



2Q08 RESULTS ANNOUNCEMENT

29 July 2008

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Notes:

(i) The Consolidated Financial Information contained in this report is subject to limited review procedures and 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.

1. Message from Ângelo Paupério, CEO of Sonaecom

The competitive pressures in the Portuguese telecoms market that we saw in the previous quarter have increased during 2Q08, with aggressive promotions again extended and new price points introduced in the market by our competitors. These developments are occurring at a time when the confidence of Portuguese consumers and businesses is deteriorating and are likely to negatively impact the telecoms market as a whole.

The ambitious investment plan that we announced for 2008, aimed at stimulating growth and enhancing our future competitive market position, is now well under way and clear progress has been made during the 1H08 to achieve this. This is true not only in terms of the customer and top-line growth achieved in our businesses, but also with the way the organization has responded to tougher competitive market dynamics, by introducing innovative products and services, by anticipating and focusing on specific segment opportunities and by leveraging on our integrated structure that has enhanced our approach to the market.

In response to this market environment, we have had another very active quarter during which we implemented a number of important commercial initiatives: for example, the launch of TAG, our closed user group unlimited communications offer aimed at the youth segment; the reinforcement of our mobile broadband offer - recently ranked the best in Portugal by a specialised magazine - with an innovative bundle of PC + Modem; the campaigns to promote brand awareness (among other, the Euro 2008 campaign and the sponsoring of several music events); the agreement reached for the sponsoring of the national football league in the next three seasons; and the inclusion of the iPhone in our range of mobile products.

Following the merger of our mobile and wireline companies back in November 2007 and the integration of the marketing and commercial teams at the beginning of the year, during the quarter we have taken the integration process of our Telco business unit one step further by announcing that the Optimus brand would now be used for all our corporate and SME activities, including both our mobile and wireline services.

Consistent with our investment priorities announced to the market, the material top line growth achieved in our businesses in the quarter has not translated into higher consolidated profitability as a result of the expected costs associated with our growth efforts, including the costs of our commercial initiatives, the increase in competitiveness in the market and the integration costs associated with the acquisitions made last year. However, I would like to highlight the following in relation to our performance indicators:

- Material y.o.y. growth in mobile customers (+11.5%) and in the traffic carried by our mobile network, both in terms of voice (+21.3%) and data (+215%);
- Growth of direct wireline accesses by 55.2% y.o.y (a material like-for-like increase of 19.6%). In 2Q08, direct accesses increased by approximately 2 thousand (reaching 522.5 thousand accesses), despite the higher level of market competition;
- Significant growth of consolidated customer revenues, up by 16.6% (or 5.7% on a like-for-like basis);
- Consolidated EBITDA margin deteriorated against last year due to the negative impact of lower roaming revenues; competitive pressure on ARPU's; and the substantial investment in marketing and sales at our Telco business, that has already begun to have a positive impact on our mobile residential subscribers' growth;
- Substantial increase of EBITDA at our Wireline Business, 3x the amount registered in 2Q07 and reaching a 2.1% margin in 2Q08;
- Significant y.o.y. top-line growth at our SSI Business Unit (+54%), both in terms of product sales and service revenues, accompanied by another quarterly increase of the EBITDA margin;
- A 50% reduction of EBITDA losses at Público, as a reflection of the efforts to increase circulation and advertising, while continuously challenging its cost structure.

The integration (in terms of network and systems) of the ONI and Tele2 customer base in our Wireline business, and of Cape and Praesidium, in relation to SSI, is now mostly complete. These efforts are expected to have a progressively positive impact on costs during 2H08 with the implementation of measures aimed at achieving the expected cost synergies.

As regards regulatory matters, during the whole of the 1H08, our mobile business continued to have significant imbalances of mobile termination charges in favour of our larger competitors as Anacom's final decision in relation to MTRs will be effective only as from 15 July. The final outcome of this long process is broadly welcomed by Sonaecom, notwithstanding the fact that the decision was delayed so long and that, contrary to expectations, will not be applied retroactively. The final resolution will, as we had previously stated, contribute to fostering greater competition in the Portuguese mobile sector and will allow for a clearer regulatory framework for the remainder of 2008 and 2009. However, there are still a number of important regulatory decisions to be taken in the coming quarters, including the framework for the deployment of NGNs in Portugal, which, in conjunction with the current consultation on the assessment of the competition conditions in the broadband market, will be a clear determinant of the future success of the wireline sector liberalisation process and an opportunity for promoting efficient investments in the country.

As regards our announced FTTH plan, clear progress has been achieved during the quarter, with four pilot schemes up and running, several thousand homes already passed, a few hundred trial customers and with a positive experience obtained in terms of home-networking. The feedback we are receiving from the customers that are currently testing the services is extremely positive, both in terms of their broadband and TV experience. The commercial launch of our 3-play offers under this new, state-of-the-art and fully independent network is forecasted for the 2H08.

Based on our 1H08 results and given the regulatory framework finally determined by Anacom in July for MTRs effective as from 15 July, and notwithstanding the current competitive environment, we currently believe we should be able to achieve in broad terms the FY08 guidance given to the market at the beginning of the year, adjusting our EBITDA guidance for the impact of the delay in implementing this decision.

2. Quarter highlights

During 2Q08, Sonaecom was able to sustain the high level of growth in customers and customer revenues achieved in the last few quarters. This growth was achieved, despite the increased level of competition, supported not only by the planned investment in our brands, network and distribution channels, but also as a result of the continuous launch of new products and services.

Operational Highlights

OPERATING KPI's	2Q07	2Q08	y.o.y	1Q08	q.o.q	1H07	1H08	y.o.y
Mobile Business								
Customers (EOP) ('000)	2,673.9	2,982.1	11.5%	2,926.9	1.9%	2,673.9	2,982.1	11.5%
Active Customers ⁽¹⁾	2,152.5	2,326.3	8.1%	2,290.2	1.6%	2,134.8	2,308.2	8.1%
Data as % Service Revenues	16.9%	21.3%	4.4pp	20.6%	0.7pp	16.5%	20.9%	4.4pp
MOU ⁽²⁾ (min.)	114.6	129.1	12.7%	117.9	9.5%	115.4	123.5	7.0%
Wireline Business								
Total Accesses (EOP)	411,177	741,098	80.2%	775,163	-4.4%	411,177	741,098	80.2%
Direct	336,779	522,540	55.2%	520,649	0.4%	336,779	522,540	55.2%
Indirect	74,398	218,558	193.8%	254,514	-14.1%	74,398	218,558	193.8%
Direct access as % Customer Revenues	78.9%	71.4%	-7.5pp	65.8%	5.5pp	77.4%	68.5%	-8.9pp
Sonaecom								
Total Employees	1,851	1,921	3.8%	1,927	-0.3%	1,851	1,921	3.8%
Telecommunications	445	419	-5.8%	423	-0.9%	445	419	-5.8%
SSI	353	453	28.3%	460	-1.5%	353	453	28.3%
Media	260	270	3.8%	270	0.0%	260	270	3.8%
Shared Services ⁽³⁾ and Corporate Centre	793	779	-1.8%	774	0.6%	793	779	-1.8%

(1) Active Customers with Revenues generated during the last 90 days; (2) Minutes of Use per Customer per month; (3) Shared Services includes, among other functions, Customer Service, Technical, IT/IS, Accounting, Legal and Regulation.

Consolidated Financial Highlights

Million euros	2Q07	2Q08	y.o.y	1Q08	q.o.q	1H07	1H08	y.o.y
CONSOLIDATED FINANCIAL KPI's								
Turnover	214.5	237.9	10.9%	237.7	0.1%	413.4	475.6	15.0%
Service Revenues	194.1	215.1	10.8%	217.1	-0.9%	377.3	432.1	14.5%
Customer Revenues	144.9	169.0	16.6%	171.9	-1.7%	282.0	340.9	20.9%
Operator Revenues	49.1	46.1	-6.2%	45.1	2.1%	95.3	91.2	-4.3%
EBITDA	39.2	34.6	-11.7%	34.1	1.6%	73.2	68.7	-6.1%
EBITDA Margin (%)	18.3%	14.6%	-3.7pp	14.3%	0.2pp	17.7%	14.4%	-3.3pp
EBT	4.7	-9.7	-	-7.4	-31.4%	-2.1	-17.0	-
Net Results - Group Share ⁽¹⁾	1.3	-6.7	-	-5.5	-21.3%	-4.7	-12.2	-159.5%
Operating CAPEX ⁽²⁾	27.5	35.0	27.3%	32.7	7.0%	56.3	67.7	20.4%
Operating CAPEX as % of Turnover	12.8%	14.7%	1.9pp	13.8%	1pp	13.6%	14.2%	0.6pp
EBITDA - Operating CAPEX	11.7	-0.4	-	1.3	-	16.9	1.0	-94.4%
Total CAPEX	40.2	126.2	-	35.4	-	69.9	161.6	131.3%
FCF ⁽³⁾	11.7	-25.1	-	-32.7	23.0%	75.0	-57.8	-

(1) Net Results after Minority Interests; (2) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments; (3) FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs.

- **Customers:** (i) Mobile customers increased by 11.5% to 2.982 million at the end of 2Q08; net additions in the quarter were 55.2 thousand, up by 23.5% vs. 2Q07. Data revenues represented 21.3% of service revenues in the quarter, up 4.4pp against 2Q07; (ii) Wireline accesses totalled 741 thousand at 2Q08 against 411 thousand in 2Q07. Direct accesses increased to 522.5 thousand, 55.2% above 2Q07, with significant underlying like-for-like growth of 19.6%. Direct accesses increased by 2 thousand in 2Q08, as a result of competitive pressures, number portability problems and the growing use of mobile broadband. Importantly, 71.4% of wireline customer revenues are now generated by direct access customers.
- **Personnel:** total employees increased by only 3.8% compared to 2Q07 mostly due to the integration of personnel from the acquisitions carried out during 2007 (mainly Cape and Tele2 Portugal). This evolution of the headcount includes a decrease of 1.8% in shared services and corporate centre. Total headcount, nevertheless, decreased by 0.3% compared to the previous quarter.
- **Consolidated Service Revenues** continued to grow at a high pace, increasing by 10.8% against 2Q07, as a result of a 16.6% increase in customer revenues (or 5.7% if we exclude the contributions of the companies acquired in 2007) that more than compensated for the 6.2% reduction in operator revenues, driven by the negative impact of lower roaming-in revenues (-34.7% vs. 2Q07).
- **Consolidated EBITDA** decreased by 11.7% against 2Q07, but increased by 1.6% against 1Q08, to 34.6 million euros, driven primarily by the lower contribution from the Mobile Business. EBITDA margin, as expected, deteriorated by 3.7 pp to 14.6% due to: (i) increased marketing & sales and handset subsidy costs in the Telco Business; (ii) costs associated with the integration of the acquired businesses; (iii) negative impact of lower roaming-in tariffs; and (iv) at SSI, the significant increase of IT products sales that carry lower margins.

3. Consolidated Results

3.1. Consolidated Income Statement

CONSOL. INCOME STATEMENT	2Q07	2Q08	y.o.y	1Q08	q.o.q	1H07	1H08	y.o.y
Turnover	214.5	237.9	10.9%	237.7	0.1%	413.4	475.6	15.0%
Mobile	150.7	151.5	0.5%	151.6	0.0%	293.5	303.1	3.3%
Wireline	56.7	72.4	27.7%	75.2	-3.7%	110.7	147.6	33.3%
Público	9.5	9.4	-0.6%	7.8	20.7%	16.7	17.2	3.5%
SSI	17.8	27.4	53.9%	27.1	1.4%	32.8	54.5	66.2%
Other & Eliminations	-20.2	-22.9	-13.1%	-23.9	4.4%	-40.2	-46.8	-16.4%
Other Revenues	0.7	2.8	-	1.5	83.3%	2.1	4.3	109.7%
Operating Costs	173.3	202.3	16.7%	201.1	0.6%	336.0	403.4	20.1%
COGS	25.3	30.2	19.6%	25.8	17.1%	47.5	56.0	17.9%
Network Costs ⁽¹⁾	70.1	84.3	20.2%	83.7	0.7%	138.5	168.1	21.3%
Personnel Costs	23.4	22.7	-2.8%	26.1	-12.8%	46.8	48.8	4.3%
Marketing & Sales	25.0	25.9	3.8%	26.5	-2.0%	44.0	52.4	19.2%
Outsourcing Services ⁽²⁾	14.8	21.4	44.7%	21.6	-1.0%	30.0	43.0	43.2%
General & Administrative Expenses	11.4	14.0	22.8%	13.8	0.8%	22.7	27.8	22.6%
Other Operating Costs	3.4	3.8	11.3%	3.6	5.4%	6.5	7.3	13.1%
Provisions and Impairment Losses	2.7	3.8	37.5%	4.1	-7.9%	6.3	7.9	24.0%
EBITDA	39.2	34.6	-11.7%	34.1	1.6%	73.2	68.7	-6.1%
EBITDA Margin (%)	18.3%	14.6%	-3.7pp	14.3%	0.2pp	17.7%	14.4%	-3.3pp
Mobile	38.7	29.0	-25.1%	33.1	-12.5%	73.7	62.1	-15.7%
Wireline	0.5	1.5	180.5%	2.5	-40.8%	0.8	4.0	-
Público	-0.7	-0.4	50.6%	-1.2	68.8%	-1.9	-1.5	20.4%
SSI	1.5	2.8	87.8%	0.9	-	2.7	3.6	36.1%
Other & Eliminations	-0.8	1.7	-	-1.3	-	-2.0	0.4	-
Depreciation & Amortization	30.4	40.5	33.3%	37.3	8.8%	67.1	77.8	16.0%
EBIT	8.8	-5.9	-	-3.2	-85.1%	6.1	-9.1	-
Net Financial Results	-4.1	-3.7	8.9%	-4.2	10.1%	-8.2	-7.9	4.2%
Financial Income	2.7	0.8	-68.8%	0.8	5.8%	11.9	1.6	-86.4%
Financial Expenses	6.8	4.6	-32.5%	4.9	-7.5%	20.1	9.5	-52.7%
EBT	4.7	-9.7	-	-7.4	-31.4%	-2.1	-17.0	-
Tax results	-3.3	3.1	-	1.9	63.0%	-2.5	5.0	-
Net Results	1.4	-6.6	-	-5.5	-20.5%	-4.6	-12.1	-163.6%
Group Share	1.3	-6.7	-	-5.5	-21.3%	-4.7	-12.2	-159.5%
Attributable to Minority Interests	0.1	0.1	41.2%	0.1	101.8%	0.1	0.2	20.4%

(1) Network Costs = Interconnection plus Leased Lines plus Content plus Other Network Operating Costs; (2) Outsourcing Services = Customer Services plus Consultants plus Subcontracts.

Turnover

Consolidated turnover totalled 237.9 million euros in 2Q08, 10.9% above 2Q07.

Consolidated service revenues increased materially by 10.8%, to 215.1 million euros, with positive contributions from all our operating companies. The main drivers of this performance were the following:

- 27.8% higher service revenues at our Wireline Business or 3.5% on a like-for-like basis, i.e., excluding the businesses acquired during 2007 (Oni's residential & SOHO customer base and Tele 2 Portugal);
- 1.3% increase in service revenues at our Mobile Business, despite the impact of lower roaming-in revenues in operator revenues and the increased competitiveness in certain segments of the market, that led to a decrease in the average revenue per minute;
- 43.3% higher service revenues at SSI, driven by the positive performance of all its businesses. If we exclude the companies acquired by WeDo during 2007, SSI's services revenues would still have grown by a material 23.6%; and
- 6.2% growth in advertising revenues at Público.

Importantly, consolidated customer revenues continued to grow at a high pace: 16.6% when compared to 2Q07, driven by strong customer revenue growth at both our Wireline (+57.3%), SSI (43.3%) and Mobile (3.6%) Businesses.

Excluding the contributions from the businesses acquired during 2007, consolidated service revenues and customer revenues would have still grown by 2.7% and 5.7%, respectively, compared to 2Q07, a material achievement in the current competitive market environment.

Operating costs

Total operating costs reached 202.3 million euros in 2Q08, an increase of 16.7% y.o.y.. Total operating costs excluding COGS were 16.3% higher than in 2Q07, representing 80.0% of service revenues, approximately 3.7pp above the level registered in the second quarter of 2007.

The main drivers of the evolution of operating costs, in addition to the contributions from the acquired companies and the respective integration costs, were the following:

- a) 20.2% higher network costs when compared to 2Q07, driven by a 19.7% increase in interconnection & content costs, due to higher level of traffic volumes and to the enlarged ULL customer base, which led to significantly higher ULL monthly fee related costs; and by a 21.7% increase in leased lines and network expenses, as a result of the reinforcement of our mobile network (driven by the success of mobile broadband) and by the network costs associated with the companies acquired during last year. Network costs have increased by only 0.7% when compared to 1Q08;
- b) marketing & sales costs and handset subsidisation costs increased by 10.9% driven mainly by the Telco Business Unit investments in customer acquisition, in the launch of new products and services, including the launch of "TAG", the new closed user group unlimited and multiplatform (mobile+PC) communications offer aimed at the youth market and related advertising campaigns;
- c) general & administrative costs increased by 2.6 million against 2Q07, mainly as a consequence of: (i) the increased customer base at our Mobile Business and related license costs; and (ii) the significant growth of post-paid mobile customers and larger customer base at our Wireline Business (with the consequent billing & support requirements and related expenses); and
- d) outsourcing costs increased by 6.6 million, mainly driven by: (i) higher customer service costs, aimed at improving customer satisfaction across our Telco Businesses; and (ii) the fact that ONI and Tele2's customers were still not fully served by our own network and systems during 2Q08 (as the completion of the migration was only achieved in June).

Staff costs decreased by 2.8% against 2Q07, reflecting the higher level of capitalisation of staff costs related with specific network development projects and the gains resulting from the re-evaluation, at market prices, of the cash settled liability associated with the employees' medium term incentive plan.

Provisions and impairment losses increased y.o.y. in 2Q08 by approximately 1.1 million euros as a result of the combination between (i) higher provisions for bad debt, driven by the higher level of billing and a slight deterioration in collections; and (ii) lower provisions for stock depreciation at our Telco Businesses.

EBITDA

Consolidated EBITDA deteriorated by 11.7% to 34.6 million euros in 2Q08 generating a margin of 14.6%, compared to a margin of 18.3% in 2Q07. This performance was mainly driven by the combination of (i) lower roaming-in revenues; (ii) increased commercial costs at our mobile business (driven by the several marketing campaigns implemented in the quarter and by the cost of growth); (iii) increased level of competition; and (iv) the costs of integration of the companies acquired during 2007, that were partially off-set by the strong operational results at our Wireline and SSI Businesses and lower level of EBITDA losses at Público. The breakdown of EBITDA performance by business was as follows:

- a) EBITDA at our Mobile Business was of 29.0 million euros, down by 9.7 million euros when compared to 2Q07, explained by the 11.8% increase in marketing & sales costs in the quarter, increased handset subsidies and by the negative impact from lower roaming-in tariffs;
- b) The Wireline Business generated an EBITDA of 1.5 million euros (almost 1 million euros improvement over 2Q07) clearly reflecting the scale benefits of the continued organic growth in its direct access business;
- c) EBITDA at SSI increased from 1.48 million euros in 2Q07 to 2.78 million euros in 2Q08, which includes a gain of 1.4 million euros relative to final closure of Tecnológica purchase process. The higher service revenues in all SSI companies and the improved EBITDA performance at Mainroad and Bizdirect, were the main contributors to the underlying EBITDA performance at SSI;
- d) Público's EBITDA was negative 0.36 million euros, which nevertheless represented an improvement of 50.6% when compared to 2Q07, with the improved performance in advertising revenues (6.2% above 2Q07) partially off-set by the negative performance in both newspaper and associated products sales.

Net Profit

Net results group share were negative 6.7 million euros in 2Q08, compared to the positive 1.3 million euros result in 2Q07 and a loss of 5.5 million in 1Q08.

Depreciation and amortization charges increased by 10.1 million euros compared to 2Q07 to 40.5 million euros, driven by the increased asset base resulting from our investments in expanding both our mobile and wireline access networks as well as from the businesses acquired during 2007. When comparing the level of D&A against 2Q07, it should also be noted that in that quarter the depreciation rates related to Optimus' sites and software were revised, which led to a reduction in the depreciation charges when compared to 1Q07. The impact in the 2Q07 was, circa 7.2 million of which, 3.2 million were related to the previous quarter. Excluding this effect, D&A costs have increased by approximately 20.5% against 2Q07.

When compared to 1Q08, net financial charges decreased by 10.1%, to 3.7 million euros in 2Q08, reflecting: (i) slightly higher interest expense, up by 0.3 million euros, due entirely to higher average gross debt in the quarter, as the average cost of debt remained approximately stable (at 5.1% both in 2Q08 and 1Q08); (ii) a lower level of foreign exchanges losses in the quarter; and (ii) approximately stable interest income, at 0.8 million euros.

The tax line in 2Q08 showed a benefit of 3.1 million euros, compared to a charge of 3.3 million euros in 2Q07, due to both the lower EBT level and to movements in deferred tax assets at our Telecoms and SSI Businesses.

3.2. Consolidated Balance Sheet

Million euros	2Q07	2Q08	y.o.y	1Q08	q.o.q
CONSOLIDATED BALANCE SHEET					
Total Net Assets	1,693.0	1,795.5	6.1%	1,694.9	5.9%
Non Current Assets	1,233.0	1,443.4	17.1%	1,353.8	6.6%
Tangible and Intangible Assets	663.9	808.6	21.8%	720.4	12.2%
Goodwill	507.1	525.8	3.7%	528.1	-0.4%
Investments	1.9	2.0	1.1%	2.0	0.0%
Deferred Tax Assets	60.0	107.0	78.4%	103.3	3.6%
Current Assets	460.1	352.1	-23.5%	341.0	3.3%
Trade Debtors	138.7	185.7	33.9%	191.0	-2.8%
Liquidity	198.5	6.9	-96.5%	5.5	25.3%
Others	122.9	159.5	29.7%	144.5	10.4%
Shareholders' Funds	892.3	921.6	3.3%	932.5	-1.2%
Group Share	891.6	920.6	3.2%	931.6	-1.2%
Minority Interests	0.6	1.0	60.9%	0.9	11.1%
Total Liabilities	800.8	873.9	9.1%	762.3	14.6%
Non Current Liabilities	407.3	478.7	17.5%	379.4	26.2%
Bank Loans	366.7	355.1	-3.2%	329.6	7.7%
Provisions for Other Liabilities and Charges	24.3	32.5	33.7%	31.7	2.3%
Others	16.3	91.1	-	18.1	-
Current Liabilities	393.5	395.2	0.4%	383.0	3.2%
Bank Loans	97.4	0.7	-99.2%	0.3	178.8%
Trade Creditors	121.7	174.8	43.6%	174.7	0.0%
Others	174.4	219.7	26.0%	208.0	5.6%
Operating CAPEX ⁽¹⁾	27.5	35.0	27.3%	32.7	7.0%
Operating CAPEX as % of Turnover	12.8%	14.7%	1.9pp	13.8%	1pp
Total CAPEX	40.2	126.2	-	35.4	-
EBITDA - Operating CAPEX	11.7	-0.4	-	1.3	-
Operating Cash Flow ⁽²⁾	22.9	-20.6	-	-28.6	27.8%
FCF ⁽³⁾	11.7	-25.1	-	-32.7	23.0%
Gross Debt	482.6	374.3	-22.4%	349.3	7.2%
Net Debt	284.2	367.4	29.3%	343.7	6.9%
Net Debt/ EBITDA last 12 months	1.9 x	2.3 x	0.5x	2.1 x	0.2x
EBITDA/Interest Expenses ⁽⁴⁾ (last 12 months)	5.7 x	8.0 x	2.3x	8.0 x	0x
Debt/Total Funds (Debt + Shareholders' Funds)	35.1%	28.9%	-6.2pp	27.2%	1.6pp

(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

As a consequence of the refinancing operation carried out during 2007, consolidated gross debt continues to be primarily contracted by Sonaecom SGPS and internal funding movements are being used to allocate cash between our subsidiaries. At the end of 2Q08, the weighted average maturity of Sonaecom Group credit lines stood at approximately 3.5 years.

Consolidated gross debt totalled 374.3 million euros, 25 million euros above the level at the end of 1Q08 and mainly comprised: (i) 150 million euros long-term privately placed Bonds, due in 2013; (ii) 207.5 million euros used under the 250 million euros underwritten committed Commercial Paper Programme contracted in 2007 and with final maturity in 2012; and (iii) 18.5 million euros of long term financial leases. As a result of Interest Rate Swaps negotiated during 2007 (with maturities between March and June 2009), approximately 49% of the consolidated gross debt is currently based on fixed rates.

Consolidated net debt at the end of 2Q08 stood at 367.4 million euros, an increase of 23.7 million euros compared to 1Q08, mainly reflecting the FCF evolution in the quarter.

Capital structure continued to be comfortable at the end of 2Q08 notwithstanding the marginal deterioration in Net debt to annualised EBITDA that increased marginally, when compared to 1Q08, to 2.3x, reflecting the above mentioned increase in net debt registered in the quarter as well as the lower level of EBITDA in the preceding twelve months. In 2Q08, 12 months' trailing Interest Cover remained stable, when compared to the previous quarter, at 8.0x. The ratio of Consolidated Debt to Total Funds remained approximately stable, having reached 28.9% in 2Q08 (against 27.2% in 1Q08), reflecting the above mentioned movements in gross debt and the 10.9 million euros decrease in Shareholder's Funds. The latter resulted mainly from the net losses generated in the period and by the acquisition of own shares in the quarter totalling 1.4 million euros, for the purpose of meeting the obligations under the employees' long term share scheme.

At the end of 2Q08, the sum of cash and non-utilized committed credit lines at the Sonaecom Group stood at approximately 139 million euros. As identified above, no amortizations of bank loans are scheduled until mid-2010.

CAPEX

Total consolidated CAPEX in the quarter was 126.2 million euros while Operating CAPEX reached 35.0 million euros, 27.3% above 2Q07, and representing 14.7% of turnover.

Total CAPEX was significantly affected by the recognition, as a license cost, of the net present value (89 million euros) of obligations assumed under the "e-Initiatives" programme, a governmental initiative which offers laptops and discounts in broadband access to school teachers and students. Under the terms of the UMTS license granted in 2000, Optimus made certain commitments in relation to the development of the information society in Portugal, during the period of that license (until 2015). In accordance with a contract signed in June 2007 with the Portuguese State, it was agreed that an amount of 159 million euros would be realised through projects eligible as contributions to the information society (among other, network investments, R&D activities and new services, contents and applications) and incurred under the normal course of business. To the end of 2Q08, 64 million euros had already been made and validated by the competent entities. The remainder will be recorded at the moment the projects are carried out. It was further agreed that the second component of the commitments (116 million euros) would be fulfilled through the "e-Initiatives" programme. Given the success and the experience obtained so far in the programme, namely the extension of the eligible beneficiaries, we have now decided to recognise the net present value of the amount related to this second component.

The increase in Operating CAPEX was driven by higher investments in our Mobile Business (+82.4% increase over 2Q07, to 25.1 million euros), as a reflection of the announced plan for 2008 to step-up our investments in the extension of coverage and capacity of our 2.5G/3G network in order to improve quality of service and consolidate our leading position in mobile broadband. The level of Operating Capex in our Wireline business has decreased y.o.y. by 30.1%, to 9.6 million euros, driven mainly by the lower rate of unbundling of new Central Offices.

Operating CAPEX spend during 2Q08 was mainly applied as follows: 29.6% invested in the deployment the UMTS/HSDPA network, 11.3% was related to the GSM/GPRS network, 16.2% related to Information Technology/Information Systems investments; and approximately 14.4% was invested in our ULL and FTTH access networks.

Other balance sheet items

Gross tangible and intangible assets were 1,830 million euros at the end of 2Q08, an increase of 128.6 million euros when compared to 1Q08, mostly due to the recognition of UMTS commitments as license costs, and cumulative depreciation and amortization totalled 1,021 million euros (981 million euros at the end of the previous quarter). Both financial investments and goodwill were approximately stable in comparison to 1Q08 with book value as at the end of 2Q08 of 2.0 million euros and 525.8 million euros, respectively.

At the end of 2Q08, Sonaecom shareholders' funds totalled 921.6 million euros, compared to 932.5 million euros at the end of 1Q08, reflecting mainly the net losses of 6.6 million euros generated in the quarter but also the re-evaluation, at market prices, of the cash settled liability associated with the employees' medium term incentive plan and the acquisition of own shares in the amount of 1.4 million Euros.

FCF

Million euros

LEVERED FREE CASH FLOW	2Q07	2Q08	v.o.y	1Q08	q.o.q	1H07	1H08	v.o.y
EBITDA-Operating CAPEX	11.7	-0.4	-	1.3	-	16.9	1.0	-94.4%
Change in WC	-1.5	-20.7	-	-32.1	35.7%	-33.8	-52.8	-56.4%
Non Cash Items & Other	12.6	0.4	-96.5%	2.2	-79.9%	21.1	2.7	-87.3%
Operating Cash Flow	22.9	-20.6	-	-28.6	27.8%	4.2	-49.2	-
Financial Investments	-0.2	0.9	-	-1.1	-	108.0	-0.2	-
Own shares	0.0	-1.4	-	0.0	-	-8.9	-1.4	84.6%
Public Tender Offer	-6.4	0.0	100.0%	-0.1	100.0%	-19.5	-0.1	99.4%
Financial results	-4.1	-4.1	1.0%	-2.9	-40.5%	-8.4	-7.0	16.6%
Income taxes	-0.4	0.0	100.0%	0.0	-	-0.5	0.0	100.0%
FCF	11.7	-25.1	-	-32.7	23.0%	75.0	-57.8	-

Consolidated FCF in 2Q08 was negative 25.1 million euros, compared to a positive 11.7 million euros in 2Q07, driven mainly by the deterioration of Operating Cash Flow and by the 1.4 million euros spent during the quarter in the acquisition of own shares (620 thousand Sonaecom shares, approximately 0.17% of the total share capital), aimed, as approved by the Shareholders General Meeting of 16 April 2008, at fulfilling our obligations under the employees' Medium Term Incentive Plan.

Operating cash flow was negative by 20.6 million euros in 2Q08, down from a positive 22.9 million euros in 2Q07, mainly driven by: (i) a deterioration of 12.1 million euros in EBITDA-Operating Capex; and (ii) a deterioration in working capital of 20.7 million euros, reflecting the lower credit from trade creditors and fixed asset suppliers at both the Mobile and Wireline Business and higher non-operating receivables, mostly related with VAT to be reimbursed.

4. Telecommunications

4.1. Mobile Business

Our mobile business had another very active quarter in terms of commercial initiatives and was able to sustain strong customer and customer revenue growth, as a result of the investments to support the brand, particularly in the residential segment (the promotions around the Euro2008 cup, where Optimus was an official mobile operator, and the music festivals are clear examples of this); to improve distribution capacity; and with the continuous development of our fixed-mobile convergent product 'Optimus Home' and our wireless broadband service 'Kanguru'. The launch of "TAG" in the quarter, an innovative offer aimed at the youth market, also contributed to the strong growth of the customer base.

4.1.1. Operational data

MOBILE OPERATIONAL KPI's	2Q07	2Q08	y.o.y	1Q08	q.o.q	1H07	1H08	y.o.y
Customers (EOP) ('000)	2,673.9	2,982.1	11.5%	2,926.9	1.9%	2,673.9	2,982.1	11.5%
Net Additions ('000)	44.7	55.2	23.5%	33.3	65.6%	72.0	88.6	22.9%
% Pre-paid Customers	74.8%	70.5%	-4.3pp	70.8%	-0.3pp	74.8%	70.5%	-4.3pp
Active Customers ⁽¹⁾	2,152.5	2,326.3	8.1%	2,290.2	1.6%	2,134.8	2,308.2	8.1%
Data as % Service Revenues	16.9%	21.3%	4.4pp	20.6%	0.7pp	16.5%	20.9%	4.4pp
Total #SMS/month/user	44.9	57.6	28.2%	42.2	36.4%	45.0	49.9	11.0%
MOU ⁽²⁾ (min.)	114.6	129.1	12.7%	117.9	9.5%	115.4	123.5	7.0%
ARPU (euros)	17.9	16.8	-5.9%	17.0	-0.7%	17.8	16.9	-5.0%
ARPM ⁽³⁾ (euros)	0.16	0.13	-16.5%	0.14	-9.4%	0.15	0.14	-11.2%
SAC&SRC ⁽⁴⁾ (million euros)	28.1	37.3	32.5%	36.2	3.0%	55.2	73.5	33.1%

(1) Active Customers with Revenues generated on last 90 days; (2) Minutes of Use per Customer per month; (3) Average Revenue per Minute; (4) Total Acquisition & Retention Costs.

Customer base

Mobile customer base increased by 11.5% to 2.982 million customers at the end of 2Q08, compared to 2.674 million at the end of 2Q07 and 2.927 million at 1Q08, with net additions surpassing 55 thousand in the quarter, up by 23.5% compared to 2Q07, a demonstration of the continued progress in our growth strategy and the success of the innovative products and services we have launched in the market. Active customers at the end of 2Q08 totalled 2.326 million, as compared to 2.153 million at the end of 2Q07, an increase of 8.1%.

Contract customers continued to steadily increase their weight in the total customer base. At the end of 2Q08, post-paid customers represented 29.5% of total customers, an increase of 4.3pp against 2Q07 and 0.3pp against 1Q08.

During 2Q08, Mobile customer's ARPU was 16.8 euros, down from 17.9 euros in 2Q07. Of the 2Q08 ARPU, 13.1 euros related to customer monthly bill and 3.7 euros to operator revenues, compared to 13.6 euros and 4.3 euros respectively, in 2Q07. The lower ARPU is mainly explained by the 12.7% decrease in operator revenues ARPU, due to reductions in roaming 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 and Corporate segments and 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 a material 12.7% increase in average Minutes of Use ("MoU").

Data usage

During 2Q08, we were able to maintain our leading position in wireless broadband and again achieved a material growth of data usage, namely through the promotion of retail sales of our mobile broadband product "Kanguru", based on HSDPA/HSUPA technologies, now offering download speeds of up to 7.2 Mbps and upload speeds of up to 1.4Mbps. In this quarter, we have also introduced in the market, in partnership with a consumer credit company, a very attractive PC + Broadband offer. The governmental programme ("e-Initiatives") aimed at the development of the 'Information Society' in Portugal, continues to contribute to maintaining mobile broadband market growth at a high pace and all three mobile operators have been active in contributing to this programme (as part of the agreements reached with the Government to fulfil the obligations under the UMTS licenses).

Our Kanguru service was recently elected by a specialized national magazine ("Exame Informática") as the best mobile broadband access in Portugal, with special emphasis placed on items such as download and upload speeds, stability of connections and software user-friendliness.

Data revenues represented 21.3% of service revenues in 2Q08, an improvement of 4.4pp vs. 2Q07 and 0.7pp over 1Q08, as the result of our promotional efforts to increase usage of data services and the success of our wireless broadband solutions. Non-SMS related data services continued to increase their weight in data revenues, accounting for circa 62.7% of total data revenues in 2Q08, compared to only 51.3% in 2Q07. The revenues from non-SMS data services have significantly increased by more than 55% from 2Q07 to 2Q08.

Traffic

In 2Q08, total voice traffic¹ was 21.3% higher than that recorded in 2Q07 as a result of both the enlarged customer base and of the increase in minutes of use per customer to 129.1 minutes (from 114.6 minutes in 2Q07), reflecting the continuous success of our investment effort to enhance voice usage.

Mobile access network

During 2Q08, as part of the announced investment plan for the year, we continued to invest in the coverage and capacity of our mobile network, with the deployment of new UMTS sites and with the upgrade of our 3G network with HSDPA. By the end of 2Q08, Optimus' 3G network covered circa 81% of the Portuguese population and almost 80% with HSDPA technology, offering bandwidths of up to 7.2 Mbps.

4.1.2. Financial data

Million euros								
MOBILE INCOME STATEMENT	2Q07	2Q08	y.o.y	1Q08	q.o.q	1H07	1H08	y.o.y
Turnover	150.7	151.5	0.5%	151.6	0.0%	293.5	303.1	3.3%
Service Revenues	142.4	144.3	1.3%	144.0	0.2%	277.4	288.2	3.9%
Customer Revenues	108.1	112.0	3.6%	111.8	0.2%	211.2	223.8	5.9%
Operator Revenues	34.4	32.3	-6.0%	32.2	0.5%	66.1	64.5	-2.5%
Equipment Sales	8.3	7.2	-12.5%	7.6	-5.1%	16.1	14.8	-7.9%
Other Revenues	8.6	12.5	45.4%	10.2	22.4%	17.0	22.7	33.2%
Operating Costs	118.1	132.5	12.2%	126.0	5.2%	233.0	258.5	10.9%
COGS	15.6	17.2	10.2%	15.2	13.5%	32.3	32.4	0.2%
Interconnection & Contents	33.5	35.5	6.0%	35.6	-0.3%	66.1	71.1	7.6%
L.Lines & other Network Operating Costs	14.0	15.2	8.3%	14.9	2.1%	28.2	30.0	6.5%
Personnel Costs	13.0	13.3	2.3%	12.7	5.2%	26.1	26.0	-0.2%
Marketing & Sales	18.2	20.4	11.8%	20.9	-2.6%	33.5	41.3	23.0%
Outsourcing Services ⁽¹⁾	13.0	17.1	31.4%	15.0	13.7%	25.5	32.1	26.1%
General & Administrative Expenses	7.7	10.3	34.1%	8.4	21.8%	15.5	18.7	20.6%
Other Operating Costs	3.1	3.6	15.7%	3.3	9.0%	5.8	6.8	18.5%
Provisions and Impairment Losses	2.4	2.5	1.8%	2.6	-7.0%	3.8	5.1	34.7%
Service Margin ⁽²⁾	108.9	108.8	-0.2%	108.3	0.4%	211.3	217.1	2.8%
Service Margin (%)	76.5%	75.4%	-1.1pp	75.3%	0.1pp	76.2%	75.3%	-0.8pp
EBITDA	38.7	29.0	-25.1%	33.1	-12.5%	73.7	62.1	-15.7%
EBITDA Margin (%)	25.7%	19.1%	-6.6pp	21.9%	-2.7pp	25.1%	20.5%	-4.6pp
Depreciation & Amortization	25.2	32.2	27.9%	29.0	11.3%	56.8	61.2	7.7%
EBIT	13.5	-3.2	-	4.2	-	16.9	0.9	-94.5%
Operating CAPEX ⁽³⁾	13.7	25.1	82.4%	25.9	-3.2%	30.1	50.9	69.0%
Operating CAPEX as % of Turnover	9.1%	16.5%	7.4pp	17.1%	-0.5pp	10.3%	16.8%	6.5pp
EBITDA - Operating CAPEX	25.0	3.9	-84.2%	7.2	-45.5%	43.6	11.2	-74.3%
Total CAPEX	23.6	117.7	-	28.6	-	40.6	146.4	-

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Service Margin = Service Revenues minus Interconnection & Content Costs; (3) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments.

Turnover

Mobile service revenues increased by 1.3% to 144.3 million euros compared to 142.4 million euros in 2Q07, driven by the 3.6% growth in customer revenues, which more than compensated the 6.0% decrease in operator revenues (driven by the lower level of roaming-in tariffs) and the lower level of equipment sales.

EBITDA

Mobile EBITDA in 2Q08 reached 29.0 million euros and generated a margin of 19.1%, representing a decrease of 6.6pp, when compared to 2Q07. This decline was primarily the result of the combination of higher Marketing & Sales costs (mainly associated with the Optimus brand re-launch and with the launch of "TAG"), lower roaming-in revenues and higher outsourcing services (+4.1 million euros) and G&A costs (+2.6 million euros) when compared to 2Q07 driven by the increased customer base and related license costs; the significant growth of post-paid customers (and related billing requirements) and the increase in customer service costs.

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

4.2. Wireline Business

Competitive pressures have been particularly visible in the wireline arena, with relevant price promotions prevailing in the voice, broadband and TV segments. In this market environment, we have continued to focus on protecting and growing the direct access broadband business with particular efforts made to reducing levels of churn, improving loyalty and reinforcing our IPTV and Home Video services (now with almost 100 channels and 800 movie titles), while continuously working to improve customer service. The processes aimed at transforming the acquired indirect customers to direct are progressing broadly in line with expectations and the full migration of the acquired Oni and Tele2 customers to our own network and systems was completed during this quarter.

4.2.1. Operational data

WIRELINE OPERATIONAL KPI's	2Q07	2Q08	y.o.y	1Q08	q.o.q	1H07	1H08	y.o.y
Total Accesses (EOP) ⁽¹⁾	411,177	741,098	80.2%	775,163	-4.4%	411,177	741,098	80.2%
Voice	225,727	466,052	106.5%	495,909	-6.0%	225,727	466,052	106.5%
Direct	184,355	281,116	52.5%	280,989	0.0%	184,355	281,116	52.5%
Indirect	41,372	184,936	-	214,920	-14.0%	41,372	184,936	-
ADSL	155,084	247,237	59.4%	250,138	-1.2%	155,084	247,237	59.4%
Direct	143,494	222,228	54.9%	221,947	0.1%	143,494	222,228	54.9%
Indirect	11,590	25,009	115.8%	28,191	-11.3%	11,590	25,009	115.8%
Other & Data	30,366	27,809	-8.4%	29,116	-4.5%	30,366	27,809	-8.4%
Direct	8,930	19,196	115.0%	17,713	8.4%	8,930	19,196	115.0%
Indirect	21,436	8,613	-59.8%	11,403	-24.5%	21,436	8,613	-59.8%
Total Direct Accesses	336,779	522,540	55.2%	520,649	0.4%	336,779	522,540	55.2%
Total Indirect Accesses	74,398	218,558	193.8%	254,514	-14.1%	74,398	218,558	193.8%
Unbundled COs with transmission	150	174	16.0%	173	0.6%	150	174	16.0%
Unbundled COs with ADSL2+	142	166	16.9%	164	1.2%	142	166	16.9%
Direct access as % Cust. Revenues	78.9%	71.4%	-7.5pp	65.8%	5.5pp	77.4%	68.5%	-8.9pp
Average Revenue per Access - Retail ⁽²⁾	23.7	20.4	-13.8%	21.1	-3.1%	23.5	20.8	-11.1%

(1) Accesses were restated according to a "revenue generator unit" criteria since 1Q07; (2) Excluding Mass Calling services' revenues.

Customer base

At the end of 2Q08, total accesses reached 741 thousand, an increase of 80.2% compared to 2Q07 (10.1% on a like-for-like basis, i.e., excluding the impact of the acquisitions carried out in 2007). More importantly, direct accesses have grown by 55.2% against 2Q07 and by 19.6% on a like-for-like basis. Direct accesses represented 70.5% of the Wireline Business total accesses in 2Q08, compared to 81.9% in 2Q07 (as a result of the increase in the indirect customer base determined mostly by the acquisition of Tele 2 during 3Q07) and 67.2% in 1Q08.

Direct net additions in 2Q08 were approximately 2 thousand, a lower level when compared with 2Q07 and 1Q08 mainly as a result of: (i) competitive pressures that continue to prevail in the market (with higher pressure from churn); (ii) the problems we have faced in porting numbers from the incumbent operator, which has led to a significant increase in the average number of days to active an ULL customer; (iii) the fact that during the quarter we have only opened two new CO for ULL ADSL2+ services; and (iv) the growing use of mobile broadband services.

The average Wireline retail revenue per access decreased to 20.4 euros, down by 3.1% against 1Q08, driven mainly by the negative impact of the promotion campaigns carried out in the quarter, on the back of similar pricing campaigns launched by our main competitors.

Services

During 2Q08, we completed the replacement, for free, of our customers' set top boxes for a new MPEG4 model, one of the most advanced set top boxes currently available in the market, which will allow our TV customers to access HD channels, DTT and to benefit from an improved sound quality. We are now on the verge of making available in our offers a set top box with PVR functionality.

After having introduced a new entry level of the ADSL offer at 4Mbps in the previous quarter, as an answer to competitors' moves, we have also launched new and very attractive promotions for the residential market aimed at reinforcing Clix's position in the market. At the end of this quarter, we have also reflected the 1% VAT reduction in the price of our bundles.

During 2Q08, we have also continued to reinforce our IPTV offers by adding new contents, including the introduction, at no extra cost, of SportTV 3 in our Premium Sport TV package and the launch of new channels such as Animax and Sony Entertainment Television. A particular focus will now be placed in the enlargement of our offer of HD channels.

Wireline access network

During 2Q08 we have unbundled one further CO for SHDSL circuit interconnection, bringing the total to 174 compared to 150 at the end of 2Q07. With these circuits, Sonaecom is capable of operating direct connections for most of our mobile access network, thus further reducing the dependency on the incumbents' leased circuits.

Although at a slower pace, we continue to enlarge the addressable market of our direct offers by opening 2 additional COs with ADSL2+, bringing the total to 166. The addressable market of our ULL network now corresponds to approximately 55% of total fixed lines in Portugal. Of these central offices, approximately 72% are prepared with full triple play capability.

As regards our announced FTTH plan, substantial progress has been achieved during 2Q08. We have currently pilot schemes up and running in two areas of both Porto and Lisbon and several thousand homes already passed. Importantly, we have had until now a positive experience in terms of home-networking solutions, with the aim of minimising the level of intrusion and time spent within the customers' premises. A growing number of trial customers (a few hundred at the end of 2Q08) haven been actively testing all our services. The feedback we are receiving from those customers is extremely positive, both in terms of their broadband and TV experience. In parallel to these developments in terms of access network, we have also been preparing the contents, the organization and the systems for the commercial launch of our 3-play offers under this new, state-of-the-art and fully independent network during the 2H08.

4.2.2. Financial data

Million euros	2Q07	2Q08	y.o.y	1Q08	q.o.q	1H07	1H08	y.o.y
WIRELINE INCOME STATEMENT								
Turnover	56.7	72.4	27.7%	75.2	-3.7%	110.7	147.6	33.3%
Service Revenues	56.5	72.2	27.8%	75.0	-3.7%	110.6	147.2	33.2%
Customer Revenues	28.3	44.6	57.3%	48.8	-8.6%	54.7	93.4	70.6%
Direct Access Revenues	22.4	31.8	42.3%	32.1	-0.9%	42.4	64.0	51.0%
Indirect Access Revenues	5.2	11.9	127.3%	15.5	-23.7%	10.9	27.4	151.1%
Other	0.8	0.9	19.7%	1.1	-20.5%	1.5	2.0	38.9%
Operator Revenues	28.2	27.6	-1.9%	26.2	5.4%	55.8	53.8	-3.5%
Equipment Sales	0.2	0.2	-9.9%	0.2	-4.5%	0.2	0.4	97.6%
Other Revenues	0.8	-0.2	-	0.7	-	1.8	0.4	-78.0%
Operating Costs	56.8	69.4	22.2%	72.0	-3.6%	109.4	141.4	29.2%
COGS	0.2	0.3	44.1%	0.3	-21.7%	0.1	0.6	-
Interconnection	30.0	42.8	42.8%	34.9	22.4%	58.1	77.7	33.9%
L.Lines & other Network Operating Costs	8.3	7.1	-14.5%	13.6	-48.3%	17.1	20.7	20.7%
Personnel Costs	2.3	2.4	7.0%	2.6	-4.7%	4.7	5.0	6.8%
Marketing & Sales	5.5	4.1	-24.4%	4.4	-6.5%	8.2	8.6	3.9%
Outsourcing Services ⁽¹⁾	8.1	11.2	39.0%	12.7	-11.3%	16.0	23.9	49.4%
General & Administrative Expenses	2.1	1.3	-38.0%	3.1	-57.5%	4.4	4.4	1.0%
Other Operating Costs	0.4	0.2	-62.8%	0.3	-46.2%	0.8	0.4	-46.5%
Provisions and Impairment Losses	0.2	1.3	-	1.4	-6.4%	2.4	2.6	9.7%
Service Margin ⁽²⁾	26.6	29.4	10.9%	40.1	-26.5%	52.5	69.5	32.4%
Service Margin (%)	47.0%	40.8%	-6.2pp	53.4%	-12.6pp	47.5%	47.2%	-0.3pp
EBITDA	0.5	1.5	180.5%	2.5	-40.8%	0.8	4.0	-
EBITDA Margin (%)	0.9%	2.1%	1.1pp	3.3%	-1.3pp	0.7%	2.7%	2pp
Depreciation & Amortization	4.9	8.0	61.6%	8.0	-0.3%	9.7	16.0	65.3%
EBIT	-4.4	-6.5	-47.2%	-5.5	-18.2%	-8.9	-12.0	-34.5%
Operating CAPEX ⁽³⁾	13.7	9.6	-30.1%	6.7	42.3%	26.0	16.3	-37.1%
Operating CAPEX as % of Turnover	24.2%	13.3%	-11pp	9.0%	4.3pp	23.5%	11.1%	-12.4pp
EBITDA - Operating CAPEX	-13.2	-8.1	38.6%	-4.2	-91.7%	-25.2	-12.3	51.1%
Total CAPEX	14.2	10.5	-26.2%	6.7	55.3%	26.4	17.2	-34.8%

(1) Outsourcing Services = Customer Services plus Consultants plus Subcontracts; (2) Service Margin = Service Revenues minus Interconnection Costs; (3) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments.

Turnover

When comparing to 2Q07, it should be noted that the 2Q08 results of the Wireline Business and consequently, those of Sonaecom Consolidated include revenues generated by Tele2 Portugal and by the customers acquired from Oni.

Turnover in 2Q08 amounted to 72.4 million euros, an increase of 27.7% over 2Q07, mainly due to the significant increase in customer revenues, up by 57.3%, driven by the growth in both direct access revenues (42.3% higher than in 2Q07 and approximately stable when compared to the previous quarter) and indirect access revenues that increased y.o.y. by 127.3%, to 11.9 million euros (driven mainly by the acquisition of Tele2 Portugal). The expected trend of reduction in indirect access customers has determined another q.o.q. reduction in the corresponding revenue line. Excluding contributions from the acquired ONI and Tele2 customer base, customer revenues would still have grown by a material 9% when compared to 2Q07.

Direct access revenues accounted for 71.4% of customer revenues in the quarter, an increase of 5.5pp compared to the 1Q08 (which already incorporated the acquired companies), as a result of the continued focus on the direct access business. The contribution of mass calling services has, as expected, decreased from 6.0 million euros in 2Q07 to 2.7 million euros in 2Q08, which was almost fully off-set by the positive growth in terms of wholesale traffic and revenues.

EBITDA

Wireline EBITDA was positive 1.5 million euros, compared to only 0.5 million euros in 2Q07, and generated a margin of 2.1%. The y.o.y. improvement is primarily due to both the increased size of the ULL customer base achieved via organic growth, which has been generating an increasingly positive contribution to profitability, and to the positive contribution from the businesses acquired last year. EBITDA margin has, nevertheless, decreased by 1.3pp against the previous quarter as a result of higher level of competition, which promotions and discount offers again prevailing in the market during 2Q08, and the expected lower level of indirect access revenues.

5. Software and Systems Information (SSI)

SSI achieved a good set of operational and financial results with top-line growth driven by the performance of WeDo Technologies that continued to expand its customer base through its leading Revenue Assurance product ("RAID") and by the increased profitability at Mainroad (our IT company focused in IT Management, Security and Business Continuity) and Bizdirect (our Business Process Automation company).

WeDo continued to focus on the integration of the companies acquired during 2007 with particular focus on Cape Technologies. In parallel, efforts have been made to consolidate WeDo's international presence, grow its leading position in the international Revenue Assurance market, expand beyond its traditional telecoms customer base, and expand its product portfolio (during the quarter, WeDo launched in the market a new release of RAID - version 4.2). In May, WeDo promoted its third worldwide user group meeting, in the Algarve, with more than 100 delegates present, actively debating the future trends in Revenue Assurance and Fraud.

5.1. Operational data

SSI OPERATIONAL KPI's	2Q07	2Q08	y.o.y	1Q08	q.o.q	1H07	1H08	y.o.y
IT Service Revenues/Employee ⁽¹⁾ ('000 euros)	27.8	29.7	6.7%	28.2	5.1%	55.1	57.9	5.1%
Equipment Sales as % Turnover	42.1%	46.1%	4pp	46.8%	-0.7pp	38.2%	46.4%	8.2pp
Equipment Sales/Employee ⁽²⁾ ('000 euros)	629.8	975.1	54.8%	975.8	-0.1%	1,098.4	1,950.8	77.6%
EBITDA/Employee ⁽³⁾ ('000 euros)	4.2	3.0	-29.4%	1.9	57.9%	7.7	4.8	-37.3%
Employees	353	453	28.3%	460	-1.5%	353	453	28.3%

(1) Excluding employees dedicated to Equipment Sales; (2) Bizdirect; (3) 2Q08 EBITDA excluding the EUR 1.4m gain registered in quarter, in relation to Tecnológica's purchase process.

SSI inverted the negative trend in productivity levels registered in 4Q07 (due to the integration of the companies acquired in 2007 and their comparatively lower productivity, a natural outcome during integration phases) with IT service revenues per employee again increasing to 29.7 thousand euros in 2Q08 (respectively, 6.7% and 5.1% above the levels registered in 2Q07 and in 1Q08), while equipment sales per employee have increased by almost 55% when compared to 2Q07. Total headcount at the end of 2Q08 decreased by 7 to 453, when compared to the previous quarter, but increased by 100 employees against 2Q07, mainly due to: (i) the consolidation of the companies acquired by WeDo during 2007 (Tecnológica, Cape and Praesidium); and (ii) the need for additional internal consultants to support the increased level of activity.

During the quarter, WeDo obtained three new key accounts, including leading telecom operators in Venezuela, United Arab Emirates and Indonesia. Importantly, more than 65% of WeDo's customer orders were obtained outside of the Sonaecom Group. As a further evidence of its multinational characteristics, it is worth noting that of the total WeDo's headcount at the end of 2Q08, approximately 35% are based outside of Portugal and that WeDo currently serves customers in approximately 39 countries.

Mainroad, which celebrated its 5th anniversary during 2Q08, became the first SAP Hosting Partner in Portugal (and only the second in Iberia) and ranked second in the category of "Best Disaster Recovery Provider" in the recent Data Centres Europe Awards 2008 contest.

5.2. Financial data

Million euros	2Q07	2Q08	y.o.y	1Q08	q.o.q	1H07	1H08	y.o.y
SSI CONS. INCOME STATEMENT								
Turnover	17.82	27.42	53.9%	27.05	1.4%	32.79	54.47	66.2%
Service Revenues	10.32	14.79	43.3%	14.40	2.7%	20.26	29.19	44.1%
Equipment Sales	7.50	12.64	68.5%	12.65	-0.1%	12.52	25.29	101.9%
Other Revenues	0.05	1.55	-	0.07	-	0.24	1.62	-
Operating Costs	16.35	26.19	60.2%	26.19	0.0%	30.29	52.37	72.9%
COGS	7.19	12.21	69.8%	12.48	-2.1%	12.02	24.69	105.4%
Personnel Costs	4.89	6.70	36.9%	6.94	-3.5%	9.89	13.64	38.0%
Marketing & Sales	0.30	0.47	54.5%	0.30	54.5%	0.58	0.77	32.6%
Outsourcing Services ⁽¹⁾	2.33	4.30	84.6%	4.19	2.5%	4.44	8.49	91.3%
General & Administrative Expenses	1.62	2.48	53.8%	2.29	8.4%	3.18	4.78	50.2%
Other Operating Costs	0.02	0.02	42.6%	-0.02	-	0.18	0.01	-95.7%
Provisions and Impairment Losses	0.05	0.01	-86.3%	0.06	-89.2%	0.06	0.07	12.6%
EBITDA	1.48	2.78	87.8%	0.87	-	2.68	3.65	36.1%
EBITDA Margin (%)	8.3%	10.1%	1.8pp	3.2%	6.9pp	8.2%	6.7%	-1.5pp
Depreciation & Amortization	0.37	0.48	32.2%	0.50	-2.5%	0.70	0.98	40.0%
EBIT	1.11	2.29	106.2%	0.38	-	1.98	2.67	34.7%
Operating CAPEX ⁽²⁾	0.10	0.29	177.4%	0.13	125.0%	0.25	0.41	65.7%
Operating CAPEX as % of Turnover	0.6%	1.0%	0.5pp	0.5%	0.6pp	0.8%	0.8%	0pp
EBITDA - Operating CAPEX	1.38	2.49	81.1%	0.75	-	2.43	3.24	33.1%
Total CAPEX	2.50	-2.03	-	0.02	-	2.89	-2.01	-

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

Turnover

When comparing the financial performance with 2Q07, it should be noted that the 2Q08 results of SSI (and the consolidated results of Sonaecom) include the contributions of the three companies acquired by WeDo during 2007.

SSI turnover increased by a very material 53.9% in 2Q08 to 27.4 million euros, as a result of both higher IT equipment sales, which increased by 68.5% to 12.6 million euros, and higher service revenues, up by 43.3%, mainly driven by the 52.3% increase in service revenues at WeDo (up 22.1% on a like-for-like basis, i.e., excluding the contributions of the acquired companies). Taking advantage of its global reach, WeDo's top line growth was particularly strong in Latin America, Asia and Middle East regions. It is also worth noting that all SSI's businesses have posted a y.o.y turnover growth above 18%.

During 2Q08, equipment sales represented 46.1% of turnover, an increase of 4pp over the level registered in 2Q07, driven by a positive contribution from the sale of computers at Bizdirect, partly related with the "e-Initiatives" programme launched by the Portuguese Government.

EBITDA

SSI EBITDA was positive 2.78 million euros in 2Q08, an increase of 1.3 million euros (87.8%) versus 2Q07. The increase in EBITDA was partly driven by a one-off effect related to the recognition of a gain of 1.4 million euros in relation to the final closure of Tecnológica's purchase process. Even more important than this y.o.y evolution, the underlying EBITDA and EBITDA margin (excluding the 1.4 million euros gain referred to above) improved by 55.4% and 1.7pp, respectively, against the previous quarter. EBITDA margin is still below the levels achieved in 2Q07 due to the continuously improving but still marginally negative contribution from the companies acquired and the significantly higher level of product sales at Bizdirect that carry lower margins. Excluding the 1.4 million gain euros, WeDo's EBITDA has grown by almost 2.5x in 2Q08 when compared to the previous quarter and generated a margin of 7.6%. It should also be noted that both Bizdirect, and particularly, Mainroad, continued to show a positive y.o.y. evolution at the EBITDA level.

6. Público

Market dynamics continue to be severe for daily paid generalist press with advertising revenues for the sector as a whole, in the first five months of 2008, decreasing by 2.6%² compared to the same period of the previous year (this number refers to advertising space calculated at reference table figures - competitive pressures continue to lead to higher price discounts). During the same period, the free newspapers' advertising revenues is estimated to have increased by almost 56%. Although total circulation numbers for the daily paid generalist press have increased by 8.0%³, this was partly explained by circulation campaigns carried out by several players during the 1H08.

Among several commercial initiatives implemented in the quarter, it is worth highlighting the successful implementation, in the on-line version of Público, of a specific site dedicated to the Euro 2008 championship, which concentrated all the information produced by Público, further enriched with opinion articles, statistical information and video. Público continues to be a clear leader in on-line access among Portuguese newspapers.

6.1. Operational data

PÚBLICO OPERATIONAL KPI's	2Q07	2Q08	y.o.y	1Q08	q.o.q	1H07	1H08	y.o.y
Average Paid Circulation ⁽¹⁾	44,282	42,167	-4.8%	43,284	-2.6%	42,657	42,726	0.2%
Market Share of Advertising (%) ⁽²⁾	13.9%	13.7%	-0.2pp	12.7%	1pp	14.1%	13.3%	-0.8pp
Audience ⁽³⁾ (%)	4.4%	4.5%	0.1pp	4.1%	0.4pp	4.7%	4.3%	-0.4pp
Employees	255	261	2.4%	255	2.4%	255	261	2.4%

(1) Estimated value updated in the following quarter; (2) 2Q08 - YTD until May08; (3) As % of population; Source: Bareme Imprensa 2ª Vaga 2008

Until April (the latest available information), Público's average market share of paid circulation, among daily generalist press, reached 12.2%, approximately 1pp below the comparable period in 2007. In 2Q08, average paid circulation reached 42.1 thousand, a decrease of 4.8% when compared to 2Q07 and 2.6% against the previous quarter. As mentioned above, the paid press market continues to face competitive challenges, with increased competition from 'free' newspapers (which have more than doubled the circulation, partly driven by the launch of three new free titles into the market).

Importantly, recent audience indicators indicate an increase in the total number of readers, with Público ranking third among daily paid generalist press and now reaching circa 4.5% of the total population (against 4.1% in the previous quarter).

Público's advertising market share continues to be under pressure, reaching an average of 13.7% during 2Q08 (until May, the latest available information), down 0.2pp as compared to 2Q07. The good q.o.q. performance shown in terms of audience may contribute to mitigating the severe market dynamics daily paid newspapers are facing in terms of advertising revenues.

² Source: Markttest/Media Monitor

³ Source: APCT: Apr08 vs Apr07 (latest available data)

6.2. Financial data

Million euros

PÚBLICO CONS. INCOME STATEMENT	2Q07	2Q08	y.o.y	1Q08	q.o.q	1H07	1H08	y.o.y
Turnover	9.48	9.42	-0.6%	7.81	20.7%	16.65	17.23	3.5%
Advertising Sales ⁽¹⁾	3.91	4.15	6.2%	3.16	31.4%	7.13	7.31	2.5%
Newspaper Sales	3.24	3.04	-5.9%	3.05	0.0%	6.10	6.09	-0.1%
Associated Product Sales	2.33	2.23	-4.3%	1.61	38.5%	3.43	3.83	11.9%
Other Revenues	0.04	0.04	-7.9%	0.06	-40.8%	0.11	0.10	-8.6%
Operating Costs	10.19	9.78	-4.0%	9.00	8.7%	18.56	18.78	1.2%
COGS	2.98	2.71	-9.0%	2.13	27.3%	4.69	4.85	3.3%
Personnel Costs	2.91	2.98	2.3%	2.91	2.5%	5.75	5.89	2.5%
Marketing & Sales	1.06	1.00	-5.6%	0.87	15.4%	1.49	1.87	25.6%
Outsourcing Services ⁽²⁾	2.52	2.45	-2.7%	2.36	4.0%	5.19	4.81	-7.3%
General & Administrative Expenses	0.71	0.63	-11.3%	0.73	-13.6%	1.45	1.36	-6.1%
Other Operating Costs	0.00	0.00	-	0.00	0.1%	0.00	0.01	-
Provisions and Impairment Losses	0.06	0.04	-34.4%	0.04	13.5%	0.12	0.08	-32.2%
EBITDA	-0.74	-0.36	50.6%	-1.16	68.8%	-1.92	-1.53	20.4%
EBITDA Margin (%)	-7.8%	-3.9%	3.9pp	-14.9%	11pp	-11.5%	-8.9%	2.7pp
Depreciation & Amortization	0.17	0.18	5.2%	0.18	0.6%	0.34	0.37	7.0%
EBIT	-0.91	-0.55	40.0%	-1.35	59.4%	-2.26	-1.89	16.2%
Operating CAPEX ⁽³⁾	0.17	0.60	-	0.10	-	0.42	0.70	65.2%
Operating CAPEX as % of Turnover	1.8%	6.3%	4.5pp	1.3%	5pp	2.5%	4.1%	1.5pp
EBITDA - Operating CAPEX	-0.91	-0.96	-5.5%	-1.27	24.3%	-2.34	-2.23	4.9%
Total CAPEX	0.17	0.60	-	0.10	-	0.42	0.70	65.2%

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

Turnover

During 2Q08, turnover was approximately stable at 9.4 million euros, but reflecting different evolutions in the different revenue lines: a material growth (+6.2%) in advertising revenues (or +31.4% over 1Q08); and a negative evolution both in newspaper sales (-5.9% when compared to 2Q07 but stable when compared to the 1Q08) and in associated product revenues (-4.3% when compared to 2Q07). Importantly, both advertising and associated product sales have shown a very positive q.o.q evolution.

“Sexta”, the free weekly newspaper launched in 4Q07, through a 50:50 joint-venture with “A Bola”, and consolidated in Público since November 2007 (proportional consolidation), is still in the initial stages of development. Audience figures related to 2Q08, demonstrated a material increase in the total number of readers of Sexta. Circulation and advertising indicators in the coming quarters will enable a better assessment of its impact in the market.

EBITDA

In 2Q08, Público generated a negative EBITDA of 0.36 million euros, which represents a 50.6% improvement over 2Q07. This positive trend resulted not only from the increase in advertising revenues but also from reductions achieved in all its cost lines, with the exception of personnel costs. It is worth highlighting the 9.0% decrease in COGS (despite the increased circulation figures and the inclusion of Sexta), and the 11.3% decrease in G&A, a reflection of the continuous focus on efficiencies and cost control. It should also be noted that the EBITDA generated by the associated products increased by approximately 0.4 million euros when compared to 2Q07.

The contribution of Sexta for Público’s EBITDA was still marginally negative in 2Q08. On a like-for-like basis, Público’s EBITDA would have improved by circa 69% against the second quarter of 2007.

7. Main Regulatory Developments

The following are some of the more important regulatory developments during 2Q08:

Mobile Termination Rates (MTRs)

Anacom has issued a final decision in relation to MTRs, determining the maximum tariffs applicable from 15 July 2008. The decision envisages the introduction, for the first time since the launch of our mobile business, of asymmetric prices (20%) in mobile traffic, in favour of Optimus until 1 October 2009, date upon which prices should converge to €0.065 per minute.

	TMN & Vodafone	Optimus	Asymmetry
Previous	0.11	0.11	0%
15-Jul-08	0.08	0.096	20%
01-Oct-08	0.075	0.09	20%
01-Jan-09	0.07	0.084	20%
01-Apr-09	0.065	0.078	20%
01-Jul-09	0.065	0.072	11%
01-Oct-09	0.065	0.065	0%

Amounts correspond to euros per minute

European Commission consultation on Roaming

The European Commission launched a public consultation process in relation to the Roaming Regulation. The commission has included questions aimed at determining the impacts of the regulation over the operators and consumers, as well as assessing the need and relevancy of extending the current regulation beyond 2010 and increasing its scope so as to include SMS and other data services on roaming.

Next Generation Networks (NGNs)

Anacom launched a public consultation on the subject of Next Generations Networks. The Regulator has asked for comments in a number of areas, ranging from the alternative technical solutions to the possible regulatory frameworks, including the impacts over the current regulated wholesale offers. The consultation period will end on 1 August and Sonaecom expects that the subsequent regulatory guidelines for the deployment of NGNs in Portugal are released until October 2008.

Number Portability

As a result of several problems wireline operators were facing in relation to the number portability process, Sonaecom has requested an urgent intervention from Anacom, so as to ensure that (i) the incumbent fulfils the rules stipulated in the current Portability Regulation and (ii) that this regulation is amended with the objective of preventing similar problems in the future. These proposed changes, if accepted by the Regulator, will allow for a more efficient number portability as well as a simplification of process required for the customers to migrate from one operator to another, thus promoting competition in the market.

8. Main Corporate Developments

At the company's Extraordinary General Meeting held on the 2nd of July 2008, its shareholders have approved the following proposals:

1. To amend article 9 of the Company's Articles of Association, in order to allow the Board of Directors to be composed of a minimum of three members and a maximum of twelve members;
2. To increase the maximum number of members of the Board of Directors from eleven to twelve and to elect Mr. Franck Dangeard as a member of the Board of Directors for the remainder of the current four year mandate (covering the period from 2008 to 2011);
3. To authorise the Board of Directors to purchase own shares up to the limit of 10% and to grant the Board of Directors powers to decide the timing and other conditions under which such purchases shall be made.

SAFE HARBOUR

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

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

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

Report available in Sonaecom's institutional website
www.sonae.com

Media and Investor Contacts

Isabel Borgas
Public Relations Manager
isabel.borgas@sonae.com
Tel: +351 93 100 20 20

António Castro
Investor Relations Manager
antonio.gcastro@sonae.com
Tel: +351 93 100 20 99

Sonaecom SGPS, SA
Rua Henrique Pousão, 432 – 7th floor
4460-841 Senhora da Hora
Portugal