FULL YEAR 2007
RESULTS ANNOUNCEMENT

3 March 2008

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Notes:
(i) 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;

(ii) Enabler was sold on 30 June 2006 and, in order to facilitate comparisons of YTD results against the previous year, the 2006 comparative figures have been restated to exclude Enabler's contribution and associated capital gain to Sonaecom and to the Software and Systems Information Division (SSI) Results. In addition, 2006 full year Results include costs associated with the Public Tender Offer for Portugal Telecom and, in order to isolate these non-recurrent costs from the operational performance of the year, the 2006 figures have been restated for comparative purposes. All comparisons, when stated, are made on this "like-for-like" or restated basis (2006^R).

1. Message from Angelo Paupério, CEO of Sonaecom

I am pleased to be able to announce a strong set of operational and financial results for the full year 2007, driven by our telco businesses and by SSI:

- Significant growth in Active Customers at our Mobile Business (10.6%) and total services at our Wireline Business (+16.5% on a like-for-like basis) against YE06;
- Continued growth of customer revenues and at an even higher year-on-year rate than in 2006; up 15.9% or 10.8% excluding recent acquisitions;
- EBITDA improved by 3.3%, notwithstanding the negative impacts of lower roaming-in tariffs, lower MTRs and the cost of growth;
- Record EBITDA at our Wireline Business, reflecting mainly the benefits of the continued organic growth in its direct access business;
- Strong EBITDA at SSI that improved by 2.4% against 2006, despite the cost of integrating the companies acquired (32.8% growth on a like-for-like basis);
- Net results group share reached 36.8 million euros, driven primarily by deferred tax asset benefits.

I am also encouraged by the fact that most of the short term objectives we set ourselves during 1Q07 for our **Telco Business** after the end of the tender offer, have been met and as a result, I believe we have reinforced our position as the main integrated alternative operator in Portugal:

- **Organic growth**: Customer revenues increased by 7.9% in our Mobile Business, as a result of the significantly enlarged customer base driven by the success of our fixed-mobile convergence product ("Optimus Home") and of our leading mobile Broadband offer ("Kanguru"); and by 22.9%, on a like-for-like basis, in our Wireline Business, driven by the increased size of the ULL customer base.
- **Non-organic growth:** we have successfully executed the acquisitions of ONI's Residential and SOHO customers and of Tele2 Portugal, allowing for a significant increase in the scale of our Wireline business and the leveraging of our proprietary network;
- **Network coverage extension**: a material increase in the capacity and coverage of our network was achieved during 2007, enabling the provision of improved services to an enlarged addressable market: our UMTS/HSDPA coverage reached 78% of the population and our ULL network now covers more than 55% of total households;
- **Enhanced integration model**: During 4Q07 we completed the merger of Optimus and Novis which will further improve operating efficiency. Our front office was reorganised along segmentational and functional lines across both mobile and wireline businesses, in order to better address a market that is becoming increasingly convergent and to facilitate the development of new convergent products and services;
- **Improved debt structure**: the completion, before the 2H07 turmoil in the credit markets, of the refinancing of our debt facilities through a new committed and underwritten Commercial Paper Programme at Sonaecom SGPS, has allowed us to improve cash management, gain greater financial flexibility and significantly improve our debt maturity profile.

At **SSI**, during 2007, we achieved significant organic growth (18.4% increase in turnover on a like-for-like basis) as well as making significant progress on non-organic growth. In particular, WeDo increased its international portfolio of customers and consolidated its position as the leading international provider of Revenue Assurance solutions, following the acquisition of Cape Technologies. In accordance with the objectives set for the year, both Mainroad and Bizdirect achieved a significant increase in profitability in 2007, driven by increased revenues and improved operational efficiency.

Consistent with SSI's stated strategy and within the continuous assessment of our portfolio, we have successfully executed the sale of two minority stakes in non-core businesses, which generated a total capital gain of 3.3 million euros.

At **Público**, having completed the restructuring that eliminated approximately 4m euros of fixed costs from the business, the focus during 2007 was on growing the top line with the launch of a redesigned new-look all colour newspaper in late February; the launch of "Sexta", the first free weekly newspaper in Portugal under a 50:50 joint-venture with "A Bola", a leading daily sports newspaper; and the strengthening of Público's commercial advertising team. During 2007, these efforts have been hampered by the falling circulation of paid daily newspapers, the success of free formats, which has impacted advertising revenues; and the maturity and competitive nature of the market for 'brand extension' sales.

Notwithstanding this challenging environment, it achieved a material reduction of its EBITDA losses in the year and we strongly believe that the strategic path chosen is the correct one for Público.

As regards regulation, 2007 saw a number of significant developments on the regulatory front that have and/or will have a significant impact on our telco business:

- The continuation of the phased reduction of MTRs and the decrease in Roaming-in revenues had a significant negative effect on the EBITDA results in our Mobile Business, with an aggregate impact of 14.2 million euros in 2007.
- During 4Q07, Anacom released a proposed draft decision covering MTRs for 2008 that envisages further cuts in MTRs and the introduction, for the first time since the launch of Optimus in 1998, of asymmetry in favour of Optimus. Such a decision has been taken with the purpose of fostering competition in the Portuguese mobile sector, which will ultimately benefit consumers.

In March 2007, our tender offer for Portugal Telecom (PT) was blocked in an unsatisfactory manner. However, I firmly believe that we gained from this process even though we did not achieve our ultimate objective. As a direct result of our bid, we have made a very significant contribution to achieving a more balanced structure in the Portuguese telecoms market that may lead to a more transparent competitive environment. This has been achieved primarily by the de-merger of PTM (a direct consequence of our bid) into an independently run company and in part by the greater acceptance of the realities of the market by many who participate in or are influential over, the Portuguese telecoms market.

In a particularly challenging year, and in my first year as CEO of Sonaecom, I am proud of our achievements during 2007 and believe that the decisions taken and resources committed during the year, together with our investment plans for 2008, will establish a solid platform to deliver future growth and enhanced profitability from our businesses. The success and progress made is a tribute to all our officers and employees and to the time and effort they have committed to our organization.

On the back of these encouraging results achieved in 2007, we now plan to accelerate further our investments during 2008, envisaging an ambitious investment programme in our telecoms business to enhance our competitive market positioning and provide for sustained future growth.

I believe that Sonaecom is today much better positioned to continue to successfully develop our business as the leading challenger to PT in the Portuguese telecommunications market and to lead the market in innovation and differentiation through quality and service.

2. Full Year highlights

Sonaecom's full year 2007 results show solid growth and improved profitability and reflect the organisation's ability to identify and focus on specific growth opportunities across its markets.

Operational Highlights

OPERATING KPI's	4Q06	4Q07	y.o.y	3Q07	2006	2007	y.o.y
Mobile Business							
Customers (EOP) ('000)	2,601.9	2,893.5	11.2%	2,761.1	2,601.9	2,893.5	11.2%
Active Customers (1)	2,058.4	2,276.9	10.6%	2,203.2	-	-	-
Data as % Service Revenues	16.3%	19.4%	3.1pp	18.2%	14.4%	17.7%	3.3pp
MOU (2) (min.)	117.9	120.6	2.2%	120.7	115.9	118.1	1.9%
Wireline Business							
Total Services (EOP)	380,729	815,623	114.2%	798,477	380,729	815,623	114.2%
Direct	281,541	510,673	81.4%	471,851	281,541	510,673	81.4%
Direct access as % Customer Revenues	71.5%	60.1%	-11.5pp	73.1%	65.6%	70.1%	4.6pp
Sonaecom							
Employees	1,871	1,961	4.8%	1,875	1,871	1,961	4.8%

(1) Active Customers with Revenues generated during the last 90 days; (2) Minutes of Use per Customer per month.

Consolidated Financial Highlights

Million euros

CONSOLIDATED FINANCIAL KPI's	4Q06	4Q07	y.o.y	3Q07	2006	2006R	2007	y.o.y
Turnover	212.0	248.4	17.2%	230.8	836.0	822.4	892.7	8.6%
Service Revenues	189.3	224.3	18.5%	212.1	746.8	733.1	813.6	11.0%
Customer Revenues	141.2	175.9	24.6%	156.3	543.5	529.8	614.2	15.9%
Operator Revenues	48.1	48.4	0.6%	55.7	203.3	203.3	199.4	-1.9%
EBITDA	33.1	41.4	25.2%	47.4	184.3	156.9	162.0	3.3%
EBITDA Margin (%)	15.6%	16.7%	1.1pp	20.5%	22.0%	19.1%	18.1%	-0.9pp
Net Results - Group Share (1)	-40.4	33.8	-	7.6	-13.9	-9.7	36.8	-
Operating CAPEX (2)	52.4	52.3	-0.1%	54.2	134.1	134.0	162.8	21.5%
Operating CAPEX as % of Turnover	24.7%	21.1%	-3.6pp	23.5%	16.0%	16.3%	18.2%	1.9pp
EBITDA - Operating CAPEX	-19.3	-10.9	43.5%	-6.8	50.3	22.9	-0.8	-
Operating Cash Flow (3)	18.9	18.3	-2.8%	33.0	51.3	30.3	55.5	83.6%
FCF (4)	12.2	3.9	-68.3%	-19.3	-81.7	-102.6	59.6	-

(1) Net Results after Minority Interests; (2) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments; (3) Operating Cash Flow = EBITDA - Operating CAPEX - Change in WC -Non Cash item & Other; (4) FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs; (R) Restated to exclude Enabler's contribution in 1H06, the 25.3 million euros capital gain from the sale of Enabler in 1H06 and Tender Offer Costs.

- **Customers:** (i) Mobile customers increased by 11.2% to 2.89 million at YE07; net additions in the year were 291.6 thousand, up by 17.3% when compared to 2006. The level of net additions in the 4Q07 (132.4 thousand customers) was the highest since 2001. Data revenues represented 17.7% of service revenues in 2007, up 3.3 pp from YE06 and reached 19.4% in 4Q07; (ii) Wireline services, including those associated with the recent acquisitions, totalled 815.6 thousand at YE07 with significant underlying like-for-like growth of 17.0%. Direct access services increased to 510.6 thousand, an increase of 36% on a like-for-like basis; and customer revenues represented 55.1% of service revenues (o.w. 70.1% were direct access revenues) in 2007,

- **Personnel:** total employees increase by 4.8% compared to 2006, mostly due to the integration of personnel from the acquisitions carried out in the year (31 at Tele2 Portugal and 82 at Cape Technologies). The evolution of the headcount included a decrease of 7.1% in shared services and corporate centre.

- **Consolidated Service Revenues:** were 11.0% higher than in 2006, as a result of a 15.9% increase in customer revenues (or 10.8% if we exclude the contributions of the companies acquired in 2007) that more than compensated the 1.9% reduction in operator revenues, driven by the negative impact of regulated tariffs in Mobile revenues.

- **Consolidated EBITDA:** increased by 3.3% to 162 million euros, driven by the improved contribution of the Wireline Business that has been generating positive EBITDA in the last six consecutive quarters and achieved a record level in 4Q07, and due to the improved performance at SSI. EBITDA margin deteriorated by 0.9 pp to 18.1% due to the negative impact of regulated tariffs, the cost of growth and the costs associated with the integration of the acquired businesses.

3. Consolidated Results

3.1. Consolidated Income Statement

Million euros

CONSOLIDATED INCOME STATEMENT	4Q06	4Q06R	4Q07	y.o.y	3Q07	2006	2006R	2007	y.o.y
Turnover	**212.0**	**212.0**	**248.4**	**17.2%**	**230.8**	**836.0**	**822.4**	**892.7**	**8.6%**
Mobile	156.7	156.7	164.4	4.9%	161.5	610.4	610.4	619.4	1.5%
Wireline	54.0	54.0	77.8	44.1%	66.9	200.2	200.2	255.4	27.6%
Público	9.0	9.0	9.5	6.3%	7.0	36.4	36.4	33.2	-8.9%
SSI	17.4	17.4	26.1	50.1%	20.6	78.8	65.1	79.5	22.2%
Other & Eliminations	-25.1	-25.1	-29.5	-17.4%	-25.1	-89.7	-89.7	-94.8	-5.7%
Other Revenues	**2.4**	**2.4**	**2.2**	**-9.2%**	**2.2**	**32.0**	**5.4**	**6.4**	**19.2%**
Operating Costs	**179.0**	**179.0**	**206.2**	**15.2%**	**182.7**	**673.1**	**660.4**	**724.9**	**9.8%**
COGS	29.7	29.7	33.9	14.1%	27.2	102.1	102.1	108.6	6.4%
Network Costs (1)	66.6	66.6	82.8	24.3%	77.0	256.0	256.0	298.3	16.5%
Personnel Costs	25.2	25.2	25.9	2.9%	22.3	102.5	94.7	95.0	0.3%
Marketing & Sales	26.7	26.7	26.9	1.0%	25.6	94.1	94.0	96.5	2.6%
Outsourcing Services (2)	15.6	15.6	19.8	27.0%	15.8	60.9	58.9	65.6	11.3%
General & Administrative Expenses	12.1	12.1	12.8	5.9%	11.8	46.3	43.6	47.2	8.5%
Other Operating Costs	3.2	3.2	4.2	31.6%	3.1	11.1	11.1	13.8	24.4%
Provisions and Impairment Losses	**2.4**	**2.4**	**2.9**	**23.8%**	**2.9**	**10.6**	**10.5**	**12.2**	**16.5%**
EBITDA	**33.1**	**33.1**	**41.4**	**25.2%**	**47.4**	**184.3**	**156.9**	**162.0**	**3.3%**
EBITDA Margin (%)	15.6%	15.6%	16.7%	1.1pp	20.5%	22.0%	19.1%	18.1%	-0.9pp
Mobile	34.5	34.5	35.5	3.0%	44.5	169.1	169.1	153.7	-9.1%
Wireline	0.2	0.2	5.4	-	3.6	-6.2	-6.2	9.8	-
Público	-2.9	-2.9	0.2	-	-1.5	-8.8	-8.8	-3.3	62.7%
SSI	1.8	1.8	0.4	-79.2%	1.5	31.8	4.5	4.6	2.4%
Other & Eliminations	-0.5	-0.5	-0.1	89.2%	-0.7	-1.5	-1.6	-2.8	-70.0%
Tender Offer Costs	30.9	0.0	0.0	-	0.0	30.9	0.0	0.0	-
Depreciation & Amortization	35.5	35.5	38.5	8.5%	34.4	135.7	135.5	140.0	3.3%
EBIT	**-33.3**	**-2.4**	**2.9**	**-**	**13.0**	**17.8**	**21.4**	**22.0**	**2.9%**
Net Financial Results	**-4.9**	**-4.9**	**-3.8**	**21.2%**	**-9.4**	**-17.4**	**-17.4**	**-21.5**	**-23.2%**
Financial Income	1.5	1.5	0.8	-45.4%	5.3	6.0	5.9	18.0	-
Financial Expenses	6.3	6.3	4.6	-26.7%	14.7	23.4	23.4	39.5	69.0%
EBT	**-38.2**	**-7.3**	**-0.9**	**87.6%**	**3.5**	**0.4**	**4.0**	**0.5**	**-86.6%**
Tax results	-2.1	-2.1	34.9	-	4.2	-5.3	-5.0	36.6	-
Net Results	**-40.3**	**-9.3**	**34.0**	**-**	**7.7**	**-4.9**	**-1.0**	**37.2**	**-**
Group Share	-40.4	-9.4	33.8	-	7.6	-13.9	-9.7	36.8	-
Attributable to Minority Interests	0.1	0.1	0.2	74.0%	0.1	9.0	8.6	0.4	-95.5%

(1) Network Costs = Interconnection plus Leased Lines plus Content plus Other Network Operating Costs; (2) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (R) Restated to exclude Enabler's contribution in 1H06 and Tender Offer Costs.

Turnover

Consolidated turnover totalled 892.7 million euros in 2007 (the highest ever achieved by Sonaecom), 8.6% above 2006R, notwithstanding the negative impact of lower roaming-in revenues of 9.4 million euros and of lower Mobile Termination Rates ("MTRs") of 11.3 million euros, registered on Operator Revenues at our Mobile Business.

Consolidated service revenues increased by 11.0%, to 813.6 million euros, compared to 2006R. The main drivers behind this performance were the following:

a) 27.8% higher service revenues at our Wireline Business;
b) 3.0% increase in service revenues at our Mobile Business, with the growth of customer revenues more then offsetting the combined negative impact of lower MTRs and roaming-in tariffs;
c) 18.6% higher service revenues at SSI, mainly driven by the good performance of WeDo; and
d) notwithstanding the 8.4% decrease of advertising revenues at Público.

Importantly, consolidated customer revenues grew by 15.9% when compared to 2006R, driven by strong customer revenue growth at both our Wireline (48.2%) and Mobile (7.9%) Businesses. The 2007 results of the Wireline Business and consequently, those of Sonaecom Consolidated include, since September, revenues generated by Tele2 Portugal and by the customers acquired from Oni. In 2007, the contribution of these two additional businesses to service revenues was of 24.8 million euros.

The 2007 results at SSI (and the consolidated results of Sonaecom) also include the contributions of Cape Technologies, Praesidium and Tecnológica, all acquired by WeDo during 2007. The contribution of these three companies to the 2007 turnover was of 2.4 million euros.

Excluding the above mentioned contributions, service revenues and customer revenues would have grown by 7.3% and 10.8%, respectively, compared to 2006[R], on a like-for-like basis.

Operating costs
Total operating costs reached 724.9 million euros in 2007, an increase of 9.8% over 2006[R]. Total operating costs excluding COGS were 10.4% higher than in 2006[R], representing 75.7% of service revenues, approximately the same level registered in the previous year. As explained above for turnover, it should be noted that operating costs include, since the respective acquisition dates, the costs associated with the companies acquired during 2007 and the respective integration costs.

Besides the contributions of the acquired companies, it is worth noting that the higher operating costs in the year were primarily growth related:

a) 16.5% higher network costs when compared to 2006[R], driven by a 14.9% increase in interconnection & content costs, due to a significantly higher level of traffic volumes and to the enlarged customer base, which led to significantly higher ULL monthly fee related costs;
b) marketing & sales costs increased by 2.6% driven mainly by Mobile Business investments in customer acquisition, in promoting its brand and new products and services; and
c) general & administrative costs and outsourcing costs that increased by 8.5% and 11.3%, respectively, mainly explained by the increased post-paid customer base at our Mobile Business and larger customer base at our Wireline Business (with the consequent billing & support requirements and related expenses).

Staff costs increased marginally (0.3%) reflecting the costs of the acquired companies' headcount, which was partially offset by the reduction of the average headcount in the year. It should also be noted that the 2006[R] consolidated staff costs included 4.3 million euros of severance costs incurred by Público, as part of the restructuring plan implemented in that subsidiary.

Provisions and impairment losses increased by 1.7 million euros in 2007, due to a combination of higher provisions for bad debt and stock depreciation at our Telco Businesses that was partially offset by lower provisions for other risks and charges.

EBITDA
Consolidated EBITDA improved by 3.3% to 162.0 million euros in 2007 generating a margin of 18.1%, compared to a margin of 19.1% in 2006[R]. This performance was driven by strong operational results at both our Telco and SSI divisions. The breakdown of EBITDA performance by business was as follows:

a) EBITDA at our Mobile Business was of 153.7 million euros, down by 15.3 million euros when compared to 2006[R], almost fully explained by the negative impact of 9.4 million euros and 4.8 million euros from roaming-in and MTRs, respectively;
b) The Wireline Business generated a record EBITDA of 9.8 million euros (16.0 million euros improvement compared to 2006[R]) reflecting mainly the benefits of the continued organic growth in its direct access business;
c) EBITDA at SSI increased by 2.4% to 4.6 million euros when compared to 2006[R], driven by higher service revenues and by improved cost management and efficiency, despite the costs of integration and the negative contributions in 4Q07 of the companies acquired by WeDo;
d) Público's EBITDA was negative 3.3 million euros, which nevertheless represented an improvement of 5.5 million euros or 62.7% when compared to 2006, reflecting the reduction achieved in its fixed costs and the impact of the severance costs in 2006, partly offset by the negative performance during 2007 in most of its revenue streams.

Net Profit
Net results group share were 36.8 million euros in 2007.

Depreciation & amortization charges increased marginally to 140.0 million euros (a 3.3% increased compared to 2006), driven by the increased asset base resulting from our investments in expanding both our mobile and wireline networks, notwithstanding the revision of the depreciation period in respect of sites and other GSM related assets carried out in 2Q07.

Net financial charges increased by 4.1 million euros to 21.5 million euros in 2007. These higher costs resulted from the write-off of the outstanding deferred up-front fees (7.2 million euros) related with the Optimus' syndicated bank facility which was cancelled in September 2007. Excluding this accounting effect, net financial charges would have decreased by 17.8% reflecting: (i) higher financial expenses, up by 8.9 million euros, due to the higher average cost of debt (4.78% in 2007 compared to 3.69 % in the previous year) determined by the increase in market rates; and (ii) higher financial income, up by 12.1 million euros, mainly as a reflection of the higher average level of liquidity, higher average market rates in the year and the capital gains generated with the sale of our shareholding in "Despegar" (3.0 million euros) and with the sale of PT shares (2.3 million euros).

The tax line in 2007 showed a benefit of 36.6 million euros, compared to a charge of 5.0 million euros in 2006, due to movements in deferred tax assets at our Telecoms Business unit. The tax benefit registered in 4Q07 resulted from the possibility of using deferred tax assets against future results forecasted in the new business plan for our combined Telco business unit.

3.2. Consolidated Balance Sheet

Million euros

CONSOLIDATED BALANCE SHEET	2006	2007	y.o.y
Total Net Assets	**1.720,2**	**1.758,6**	**2,2%**
Non Current Assets	1.343,6	1.353,9	0,8%
Tangible and Intangible Assets	661,4	722,6	9,2%
Goodwill	506,9	528,2	4,2%
Investments	113,1	2,0	-98,3%
Deferred Tax Assets	61,8	101,1	63,7%
Others	0,3	0,0	-100,0%
Current Assets	376,6	404,7	7,5%
Trade Debtors	152,0	192,0	26,4%
Liquidity	125,9	83,9	-33,4%
Others	98,7	128,8	30,5%
Shareholders' Funds	**909,5**	**935,4**	**2,9%**
Group Share	909,0	934,6	2,8%
Minority Interests	0,5	0,9	83,7%
Total Liabilities	**810,7**	**823,2**	**1,5%**
Non Current Liabilities	486,1	422,6	-13,1%
Bank Loans	460,6	373,2	-19,0%
Provisions for Other Liabilities and Charges	20,1	30,9	53,8%
Others	5,4	18,5	-
Current Liabilities	324,6	400,6	23,4%
Bank Loans	0,1	0,6	-
Trade Creditors	162,7	185,3	13,9%
Others	161,9	214,6	32,6%
Operating CAPEX (1)	134,1	162,8	21,4%
Operating CAPEX as % of Turnover	16,0%	18,2%	2,2pp
Total CAPEX	253,5	235,8	-7,0%
EBITDA - Operating CAPEX	50,3	-0,8	-
Operating Cash Flow (2)	51,3	55,5	8,3%
FCF (3)	-81,7	59,6	-
Gross Debt	464,0	393,7	-15,2%
Net Debt	338,1	309,8	-8,4%
Net Debt/ EBITDA last 12 months	1,8 x	1,9 x	0,1x
EBITDA/Interest Expenses (4)	10,6 x	5,9 x	-4,7x
Debt/(Debt + Shareholders' Funds)	33,8%	29,6%	-4,2pp

(1) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments; (2) Operating Cash Flow = EBITDA - Operating CAPEX Change in WC -Non Cash item & Other; (3) FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs; (4) Interest Cover.

Capital structure

During 2007, Sonaecom completed the negotiation of a 250 million committed underwritten Commercial Paper Programme (CPP) with guaranteed subscription and a final maturity of 5 years. This facility is being used for general corporate purposes, for financing Sonaecom Group's investments and, along with available liquidity, was used to refinance the previous 325 million euros syndicated bank facility at Optimus. As a result, consolidated gross debt is now fully contracted by Sonaecom SGPS and internal funding movements are used to allocate cash between our subsidiaries. At year-end 2007, the weighted average maturity of Sonaecom Group credit lines stood at approximately 4.5 years.

Consolidated gross debt at the end of 2007 totalled 393.7 million euros, 70.3 million euros below the level at the end of 2006. This decrease is the result of the following movements: (i) the repayment of Optimus' syndicated bank facility of 317 million euros (amount net of up-front fees); (ii) the utilization of 225 million euros of the new CPP facility at YE07; and (iii) an increase of 20.1 million euros related to financial leasing contracts.

As a result of the refinancing process and notwithstanding FCF generated in the year (which includes the sale of our 1% shareholding in PT during 1Q07), consolidated liquidity decreased by 42.0 million euros to 83.9 million euros.

Consequently, consolidated Net Debt at the end of 2007 stood at 309.8 million euros, a decrease of 28.3 million euros compared to the end of 2006.

Sonaecom's capital structure continues to be conservative as demonstrated by its key financial ratios at the end of 2007. Net debt to annualised EBITDA deteriorated marginally, when compared to 2006, to 1.9x. Interest cover decreased to 5.9x, from 10.6x at the end of 2006, mainly as a result of interest paid on a loan from Sontel BV in the beginning of 2007, associated with the Tender Offer for PT, which was fully repaid by the end of 1Q07. The ratio of Consolidated Debt to Total Funds improved from 33.8% in 2006 to 29.6% in 2007, reflecting the above mentioned movements in gross debt and the 25.9 million euros increase in Shareholder's Funds. The latter resulted mainly from the net profit generated in the period, despite the negative effect of the acquisition of own shares in 1Q07 (1.89 million shares), for the purpose of hedging our Medium Term Incentive Plan, totalling 8.9 million euros.

At the end of 2007, the sum of cash and non-utilized committed credit lines at the Sonaecom Group stands at approximately 189 million euros and no amortizations of bank loans are scheduled until 2010.

CAPEX

Consolidated CAPEX was 235.8 million euros while operating CAPEX reached 162.8 million euros, 21.4% above 2006, and representing 18.2% of turnover.

Consolidated CAPEX in 2007 includes 10.5 million euros related with contributions to the "Information Society" programme (UMTS license obligations) and acquisition investments totalling 58.6 million euros, comprised of:

a) 23.4 million related with the acquisition of Cape Technologies and related costs;
b) 18.6 million euros, related with the acquisition of Oni's Residential and SOHOs customers and associated costs;
c) 13.9 million euros in respect to the acquisition of Tele2 Portugal and related costs;
d) 1.6 million euros associated with the purchase of Praesidium; and
e) 1.1 million euros related with the acquisition of Tecnológica.

The increase in Operating CAPEX was driven by higher investments at both our Wireline and Mobile Businesses. However, it should be noted that: (i) Wireline CAPEX includes the recognition of 18.3 million euros in relation to long term backbone lease contracts as financial leases thus affecting CAPEX and Debt; and (ii) Mobile Business' CAPEX includes 18.6 million euros related to an agreed network equipment swap in relation to part of our radio network that did not have any impact on free cash flow as this amount was paid in kind with other equipment that was subject to the swap. Excluding these effects, total operating CAPEX would have been 125.9 million euros, 6.1% below 2006 and representing 14.1% of consolidated turnover.

Operating CAPEX spend during 2007 was mainly applied as follows: 36% invested in the deployment of the UMTS/HSDPA network, 15% was related to the GSM network, 15% related to Information Technology/Information Systems investments; and approximately 11% was invested in the network to support the direct broadband business and (until 3Q07) capitalized Triple Play development costs.

Other balance sheet items

Gross tangible and intangible assets were 1,666 million euros at the end of 2007, compared to 1,475 million euros in 2006 and cumulative depreciation and amortization totalled 943.7 million euros, compared to 813 million euros in the previous year. Financial investments were significantly reduced to 2.0 million euros (against 113.1 million in 2006), reflecting the sale, in March 2007, of the 1% shareholding in PT, which was valued at YE06, on a mark-to-market basis, at 111.1 million euros. Goodwill increased by 4.2% to 528.2 million euros mainly as a result of the acquisitions made during 2007.

At the end of 2007, Sonaecom shareholders' funds totalled 935.4 million euros compared to 909.5 million euros at the end of 2006, reflecting: (i) the acquisition, in March 2007, of a total of 1.89 million own shares valued at 8.9 million euros, on a mark-to-market basis, which led to a reduction in shareholders' funds; and (ii) the net results of 37.2 million euros generated in the year.

FCF

Million euros

LEVERED FREE CASH FLOW	4Q06	4Q07	y.o.y	3Q07	2006	2007	y.o.y
EBITDA-Operating CAPEX	**-19.3**	**-10.9**	**43.5%**	**-6.8**	**50.3**	**-0.8**	**-**
Change in WC	35.1	24.7	-29.8%	21.9	-10.4	12.8	-
Non Cash Items & Other	3.0	4.6	50.8%	17.9	11.4	43.5	-
Operating Cash Flow	**18.9**	**18.3**	**-2.8%**	**33.0**	**51.3**	**55.5**	**8.3%**
Financial Investments	0.0	-10.1	-	-49.9	-107.2	48.0	-
Own shares	0.0	0.0	-	0.0	0.0	-8.9	-
Public Tender Offer	-1.6	-0.3	78.3%	-0.7	-12.5	-20.6	-65.2%
Financial results	-4.6	-4.0	14.3%	-1.6	-12.1	-14.0	-15.4%
Income taxes	-0.4	0.0	100.0%	0.0	-1.2	-0.5	61.5%
FCF	**12.2**	**3.9**	**-68.3%**	**-19.3**	**-81.7**	**59.6**	**-**

Consolidated FCF in 2007 was positive 59.6 million euros, compared to a negative 81.7 million euros in 2006, reflecting mostly the impacts, registered in Financial Investments, of the disposal of PT shares in 1Q07 (108 million Euros) and the payments related to the acquisitions of (i) Oni's residential and SOHO customers and Tele2 Portugal totalling, in aggregate and including VAT, 38.8 million euros; (ii) Cape Technologies, in the amount of 17.3 million euros; and (iii) Praesidium (0.6 million euros).

Operating cash flow was positive 55.5 million euros in 2007, up from positive 51.3 million euros in 2006, mainly driven by: (i) a deterioration of 51.1 million euros in EBITDA-Operating Capex and (ii) an improvement in working capital of 23.2 million euros, reflecting the higher credit from trade creditors at both the Mobile and Wireline Businesses. Excluding the above mentioned extraordinary items of 18.6 million euros, related with the network equipment swap and 18.3 million euros, in relation to the backbone financial leases (both of which are reflected within Non Cash Items & Other), EBITDA – Operating CAPEX would have reached 36.1 million euros.

4. Telecommunications

4.1. Mobile Business

During 2007, Optimus achieved strong customer and customer revenue growth as a result of the planned investments in supporting the brand, particularly in the residential segment, in distribution and in the development of our fixed-mobile convergent product 'Optimus Home' and our wireless broadband service 'Kanguru'. Optimus was able to sustain its leading position in wireless broadband in the residential market and achieved significant growth in overall data usage.

4.1.1. Operational data

MOBILE OPERATIONAL KPI's	4Q06	4Q07	y.o.y	3Q07	2006	2007	y.o.y
Customers (EOP) ('000)	2,601.9	2,893.5	11.2%	2,761.1	2,601.9	2,893.5	11.2%
Net Additions ('000)	110.4	132.4	19.9%	87.2	248.7	291.6	17.3%
% Pre-paid Customers	77.8%	73.1%	-4.6pp	74.4%	77.8%	73.1%	-4.7pp
Active Customers (1)	2,058.4	2,276.9	10.6%	2,203.2	-	-	-
Data as % Service Revenues	16.3%	19.4%	3.1pp	18.2%	14.4%	17.7%	3.3pp
Total #SMS/month/user	49.1	45.1	-8.2%	45.6	50.5	45.1	-10.6%
MOU (2) (min.)	117.9	120.6	2.2%	120.7	115.9	118.1	1.9%
ARPU (euros)	19.1	18.1	-5.6%	19.2	19.7	18.2	-7.6%
ARPM (3) (euros)	0.16	0.15	-7.6%	0.16	0.17	0.15	-9.3%
CCPU (4) (euros)	15.7	15.6	-0.6%	15.2	15.1	14.8	-1.8%
SAC&SRC (5) (million euros)	29.8	40.1	34.4%	35.1	100.7	130.4	29.5%
Employees (6)	1,055	977	-7.4%	985	1,055	977	-7.4%
Shared Services Division	776	748	-3.6%	749	776	748	-3.6%

(1) Active Customers with Revenues generated on last 90 days; (2) Minutes of Use per Customer per month; (3) Average Revenue per Minute; (4) Cash Cost per Customer = Total Operational Costs per Customer less Equipment Sales; (5) Total Acquisition & Retention Costs; (6) Includes Shared Services Division.

Customer base

Optimus customer base increased by 11.2% to 2.893 million customers at the end of 2007, compared to 2.601 million at the end of 2006, with net additions reaching 291.6 thousand in 2007, up by 17.3% compared to 2006, clearly demonstrating the success of its growth strategy. The level of net additions in 4Q07 (132.4 thousand customers) was the highest achieved since 2001. Active customers at the end of 2007 totalled 2.276 million, as compared to 2.058 million at the end of 2006, an increase of approximately 10.6%.

Contract customers continued to increase their weight in the total customer base. At the end of 2007, Pre-paid customers represented 73.1% of total customers, which compares with 77.8% at YE06.

During 2007, Optimus customers generated an ARPU of 18.2 euros, down from 19.7 euros in 2006. Of the 2007 ARPU, 13.8 euros were related to customer monthly bill and 4.4 euros to operator revenues, compared to 14.2 euros and 5.5 euros respectively, in 2006. The lower ARPU is mainly explained by the decrease of 20% in operator revenues ARPU, due to the phased reductions in MTRs and, especially, due to reductions in roaming-in tariffs. The fall in the level of customer monthly bill, was driven by the decrease in Average Revenue per Minute ("ARPM"), explained by the higher price pressures on voice tariffs mainly in the SME segment, but also due to the increased weight of "Optimus Home" (our fixed-mobile convergence product) within the customer base, that was partially offset by increased usage per customer, as demonstrated by the 1.9% increase in average Minutes of Use ("MoU").

Data usage

During 2007, Optimus maintained its wireless broadband leadership and was able to push up data usage, namely through the promotion of its "Kanguru" product, based on HSDPA technology, now offering speeds of up to 7.2 Mbps. Also important was the launch of a specific offer in relation to Optimus' contribution for the development of the information society ("e-Initiatives" programme) which will contribute to maintaining mobile broadband market growth at a high pace. During 2007, Optimus further expanded the number of channels on its mobile TV service to 27 TV channels. Disney, CNN, Eurosport and MTV Snax are some examples of the various channels launched during 2007.

Data revenues represented 17.7% of service revenues in 2007 (19.4% in 4Q07), a material improvement of 3.3pp over 2006, as the result of Optimus' promotional efforts to increase usage of data services and the success of its wireless broadband solutions. Non-SMS related data services continued to increase their weight in data revenues, accounting for approximately 51% of total data revenues in 2007, compared to only 38% in 2006.

Traffic

In 2007, total voice traffic[1] was 13.5% higher than that recorded in 2006 as a result of both the enlarged customer base and of the increase in MoU per customer to 118.1 minutes (from 115.9 minutes in 2006), reflecting the continuous success of Optimus' investment effort to enhance voice usage.

4.1.2. Financial data

Million euros

MOBILE INCOME STATEMENT	4Q06	4Q07	y.o.y	3Q07	2006	2007	y.o.y
Turnover	**156.7**	**164.4**	**4.9%**	**161.5**	**610.4**	**619.4**	**1.5%**
Service Revenues	142.2	149.4	5.1%	152.3	562.2	579.1	3.0%
Customer Revenues	106.9	113.9	6.5%	112.7	405.7	437.9	7.9%
Operator Revenues	35.3	35.5	0.7%	39.6	156.5	141.2	-9.8%
Equipment Sales	14.5	15.0	3.1%	9.2	48.1	40.3	-16.3%
Other Revenues	**8.4**	**9.9**	**18.1%**	**10.1**	**34.4**	**37.0**	**7.6%**
Operating Costs	**128.3**	**136.5**	**6.4%**	**125.3**	**466.2**	**494.8**	**6.1%**
COGS	23.6	27.5	16.5%	19.8	71.5	79.7	11.6%
Interconnection & Contents	34.7	36.0	3.8%	35.3	133.2	137.4	3.2%
Leased Lines & Other Network Operating Costs	14.1	14.4	1.8%	13.8	52.3	56.4	7.8%
Personnel Costs	14.2	13.2	-7.2%	12.2	51.9	51.5	-0.7%
Marketing & Sales	18.5	19.8	7.2%	20.1	68.0	73.5	8.0%
Outsourcing Services (1)	12.5	14.0	12.2%	13.6	50.3	53.0	5.3%
General & Administrative Expenses	7.9	7.8	-1.6%	8.0	29.1	31.3	7.5%
Other Operating Costs	2.7	3.7	35.1%	2.6	10.0	12.1	20.7%
Provisions and Impairment Losses	**2.3**	**2.3**	**0.3%**	**1.7**	**9.5**	**7.8**	**-17.7%**
Service Margin (2)	**107.5**	**113.4**	**5.5%**	**117.0**	**429.1**	**441.7**	**2.9%**
Service Margin (%)	75.6%	75.9%	0.3pp	76.9%	76.3%	76.3%	0pp
EBITDA	**34.5**	**35.5**	**3.0%**	**44.5**	**169.1**	**153.7**	**-9.1%**
EBITDA Margin (%)	22.0%	21.6%	-0.4pp	27.6%	27.7%	24.8%	-2.9pp
Tender Offer related costs (3)	0.0	0.0	-	10.0	0.0	10.0	-
Depreciation & Amortization	30.4	29.9	-1.6%	28.8	117.4	115.5	-1.5%
EBIT	**4.1**	**5.6**	**37.4%**	**5.6**	**51.7**	**28.1**	**-45.6%**
Operating CAPEX (4)	42.0	36.5	-13.1%	46.6	102.5	113.2	10.4%
Operating CAPEX as % of Turnover	26.8%	22.2%	-4.6pp	28.8%	16.8%	18.3%	1.5pp
EBITDA - Operating CAPEX	-7.5	-1.0	86.6%	-2.1	66.5	40.5	-39.1%
Total CAPEX	44.0	39.3	-10.5%	47.1	114.8	127.1	10.7%

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Service Margin = Service Revenues minus Interconnection & Content Costs; (3) Charge out by Sonaecom SGPS regarding PT tender offer costs (4) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments.

Turnover

Service revenues increased by 3.0% to 579.1 million euros compared to 562.2 million euros in 2006, driven by the 7.9% growth in customer revenues that more than compensated the negative impact of 9.4 and 11.3 million euros due, respectively, to lower roaming-in and MTRs on operator revenues. Excluding the impact of the MTRs and roaming-in reductions, service revenues would have increased by 6.6% as compared to 2006. In 4Q07 Service Revenues were 5.1% above 4Q06, the highest q.o.q increase of the last 3 years.

EBITDA

EBITDA in 2007 reached 153.7 million euros and generated a margin of 24.8%, representing a decrease of 2.9pp, when compared to 2006. This decline was primarily the result of lower roaming-in and MTRs that led to a combined reduction of 14.2 million euros in EBITDA. Excluding these negative factors associated with regulated prices and the one-off impact from discounts from equipment suppliers registered in 2006 (3.5 million euros), EBITDA would have increased by 1.3% compared to the previous year and generated an EBITDA margin of 26.3%.

[1] Total voice traffic = total incoming traffic plus total outgoing traffic plus total Roaming out

Total OPEX increased by 6.1% to 494.8 million euros and represented 79.9% of Turnover, a deterioration of 3.5pp when compared to 2006. However, service margin improved by 2.9% to 441.7 million euros, representing a margin of 76.3%, in line with 2006. The higher costs were driven by:

a) higher marketing & sales costs and handset subsidies of 23.5%, a reflection of the strong growth in both active customers and customer revenues;
b) an 7.8% increase in leased line & other networks costs, as a consequence of the extension of Optimus' 3G/HSDPA network and the success of our Kanguru service;
c) higher outsourcing services of 5.3% and higher general & administrative costs of 7.5%, mainly as a result of increased customer IT and Customer Support services, including portability costs. As the share services division is located within our Mobile Business, it should be noted that part of these additional costs are recovered through "Other revenues" which increased by 7.6%;
d) an increase in other operating costs of 20.7%, driven by higher license costs resulting from the higher number of subscribers; and
e) notwithstanding the 0.7% decrease in personnel costs (as a result of the lower average staff number during 2007).

4.2. Wireline Business

During 2007, Sonaecom's Wireline Business strengthened its position as the leading alternative ULL direct access provider in Portugal with a substantially enlarged customer base after the integration of Oni's residential and SOHO customers and of Tele2's customers, further leveraging its operating structure and proprietary infrastructure network. Focus has been on the transformation of the acquired indirect customers to direct access, on the expansion of our double play offering, the reinforcement of IPTV and Home Video in the ADSL basic offer and, above all, on improving customer service.

4.2.1. Operational data

WIRELINE OPERATIONAL KPI's	4Q06	4Q07	y.o.y	3Q07	2006	2007	y.o.y
Total Services (EOP) (1)	380,729	815,623	114.2%	798,477	380,729	815,623	114.2%
Direct	281,541	510,673	81.4%	471,851	281,541	510,673	81.4%
ULL	256,625	477,868	86.2%	439,604	256,625	477,868	86.2%
Other	24,916	32,805	31.7%	32,247	24,916	32,805	31.7%
Indirect	99,188	304,950	-	326,626	99,188	304,950	-
Voice	53,897	256,815	-	282,539	53,897	256,815	-
Internet Broadband	11,994	31,392	161.7%	27,644	11,994	31,392	161.7%
Internet Narrowband	33,297	16,743	-49.7%	16,443	33,297	16,743	-49.7%
Total Accesses (2)	310,338	551,222	77.6%	510,006	310,338	551,222	77.6%
PSTN/ISDN	167,227	291,603	74.4%	270,112	167,227	291,603	74.4%
ULL ADSL	131,117	228,226	74.1%	212,250	131,117	228,226	74.1%
Wholesale ADSL	11,994	31,392	161.7%	27,644	11,994	31,392	161.7%
Unbundled Central Offices with transmission	144	169	17.4%	157	144	169	17.4%
Unbundled Central Offices with ADSL2+	137	161	17.5%	148	137	161	17.5%
Direct access as % Customer Revenues	71.5%	60.1%	-11.5pp	73.1%	65.6%	70.1%	4.6pp
Total Voice Traffic ('000 Min.) (3)	357,423	523,512	46.5%	457,095	1,435,971	1,743,105	21.4%
Total Internet Traffic							
Narrowband ('000 Min.)	41,433	19,356	-53.3%	18,311	229,431	91,741	-60.0%
Broadband ('000 Gigabytes)	3,922	7,423	89.3%	5,869	11,355	23,173	104.1%
Employees	172	192	11.6%	195	172	192	11.6%

(1) Services restated according to a "revenue generator unit" criteria since 1Q07; (2) Reporting criteria according to Anacom standard: ISDN services equivalent to 2 or 30 accesses depending on whether they are basic rate (BRI) or primary rate (PRI); Accesses do not include indirect voice or narrowband services and data and wholesale services; (3) Includes Wholesale and Retail traffic.

Customer base

In 2007, we completed the acquisition of both Oni's residential and SoHo customer base and of Tele2 Portugal, which had an impact of an additional 370 thousand services, of which, 111 thousand were direct services.

At the end of 2007, total services reached 815.6 thousand, an increase of 114.2% compared to 2006 (17% on a like-for-like basis, i.e., excluding the impact of the acquisitions referred to above). Total direct services represented 62.6% of the Wireline Business customer base in 2007 (86% excluding recent acquisitions), compared to 73.9% in 2006. Average monthly direct net adds in 4Q07 were, approximately, 12.9 thousand services and average monthly net adds of ULL accesses reached 5.3 thousand.

Traffic

The Wireline Business voice traffic increased by 21.4% in 2007 to 1,743 million minutes, mainly as a result of the increase of retail traffic by 59.2%, while wholesale traffic increased by 1.0%. Retail traffic performance was a result of the increase of both direct voice and indirect voice traffic, which grew by 73.3% and 35.6%, respectively. On a like-for-like comparison, total voice traffic increased by 6.3% supported by the growth of retail traffic of 23.8%.

4.2.2. Financial data

Million euros

WIRELINE INCOME STATEMENT	4Q06	4Q07	y.o.y	3Q07	2006	2007	y.o.y
Turnover	**54.0**	**77.8**	**44.1%**	**66.9**	**200.2**	**255.4**	**27.6%**
Service Revenues	54.0	77.0	42.5%	66.7	199.0	254.2	27.8%
Customer Revenues	26.0	50.1	93.0%	35.1	94.4	140.0	48.2%
Direct Access Revenues	18.6	30.1	62.0%	25.7	61.9	98.1	58.5%
Indirect Access Revenues	6.6	19.0	189.8%	8.7	30.4	38.6	26.9%
Other	0.8	1.0	19.3%	0.7	2.1	3.2	54.1%
Operator Revenues	28.1	26.9	-4.3%	31.6	104.5	114.3	9.4%
Equipment Sales	0.0	0.8	-	0.2	1.2	1.2	-4.5%
Other Revenues	**1.8**	**1.2**	**-35.4%**	**0.8**	**5.2**	**3.8**	**-26.2%**
Operating Costs	**55.7**	**73.1**	**31.3%**	**63.3**	**210.9**	**245.8**	**16.6%**
COGS	0.4	1.0	176.0%	0.3	1.7	1.4	-17.9%
Interconnection	26.5	33.6	27.0%	35.2	104.4	126.9	21.6%
Leased Lines & Other Network Operating Costs	8.3	14.6	75.8%	10.2	32.0	42.0	31.3%
Personnel Costs	2.3	2.6	10.0%	2.2	9.3	9.4	1.2%
Marketing & Sales	7.2	5.8	-19.6%	4.6	22.4	18.5	-17.1%
Outsourcing Services (1)	7.9	12.6	58.0%	8.2	30.7	36.8	19.7%
General & Administrative Expenses	2.5	2.6	1.4%	2.1	9.0	9.1	1.2%
Other Operating Costs	0.5	0.3	-29.8%	0.4	1.3	1.6	19.4%
Provisions and Impairment Losses	**0.0**	**0.5**	**-**	**0.8**	**0.7**	**3.7**	**-**
Service Margin (2)	**27.5**	**43.4**	**57.4%**	**31.5**	**94.5**	**127.3**	**34.7%**
Service Margin (%)	51.0%	56.3%	5.3pp	47.2%	47.5%	50.1%	2.6pp
EBITDA	**0.2**	**5.4**	**-**	**3.6**	**-6.2**	**9.8**	**-**
EBITDA Margin (%)	0.4%	6.9%	6.6pp	5.4%	-3.1%	3.8%	6.9pp
Tender Offer related costs (3)	0.0	0.0	-	13.3	0.0	13.3	-
Depreciation & Amortization	4.8	13.6	181.9%	5.2	16.8	28.5	69.6%
EBIT	**-4.6**	**-8.2**	**-77.0%**	**-14.9**	**-23.0**	**-32.0**	**-38.9%**
Operating CAPEX (4)	10.5	16.1	54.0%	7.8	31.5	49.8	58.2%
Operating CAPEX as % of Turnover	19.4%	20.7%	1.3pp	11.6%	15.7%	19.5%	3.8pp
EBITDA - Operating CAPEX	-10.3	-10.7	-4.2%	-4.2	-37.7	-40.1	-6.2%
Total CAPEX	10.5	13.7	30.4%	42.4	31.5	82.6	161.7%

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Service Margin = Service Revenues minus Interconnection Costs; (3) Charge out by Sonaecom SGPS regarding PT tender offer costs (4) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments.

Turnover

Turnover in 2007 amounted to 255.4 million euros, an increase of 27.6% over 2006, mainly due to the significant increase in customer revenues, up by 48.2%, driven by growth in direct access revenues (58.5% higher than in 2006). It should be noted that since September 2007, the Wireline Business results include the contribution of Tele2 Portugal and of the customers bought from Oni. In 2007, the total revenues contribution of these operations was of 24.8 million euros. Excluding this contribution, service revenues would have grown by 15.2% when compared to 2006.

Direct access revenues accounted for 70.1% of customer revenues in the year, an increase of 4.6pp compared to the previous year, as a result of the continued focus on the direct access business and despite the inclusion of Tele2 and Oni indirect customers as from September. Mass calling services during the year contributed materially with revenues of 21.7 million euros, an increase of 13.3 million euros compared to 2006.

EBITDA

The Wireline Business generated a record positive EBITDA of 9.8 million euros, compared to a negative 6.2 million euros in 2006, and generated a margin of 3.8%. EBITDA in 4Q07 was 5.4 million euros, representing the best quarter in terms of EBITDA performance since the launch of the company and generating a margin of 6.9%. This improvement was primarily due to the increased size of the ULL customer base achieved via organic growth that has been generating an increasingly positive contribution to profitability since the second half of 2006. In aggregate, the Tele2 and Oni customers contributed a marginally positive EBITDA in the year due to integration and related on-going outsourcing costs.

Operating costs increased by 16.6% compared to 2006, reflecting the consolidation of Tele2 Portugal, the inclusion of costs associated with the customers bought from Oni and the effort in developing and expanding the direct access broadband business:

a) interconnection costs were up by 21.6%, due to the increased voice traffic in 2007, as well as the higher ULL monthly fees, driven by the enlarged direct customer base;
b) leased lines and other network operating costs were up by 31.3%, mainly as a result of a higher demand for circuits and higher maintenance costs related to the increased volume of equipment and number of unbundled central offices;
c) personnel costs increased by 1.2% reflecting the costs of Tele2's headcount as from September;
d) outsourcing services and general & administrative expenses grew by 15.6% due to the enlarged customer base; and
e) despite lower marketing & sales costs (which decreased by 17.1%), mainly as a result of the lower number of gross additions when compared to 2006.

5. Software and Systems Information (SSI)

SSI continued to achieve a good set of operational and financial results, driven primarily by the performance of WeDo that has focused on expanding its range of clients through its leading Revenue Assurance Product ("RAID") and by the increased profitability at both Mainroad and Bizdirect.

In the beginning of 4Q07, WeDo acquired Cape Technologies, a company incorporated in the Republic of Ireland and a former competitor, which operated internationally in information systems for the telecommunications industry. With this acquisition, WeDo becomes the world leader in the Revenue Assurance software integration market, with 349 employees spread across 15 offices worldwide and with a customer base of 60 clients present in 40 countries.

5.1. Operational data

SSI OPERATIONAL KPI's	4Q06	4Q07	y.o.y	3Q07	2006	2006[R]	2007	y.o.y
IT Serv Revenues/Employee('000 euros) [(1)]	32.2	27.3	-15.3%	28.6	106.0	114.8	110.9	-3.4%
Equipment Sales as % Turnover [(2)]	36.7%	41.3%	4,6pp	44.4%	32.3%	39.1%	40.8%	1,8pp
Equipment Sales/Employee [(2)] ('000 euros)	587.5	836.1	42.3%	711.5	2,323.9	2,323.9	2,673.6	15.0%
EBITDA/Average Employees ('000 euros)	5.3	0.8	-85.1%	4.0	13.2	13.4	11.9	-11.5%
Employees	336	467	39.0%	378	336	336	467	39.0%

(1) Excluding employees dedicated to Equipment Sales; (2) Bizdirect; (R) Restated to exclude Enabler's contribution in 1H06 and the 25.3 million euros capital gain from the sale of Enabler in 1H06.

Productivity at SSI has decreased marginally (as a result of the integration of the companies acquired in the year and their comparatively lower productivity, a natural outcome during integration phases) with SSI's IT service revenues per employee reaching 110,9 thousand euros in 2007, while equipment sales per employee have increased by 15% to 2.67 million euros in 2007. Total headcount at year-end 2007 increased by 131 to 467 when compared to 2006, due to: (i) the consolidation of the companies acquired by WeDo during 2007 (Tecnológica, Cape Technologies and Praesidium); (ii) the launch of Saphety, a company carved out from the Wireline Business in December 2006; and (iii) the need for additional internal consultants to support the increased level of activity.

WeDo has achieved a significant enlargement of its international customer base, with new users in a number of different countries (11 new key accounts obtained during 2007), supported by the opening of new local offices in Egypt (to cover the Africa & Middle East regions) and Malaysia (to cover the Asia region). In parallel, WeDo continued to innovate and improve its product portfolio with the launch of new versions (with additional new modules targeted at the non-Telecom market, new functionalities, increased flexibility and user-friendliness) of RAID, its key Revenue Assurance solution.

5.2. Financial data

Million euros

SSI CONSOLIDATED INCOME STATEMENT	4Q06	4Q07	y.o.y	3Q07	2006	2006R	2007	y.o.y
Turnover	**17.39**	**26.10**	**50.1%**	**20.63**	**78.76**	**65.09**	**79.51**	**22.2%**
Service Revenues	11.01	15.32	39.2%	11.47	53.33	39.66	47.05	18.6%
Equipment Sales	6.38	10.78	69.1%	9.16	25.44	25.44	32.47	27.6%
Other Revenues	**0.09**	**0.04**	**-50.6%**	**0.07**	**27.15**	**0.50**	**0.36**	**-27.8%**
Operating Costs	**15.65**	**25.74**	**64.4%**	**19.05**	**73.87**	**61.01**	**75.07**	**23.0%**
COGS	6.16	10.57	71.6%	9.16	24.49	24.49	31.74	29.6%
Personnel Costs	4.10	7.25	77.1%	5.09	25.04	17.29	22.24	28.6%
Marketing & Sales	0.26	0.47	81.3%	0.17	0.94	0.85	1.21	43.4%
Outsourcing Services (1)	3.46	4.68	35.4%	2.88	14.14	12.09	12.00	-0.8%
General & Administrative Expenses	1.65	2.62	59.2%	1.74	9.06	6.14	7.54	22.7%
Other Operating Costs	0.04	0.15	-	0.02	0.21	0.16	0.34	113.0%
Provisions and Impairment Losses	**0.03**	**0.04**	**32.1%**	**0.13**	**0.26**	**0.10**	**0.22**	**113.5%**
EBITDA	**1.79**	**0.37**	**-79.2%**	**1.53**	**31.78**	**4.48**	**4.58**	**2.4%**
EBITDA Margin (%)	10.3%	1.4%	-8.9pp	7.4%	40.3%	6.9%	5.8%	-1.1pp
Depreciation & Amortization	0.31	0.53	71.8%	0.50	1.45	1.26	1.73	37.2%
EBIT	**1.49**	**-0.16**	**-**	**1.03**	**30.33**	**3.22**	**2.85**	**-11.3%**
Operating CAPEX (2)	0.14	0.35	156.5%	0.11	0.61	0.54	0.71	31.4%
Operating CAPEX as % of Turnover	0.8%	1.4%	0.6pp	0.5%	0.8%	0.8%	0.9%	0.1pp
EBITDA - Operating CAPEX	1.66	0.02	-98.9%	1.42	31.17	3.94	3.87	-1.6%
Total CAPEX	0.89	24.14	-	0.16	1.36	1.29	27.18	-

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments; (R) Restated to exclude Enabler's contribution in 1H06 and the 25.3 million euros capital gain from the sale of Enabler in 1H06.

SSI turnover increased by 22.2% in 2007 to 79.5 million euros, as a result of both higher IT equipment sales, which increased by 27.6% to 32.5 million euros, and higher service revenues, up by 18.6%, mainly driven by the 24.4% increase in service revenues at WeDo (14.8% on a like-for-like basis, i.e., excluding the impact of the companies acquired in the year). During 2007, equipment sales represented 40.8% of turnover, a similar level to the one registered in 2006, driven by a positive contribution from the sale of computers at Bizdirect, mainly related with the "e-Initiatives" programme launched by the Portuguese Government.

SSI generated an EBITDA of 4.58 million euros in 2007, a 2.4% increase over 2006. All SSI OpCo's, with the exception of Saphety, a new venture which was included within SSI as from 1Q07, contributed positively. This performance was achieved despite the drop in 4Q07 of WeDo's EBITDA, determined by the negative contributions and cost of integration of the companies acquired in 3Q07. Excluding these effects, WeDo's EBITDA would have increased by a material 20% in 2007 and generated an EBITDA margin of 14.7%. It should also be noted that Mainroad, as a result of its continuous focus on efficiency, was able to achieve a positive EBITDA margin of 11.1%, 4.8pp above 2006.

6. Público

During 2007, with its re-dimensioned cost structure, Público focused on executing its new strategy aimed at top line growth based on its redesigned, all-colour newspaper, launched in mid-February. However, the market dynamics have been severe for daily paid generalist press with circulation decreasing by 2.0%[2] and advertising revenues, from January to November, decreasing by 1.5%[3] compared to the same period of the previous year (this number refers to advertising space calculated at reference table figures - competitive pressures in 2007 have led to higher price discounts). During the same period, the free newspapers' advertising revenues increased by more than 1.5x.

Taking into consideration the market dynamics explained above and as a way to leverage its news production capacity, Público launched, at the end of October 2007, through a 50:50 joint-venture with "A Bola", a leading daily sports newspaper, the first free weekly newspaper in Portugal, under the name "Sexta", with a record production of 350 thousand units. The 2007 financials results of Público include, since November, 50% of the cost and revenues of "Sexta" (proportional consolidation).

[2] Source: APCT, 9M07 vs 9M06 (latest available data)
[3] Source: Marktest/Media Monitor

6.1. Operational data

PÚBLICO OPERATIONAL KPI's	4Q06	4Q07	y.o.y	3Q07	2006	2007	y.o.y
Average Paid Circulation (1)	40,404	39,606	-2.0%	42,142	44,197	41,765	-5.5%
Market Share of Advertising (%) (2)	15.4%	14.1%	-1,3pp	13.0%	15.4%	13.8%	-1,6pp
Employees	276	257	-6.9%	252	276	257	-6.9%

(1) Estimated value updated in the following quarter; (2) 4Q07 = November YTD.

Público's 2007 market share of paid circulation (YTD until September, the latest available information) was of 12.3%, an increase of 0.4pp when compared to 4Q06, the last quarter with the "old" newspaper, indicating that the restructuring of the product was well received by consumers. However, in 4Q07, average paid circulation decreased by 2.0% when compared to 4Q06 and by 6.0% when compared to the previous quarter, a consequence of the continuous reduction in the size of the paid press market, as well as the competitive pressures particularly from 'free' newspapers (estimated to have increased circulation by circa 50%). Público's advertising market share has also been under pressure, reaching an average of 13.8% during 2007, down 1.6pp as compared to 2006. It is worth nevertheless noting that Público's share of advertising has increased by 1.1pp between 3Q07 and 4Q07.

Público´s online website continued to be the leader in unique visitors and visits in Portugal (with a monthly average of 19.5 million page views, 3.6 million visitors and 2.6 million unique visitors during 2007[4]), with the integration of both the online and offline areas being further accelerated. Online advertising, although still small in volume and not enough to compensate the decline of newspaper advertising revenues, almost doubled when compared to 2006, with Público.pt (its on-line business unit) generating a positive EBITDA for the full year 2007.

"Sexta", the recently launched free weekly newspaper, is still in the initial stages of development but early circulation indicators are positive and the newspaper has been able to meet its 2007 target for advertising revenues.

6.2. Financial data

Million euros

PÚBLICO CONSOLIDATED INCOME STATEMENT	4Q06	4Q07	y.o.y	3Q07	2006	2007	y.o.y
Turnover	**8.98**	**9.55**	**6.3%**	**6.96**	**36.39**	**33.16**	**-8.9%**
Advertising Sales (1)	4.37	4.16	-4.9%	2.98	15.58	14.27	-8.4%
Newspaper Sales	2.97	2.77	-6.5%	2.95	12.16	11.82	-2.8%
Associated Product Sales	1.64	2.62	59.4%	1.02	8.65	7.07	-18.3%
Other Revenues	**0.17**	**0.08**	**-52.3%**	**0.05**	**0.39**	**0.25**	**-37.1%**
Operating Costs	**12.04**	**9.38**	**-22.1%**	**8.32**	**45.49**	**36.26**	**-20.3%**
COGS	2.21	2.50	13.0%	1.45	10.39	8.64	-16.8%
Personnel Costs	5.10	2.82	-44.7%	2.85	17.37	11.41	-34.3%
Marketing & Sales	0.87	0.93	7.4%	0.82	2.99	3.24	8.4%
Outsourcing Services (2)	2.95	2.41	-18.4%	2.53	11.27	10.13	-10.1%
General & Administrative Expenses	0.90	0.72	-20.4%	0.67	3.45	2.83	-18.0%
Other Operating Costs	0.01	0.01	-40.0%	0.01	0.03	0.02	-46.7%
Provisions and Impairment Losses	**0.00**	**0.05**	**-**	**0.24**	**0.08**	**0.41**	**-**
EBITDA	**-2.89**	**0.20**	**-**	**-1.55**	**-8.77**	**-3.27**	**62.7%**
EBITDA Margin (%)	-32.2%	2.1%	34,24pp	-22.3%	-24.1%	-9.9%	14,2pp
Depreciation & Amortization	0.17	0.18	8.3%	0.17	0.76	0.70	-8.1%
EBIT	**-3.06**	**0.01**	**-**	**-1.72**	**-9.53**	**-3.97**	**58.4%**
Operating CAPEX (3)	0.19	0.20	3.2%	0.07	0.36	0.69	93.8%
Operating CAPEX as % of Turnover	2.1%	2.1%	-0,1pp	1.0%	1.0%	2.1%	1,1pp
EBITDA - Operating CAPEX	-3.08	0.00	100.0%	-1.62	-9.13	-3.96	56.6%
Total CAPEX	0.19	0.20	3.2%	0.07	0.36	0.69	93.8%

(1) Includes Contents; (2) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (3) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments.

[4] Source: Marktest/Netscope Dec2007

During 2007, turnover decreased by 8.9% to 33.16 million euros, compared to 36.39 million euros in 2006. All revenue streams decreased compared to LY:

a) associated product sales by 18.3%, as the number of collections launched during 2007 (12) was considerably lower than in 2006 (26). Nevertheless, this revenue stream has shown signs of recuperation in 4Q07 (59.4% higher than 4Q06, as a result of the success of collections launched in the period, such as the "DVD James Bond" and "Portugal, um Retrato Social" - a series of essays about the current Portuguese society);
b) advertising revenues down by 8.4%; and
c) newspaper sales down by 2.8% when compared to 2006.

In terms of EBITDA, Público generated a positive result in 4Q07, for the first time since 4Q05. For the full year 2007, Público generated a negative EBITDA of 3.3 million euros, although this represented a 62.7% improvement over 2006 (which included 4.3 million of severance costs). On a "like-for-like" basis, not considering the severance costs and the impact of "Sexta", Público would still have improved its EBITDA performance by approximately 30%. These results were mainly derived from the restructuring plan implemented during 2006 and beginning of 2007, evidenced by the fact that all costs lines were reduced in 2007, with the exception of marketing & sales (as a result of the costs associated with campaigns to promote circulation). It should be also noted that, notwithstanding the lower number of collections, the EBITDA generated by the associated products more than doubled in 2007 when compared to 2006.

7. Main Regulatory Developments during 4Q07

The following are some of the more important regulatory developments during the last quarter of 2007:

Mobile termination rates

In October 2007, ANACOM published a draft decision regarding mobile network termination rates that foresees the continuation of the decrease in prices and the introduction, for the first time since the launch of our Mobile Business, of asymmetry between TMN and Vodafone and Optimus in mobile to mobile traffic:

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

Amounts correspond to euros per minute

The final decision is expected in 1Q08.

New 450MHz mobile license

In October 2007, ANACOM held a public consultation on the entry of a new mobile operator through the allocation – via an open tender – of frequencies in the 450MHz band in accordance with the principle of technological neutrality. In the final decision, adopted in February 2008, ANACOM confirmed its intention to promote a public contest for the awarding of frequencies in the 450MHZ band for the provision of mobile services to a new operator. Accordingly, the regulator announced that intends to exclude from this public contest the operators that offer mobile services supported in GSM, UMTS as well as CDMA450.

Broadband Wireless Access

The regulator initiated the consultation process in relation to the licensing of BWA frequencies. Within the scope of these consultations, the regulator presented its proposals on (i) the frequencies to be used (3,4 GHz – 3,8 GHz), (ii) the number of blocks to be allocated per operator (4 blocks of 2x28 MHz), (iii) the allocation process (via an auction) and (iv) the adjudication criteria, among which it is worth highlighting the intention of not authorizing the participation, in the first phase of the auction, of operators with significant market power in the broadband market, of current mobile operators or of operators with spectrum within the 3,4 GHz – 3,8 GHz range. The auction is expected to take place in 1Q08.

8. Main Corporate Developments during 4Q07

- Consistent with its stated growth strategy, and following other acquisitions completed in the previous quarters, on 6 November 2007, WeDo acquired the entire share capital of Praesidium Holdings Limited ("Praesidium"), a company with registered office in England, which operates internationally in the risk management consultancy market, focusing on the telecoms sector, and that has been providing services to more than 100 operators, in about 70 countries. With this acquisition, WeDo increased its portfolio of services with the creation of a new horizontal business unit dedicated to Business Consultancy.
- On 2 November 2007, Sonaecom formally completed the process to merge its previous Mobile (Optimus) and Fixed (Novis) divisions. This operation, that has been approved by both ANACOM and the respective Portuguese Ministry, represents an internal reorganization that is the next natural step in the development of our integrated telecoms strategy and which will:
  - (i) reinforce our growth strategy both in organic and non organic terms;
  - (ii) position the organisation to anticipate and react to market trends that are moving more and more towards Fixed/Mobile convergence;
  - (iii) facilitate the further development of new products and services; and
  - (iv) further improve operating efficiency and reduce costs.

  The new company that resulted from this merger changed its registered name to "Sonaecom – Serviços de Comunicações, S.A." and continues to be 100% controlled by Sonaecom. This merger merely reflects the convergence between technologies and a new consumer perspective. These developments have progressively made obsolete and inadequate the separation of our fixed and mobile businesses.
- During December 2007, Sonaecom completed a reorganization of the Executive Committee roles and responsibilities and redesigned the way our telco organization was structured, moving from an

organizational design based on technologies to one determined by customer segments and commercial offer. The main objective behind this reorganisation was to align our organisation with the way we perceive the market today and how we expect it to evolve in the near future.

9. Outlook

During 2008, we plan to execute an ambitious investment plan in our telecoms business to improve the strategic positioning of the business, in order to enhance our competitive market position and provide for sustained future growth. The investments will be aimed at: (i) accelerating the extension of coverage and capacity of our mobile and wireline networks in order to improve quality of service, consolidate our leading position in mobile broadband and as a ULL broadband provider and, at the same time, to increase our addressable market; (ii) promoting our brands, as demonstrated by the Optimus brand repositioning already launched in 2008; (iii) enlarging our distribution channels by increasing the number of own brand stores; (iv) improving customer service; and (v) implementing the initial phase of our recently announced plan for fibre deployment targeting new office and residential developments and priority areas in Lisbon and Porto. Our new organisational structure should enhance our ability to address the market in a more integrated manner and get closer to our customers.

At SSI, focus will be on growing the existing businesses, by consolidating WeDo's international footprint and integrating the businesses acquired during 2007, and improving profitability. SSI will also continue to actively manage its portfolio and analyse new growth opportunities.

At Público, the main focus will be on stimulating top line growth, refining existing products, seeking operating efficiency and exploring online opportunities. In terms of circulation, efforts will continue to build readership on the back of the new-look format and supported by further product differentiation and improvements in the weekly and weekend newspaper supplements. The recently strengthened commercial team will focus on attracting more advertising by getting closer to both advertising agencies and advertisers themselves. The success of Público will therefore be built on the continuous efforts to increase paid circulation and traditional advertising revenues, while further strengthening online presence.

As regards regulation, we will continue to push for improved competitive conditions in wireline markets, aiming during 2008 to finally improve the processes and the SLAs (Service Level Agreements) under the main reference offers, including the unbundling process and access to ducts. We will also push for the incumbent to be required to meet all obligations under the reference offers on a timely basis, as a result of substantially reducing the scope for different interpretations of existing rulings. In addition, we will be pushing for a regulatory framework for the deployment of fibre networks that will avoid the high costs of building new ducts and the irrational duplication of fibre access networks, while stimulating competition.

We are confident that our proven track-record, experience and understanding of the markets, allied with the energy, ambition and creativity of our people, will once again ensure the success of our strategy.

10. Subsequent events

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

- Following the public consultation on the process of introduction of DTT in Portugal launched in August 2007 by ANACOM and the Government, the final conditions of the tender process were released on 25 February 2008:
  a) There will be two separate invitations to tender: one for the allocation of frequencies for the transmission of free-to-air (FTA) and another for the allocation of frequencies for the transmission of pay-TV;
  b) It will not be possible to present conditioned proposals but candidates to FTA may present an complementary scenario, assuming they would win both tenders;
  c) PTM may not tender for Pay TV, but is allowed to tender for FTA. PT Comunicações may participate in both invitations to tender;

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

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

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

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