other carriers to terminate calls on their networks.
MVNO	Mobile Virtual Network Operator.
Nodes-B	Base transmission element of an UMTS network.
PSTN	Public Switched Telephone Network – a set of telecommunications infrastructures allowing analogical connections between terminal points, to support a wide range of telecommunications services, such as telephone and video conference.
SHDSL	Symmetric High-Bit-Rate Digital Subscriber Line – allows for a bidirectional communication with faster speeds using a twisted pair copper wire (in other words, a common telephone cable), even over great distances.
SMS	Short Messaging Service – service to exchange short messages, common in mobile networks.
Triple Play	Integrated voice, internet and television offer.
SOHO	Small Offices, Home Offices, a segment of the corporate market.
ULL	Unbundling of the Local Loop – choice for access network consisting in unbundling the local loop, allowing other licensed operators to use the local loop pertaining to the incumbent operator, for service rendering.
UMTS	Universal Mobile Telecommunications System – one of the third generation mobile communication systems used, namely in Europe, integrating a larger family (IMT-2000).
VoIP	Voice over IP – technology allowing converting analogue audio signals into digital signals, subject of being transmitted through the internet and gain converted into analogue signals. The combination, in just one channel, of voice and data, encourages the creation of communication services with possibilities that go far beyond the so called telephony.
Wi-Fi	A wireless-technology brand owned by the Wi-Fi Alliance, which promotes certain standards with the aim of improving the interoperability of wireless local area network products.

### 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.

Relatório disponível no sítio na internet da Sonaecom: [www.sonae.com](http://www.sonae.com)

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