# Results Announcement

## 1Q10

**Note:** 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.

**Robust Consolidated EBITDA of €47.9m, +5.6% y.o.y., despite the end of asymmetry for MTRs**
**Net Results of €8.2m in 1Q10, building on our sustained positive trend**
**Consolidated FCF of €1.3m, a major improvement of €47.2m versus 1Q09**
**Mobile Subscriber Base reaching 3.45 million subscribers, again up by +7.1% y.o.y.**
**Mobile Customer Revenues steadily growing, +1.3% above the 1Q09**
**Data Revenues representing a record 29.6% of Mobile Service Revenues, +2.1pp versus 1Q09**
**SSI growing internationally, with the international revenues of WeDo Technologies up by +15.0% y.o.y.**

## Message from Ângelo Paupério, CEO of Sonaecom

While the macroeconomic environment for 2010 remains challenging, we believe the telecommunications sector will continue to show resilience. Furthermore, we believe that the sector will play an important role in the global economic upturn, as it will act as a driver of efficiency and growth across other economic sectors.

Sonaecom's positive results in the 1Q10 clearly demonstrate the quality of our execution, while building confidence in our long-term strategy.

Driven by the growth of our Mobile Customer Revenues and Service Revenues from Software and Information Systems (SSI), we delivered a consistent top line performance, despite the end of asymmetry in mobile terminations rates (MTRs) and declining Product Sales due to the deceleration of the e-schools programme. Additionally, our efforts to optimize our cost structure translated into a consolidated EBITDA growth that rose 5.6% versus the 1Q09. Despite the rigorous management of our Capex, our network continues to win recognition for its leading performance and coverage, most recently from ANACOM.

Our resulting positive cash flow performance, which improved significantly by €47.2m versus the 1Q09, has allowed us to further reinforce Sonaecom's comfortable capital structure. In turn, this has allowed us to consistently present the most conservative debt ratios in the sector. Given such high levels of risk and uncertainty in the financial markets, this is a particularly important achievement.

### Execution delivering sustained profitability

In Telecoms, Optimus continued to reap the benefits of its fully integrated and convergent approach. Our operation achieved strong profit margins while growing in the mobile sector, sustaining an upward trajectory in subscriber numbers as well as Customer Revenues. In the Wireline segment, we will continue to focus on value growth in terms of our FTTH subscriber base while leveraging our infrastructure and partnerships.

Mobile Customer Revenues continued to grow positively, reaching 114.3 million euros, 1.3% ahead of the 1Q09. Mobile EBITDA continued its upward trend, increasing by 6.0% against the 1Q09, to 46.4 million euros. Our EBITDA margin improved significantly by 2.8pp, to 32.6%, making our Mobile business a benchmark for efficiency.

As for regulation, ANACOM published a draft decision announcing a new MTRs glide-path, which foresees a tariff reduction on 1 February 2010 to 0.060 euros, on 1 April 2010 to 0.055 euros, decreasing afterwards quarterly until1 April 2011 to 0.035 euros. It is important to emphasize that this proposal is well below what we think is required for the Portuguese market, as clearly evident when considering much more ambitious MTRs glide-paths that some European countries are anticipating – Austria with 0.0251 euros in 2011, Belgium with 0.0107 euros in 2013, U.K. with 0.0058 euros in 2014 – aiming at ensuring more competitive markets and thus giving consumers additional benefits.

### Growth into new sectors, expanding our portfolio, increasing our international footprint

SSI continues to expand its global footprint. WeDo Technologies is pursuing growth by reinforcing its worldwide leadership in the telecoms revenue assurance market while broadening its portfolio into fraud management solutions and addressing new sectors. SSI's top line decreased 18.8% y.o.y. to 32.4 million euros as a result of the expected deceleration of the e-schools programme. But, given the current level of orders at WeDo Technologies, we remain confident that SSI's service revenues will keep growing.

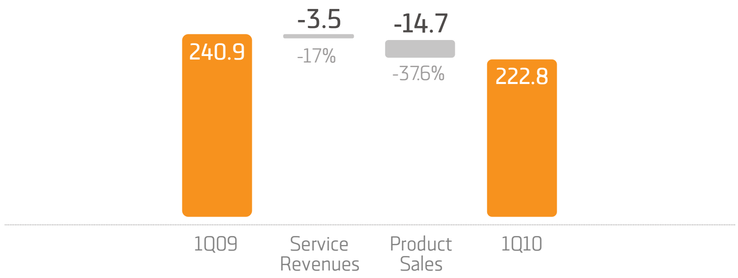
### Facing our future with confidence

Throughout 2010, we will continue to leverage our structural competitive advantages, using our leading-edge network to deliver innovative services to our customers as we work towards establishing Optimus as Portugal's best integrated telecommunications operator. I am certain that we have the right strategy and I'm confident that our sound execution, reflected in our 1Q10 results, is the best way to continue creating shareholder value.

# 1. Consolidated Results

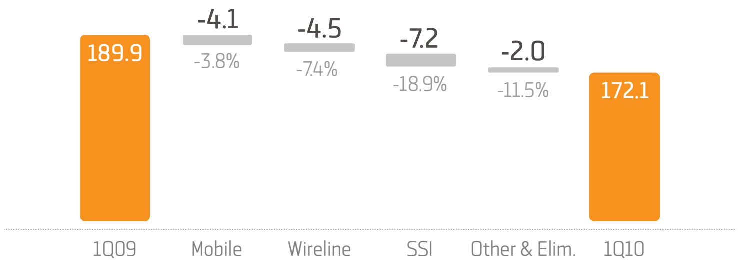
### Turnover

Consolidated Turnover totalled 222.8 million euros in the 1Q10, 7.5% below the 1Q09, due to a 1.7% reduction in Service Revenues, namely due to the reductions in Mobile Termination Rates, and 37.6% reduction in Product Sales, impacted by the deceleration of the e-schools programme.
Importantly, Mobile Customer Revenues continued steadily growing, being 1.3% above the 1Q09.



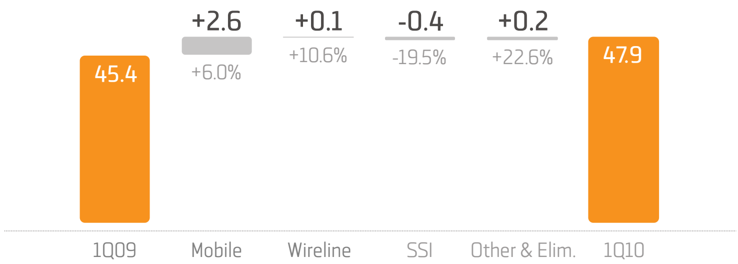

### Operating Costs

Total Operating Costs reached 172.1 million euros, 9.4% below the 1Q09, representing circa 77.2% of the Consolidated Turnover. Once more, this is a clear sign that our cost control initiatives continued to deliver results across all our business divisions.



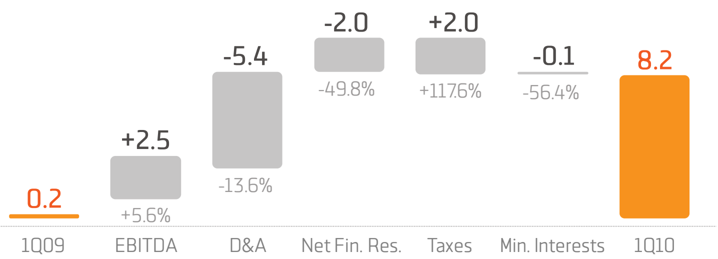

### EBITDA

As a result of our execution, Consolidated EBITDA improved in the 1Q10 by 5.6%, to 47.9 million euros, mainly driven by our Mobile business, despite the loss of MTRs asymmetry. In terms of EBITDA margin, in the 1Q10 Sonaecom achieved an EBITDA margin of 21.5%, 2.7pp above the 1Q09.




### Net Profit

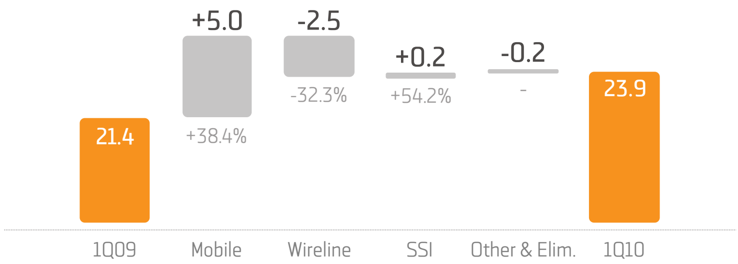
Net Results Group Share were positive by 8.2 million euros in the 1Q10, compared to 0.2 million euros in the 1Q09, mainly due to the much improved EBITDA performance and the lower level of Depreciation and Amortization.
When compared to the 1Q09, net financial charges improved by 49.8%, to negative 2.0 million euros, reflecting: i) lower financial expenses, down by 2.2 million euros, due to the lower average Gross Debt in the 1Q10 and the decrease in the average cost of debt, as a reflection of movements in market rates; and ii) 0.2 million decrease in financial income, driven by the lower level of average liquidity in the 1Q10.




The tax line in the 1Q10 showed a cost of 3.7 million euros, compared to a cost of 1.7 million euros in the 1Q09, driven mainly by the improved EBT performance (from a positive 2.1 million to a positive 11.9 million euros).

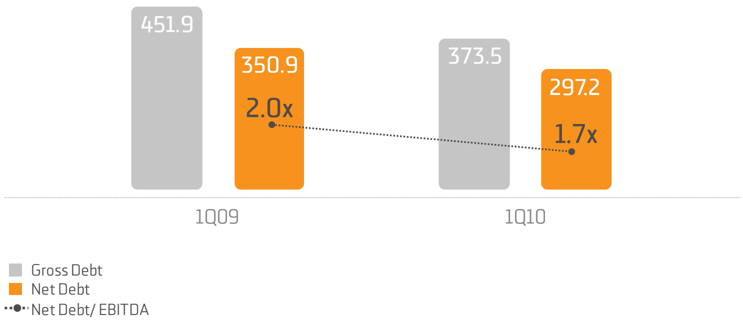
## Operating CAPEX

Operating CAPEX reached 23.9 million euros in the 1Q10, increasing 12.0% when compared to the 1Q09. Operating Capex as percentage of Turnover has evolved from 8.9% to 10.7%. The increase in the mobile investment is explained by the continuous improvements in the expansion and coverage of our network, ensuring that Optimus has the best integrated network in Portugal. As in 2009, Capex continued to be rigorously managed pursuing, in the wireline business, a "capital light" strategy.




## Capital structure

Consolidated Gross Debt at the end of the 1Q10 totalled 373.5 million euros, 78.4 million euros below the level registered in the 1Q09 and the total amount of cash and available credit lines was of 299.3 million euros. It should also be noted that, currently, Credit facilities amount to circa 574.0 million euros.




Consolidated Net Debt at the end of the 1Q10 stood at 297.2 million euros, representing a 15.3% reduction when compared to the 1Q09, mainly reflecting the positive FCF evolution between the two periods, notwithstanding the amortization of 20 million euros related to the securitisation transaction.

Despite the adverse macroeconomic environment, 2010 debt repayments have already been covered and no refinancing needs are expected until mid 2012. Importantly, the average maturity of Sonaecom's debt now stands at approximately 3.1 years.

In terms of evolution of the key financial ratios: Net Debt to EBITDA reached 1.7x in the 1Q10, an improvement of 0.4x in relation to the end of the 1Q09 while the Interest Cover ratio evolved from 8.2x in the 1Q09 to 11.3x at the end of the 1Q10.

## FCF

Consolidated FCF in the 1Q10 was positive 1.3 million euros, 47.2 million euros above 1Q09, resulting from our EBITDA-Operating Capex performance and a much improved Working Capital performance, showing a consistent growing trend, a proof of our execution.

# 2. Telecommunications

During the 1Q10, all our Telecommunications business became managed under the umbrella brand – Optimus, now being recognised as commanding a significant presence in all market segments.

## 2.1. Mobile Business

Managing to achieve growth in the main lines, our Mobile business keeps increasing in terms of Subscribers and Mobile Customer Revenues. We have been continuously exceeding our targets in terms of data growth, as shown by the increasing weight of Data Revenues in the total Mobile Service Revenues.

### 2.1.1. Operational data

| MOBILE OPERATIONAL KPI's | 1Q09 | 1Q10 | y.o.y. | 4Q09 | q.o.q |
|---|---|---|---|---|---|
| Customers (EOP) ('000) | 3,219.8 | 3,449.8 | 7.1% | 3,432.6 | 0.5% |
| Net Additions ('000) | 28.2 | 17.2 | -38.8% | 105.7 | -83.7% |
| Data as % Service Revenues | 27.4% | 29.6% | 2.1pp | 29.2% | 0.4pp |
| Total #SMS/month/user | 46.4 | 48.2 | 3.8% | 50.9 | -5.2% |
| MOU(1) (min.) | 127.6 | 134.4 | 5.3% | 136.5 | -1.5% |
| ARPU(2) (euros) | 14.9 | 13.7 | -8.1% | 14.3 | -3.9% |
| Customer Monthly Bill | 12.1 | 11.4 | -5.7% | 11.8 | -3.7% |
| Interconnection | 2.8 | 2.3 | -18.5% | 2.4 | -4.7% |
| ARPM(3) (euros) | 0.12 | 0.10 | -12.8% | 0.10 | -2.4% |

(1) Minutes of Use per Customer per month; (2) Average Monthly Revenue per User; (3) Average Revenue per Minute.

**Customer base**

Following the trend of the previous quarters, at the end of the 1Q10, our Mobile customer base increased by 7.1%, to circa 3.45 million customers, an excellent achievement given the maturity of the Portuguese Mobile market.

Contract customers continued to increase their weight in the total customer base, having reached, in the 1Q10, approximately 32.0% of the total mobile base, an increase of 1.3pp against the end of the 1Q09.

During the 1Q10, Mobile customer's ARPU was 13.7 euros, down by approximately 1.2 euros against the 1Q09, explained by a combination of lower interconnection revenues (which decreased from 2.8 euros to 2.3 euros) and of lower Customer Monthly Bill (which decreased from 12.1 euros to 11.4 euros), notwithstanding the 5.3% increase in the level of MOU.

**Data Services and Mobile Broadband**

We have been able to sustain a material growth of data usage, both through the promotion of our mobile broadband products "Kanguru", based on HSPA technology, and the introduction of very appealing post-paid offers, specially aimed at pushing smartphones penetration in the residential segment.

During the 1Q10, Data Revenues represented 29.6% of Service Revenues, an improvement of 2.1pp vs. the 1Q09. Non-SMS related data services continued to increase their weight in data revenues, accounting for approximately 74.6% of total data revenues in the 1Q10, compared to 73.0% in the 1Q09.

### 2.1.2. Financial data

| Million euros | | | | | |
|---|---|---|---|---|---|
| MOBILE INCOME STATEMENT | 1Q09 | 1Q10 | y.o.y. | 4Q09 | q.o.q |
| **Turnover** | **146.8** | **142.5** | **-3.0%** | **153.7** | **-7.3%** |
| Service Revenues | 139.3 | 137.4 | -1.3% | 140.4 | -2.1% |
| Customer Revenues | 112.8 | 114.3 | 1.3% | 116.5 | -2.0% |
| Operator Revenues | 26.5 | 23.2 | -12.4% | 23.9 | -2.9% |
| Equipment Sales | 7.5 | 5.0 | -33.5% | 13.3 | -62.2% |
| **Other Revenues** | **8.7** | **8.3** | **-4.4%** | **11.0** | **-24.3%** |
| **Operating Costs** | **108.3** | **104.2** | **-3.8%** | **128.4** | **-18.8%** |
| Personnel Costs | 14.0 | 13.0 | -7.3% | 13.8 | -6.1% |
| Direct Servicing Costs(1) | 43.0 | 44.9 | 4.3% | 43.2 | 3.8% |
| Commercial Costs(2) | 24.5 | 20.4 | -16.7% | 42.2 | -51.5% |
| Other Operating Costs(3) | 26.8 | 26.0 | -3.1% | 29.3 | -11.3% |
| **EBITDAP** | **47.2** | **46.6** | **-1.4%** | **36.3** | **28.4%** |
| Provisions and Impairment Losses | 3.5 | 0.2 | -94.2% | 0.9 | -77.7% |
| **EBITDA** | **43.8** | **46.4** | **6.0%** | **35.4** | **31.1%** |
| EBITDA Margin (%) | 29.8% | 32.6% | 2.8pp | 23.0% | 9.5pp |
| | | | | | |
| Operating CAPEX(4) | 12.9 | 17.9 | 38.4% | 28.7 | -37.7% |
| Operating CAPEX as % of Turnover | 8.8% | 12.5% | 3.7pp | 18.7% | -6.1pp |
| EBITDA - Operating CAPEX | 30.9 | 28.5 | -7.6% | 6.7 | - |
| Total CAPEX | 13.7 | 18.0 | 31.8% | 29.0 | -38.0% |

(1) Direct Servicing Costs = Interconnection and Content + Leased Lines + Other Network Operating Costs; (2) Commercial Costs = COGS + Mktg & Sales Costs; (3) Other Operating Costs = Outsourcing Services + G&A + others; (4) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments.

#### Turnover
Mobile Customer Revenues continued to evolve positively, having grown from 112.8 million euros to 114.3 million euros. Nonetheless, Mobile Turnover decreased y.o.y. to, approximately, 142.5 million euros, due to a decrease in the level of Operator Revenues, fully driven by regulated tariffs, and Equipment sales. It is also important to bear in mind that in terms of Regulated Tariffs, there were no changes in Mobile Termination Rates since the 4Q09.

#### Operating Costs
Mobile Operating Costs decreased y.o.y. from 108.3 million euros to 104.2 million euros. It should be noted that despite the reductions in the level of Operating Costs, Optimus was able to increase its level of activity. This positive performance is partly driven by the synergies which we are obtaining by the management of our telecommunications business under our single brand, Optimus. It should also be noted that, driven by an enlarged network and significant higher traffic levels, Direct Servicing Costs increased by 4.3%, notwithstanding the lower Interconnection rates.

#### EBITDA
In the 1Q10, Mobile EBITDA continued to show a very robust performance, having increased to 46.4 million euros, up by 6.0% against the 1Q09, mostly due to a 3.8% decrease in the level of Operating Costs. The EBITDA margin has materially improved by 2.8pp, to a record level of 32.6%.

## 2.2. Wireline Business

In this quarter, both our Wholesale and our Corporate and SMEs divisions continued to deliver positive results. Nonetheless, in the Residential segment, the competitive environment remained very challenging. Thus, we will keep focusing on value growth in terms of subscriber base, while leveraging our infrastructure and partnerships.

### 2.2.1. Operational data

| WIRELINE OPERATIONAL KPI's | 1Q09 | 1Q10 | y.o.y. | 4Q09 | q.o.q |
|---|---|---|---|---|---|
| **Total Accesses** | **554,486** | **463,853** | **-16.3%** | **483,613** | **-4.1%** |
| **Direct Accesses** | **442,085** | **385,533** | **-12.8%** | **403,212** | **-4.4%** |
| Direct Voice | 238,589 | 207,285 | -13.1% | 214,865 | -3.5% |
| Direct Broadband | 180,499 | 131,611 | -27.1% | 146,349 | -10.1% |
| Other Direct Services | 22,997 | 46,637 | 102.8% | 41,998 | 11.0% |
| **Indirect Accesses** | **112,401** | **78,320** | **-30.3%** | **80,401** | **-2.6%** |
| Unbundled COs with transmission | 186 | 203 | 9.1% | 198 | 2.5% |
| Unbundled COs with ADSL2+ | 173 | 182 | 5.2% | 179 | 1.7% |
| Direct access as % Cust. Revenues | 77.6% | 73.4% | -4.2pp | 75.9% | -2.6pp |
| Average Revenue per Access - Retail | 22.9 | 23.5 | 2.6% | 23.8 | -1.4% |

**Customer base**

In the 1Q10, the Corporate and SMEs segment was able to increase its market presence, with the number of Total Accesses evolving positively. Despite this positive trend, Wireline Total Accesses continued to decrease, driven by the Residential segment, reaching circa 463.9 thousand, a decrease of 16.3% when compared to the end of the 1Q09, explained by a 12.8% decrease in direct accesses and by a 30.3% reduction in indirect accesses.

Importantly, the level of negative direct access net additions in the 1Q10 shows that the decline trend is at a slower pace than in the previous quarters.

## 2.2.2. Financial data

Million euros

| WIRELINE INCOME STATEMENT | 1Q09 | 1Q10 | y.o.y. | 4Q09 | q.o.q |
|---|---|---|---|---|---|
| **Turnover** | **64.3** | **60.9** | **-5.3%** | **58.7** | **3.7%** |
| Service Revenues | 63.9 | 60.8 | -4.9% | 58.5 | 4.0% |
| Customer Revenues | 37.3 | 31.8 | -14.7% | 33.6 | -5.3% |
| Direct Access Revenues | 29.0 | 23.4 | -19.4% | 25.5 | -8.5% |
| Indirect Access Revenues | 7.3 | 6.5 | -11.5% | 6.7 | -2.8% |
| Other | 1.0 | 2.0 | 93.9% | 1.4 | 40.8% |
| Operator Revenues | 26.6 | 28.9 | 8.9% | 24.8 | 16.6% |
| Equipment Sales | 0.3 | 0.1 | -73.1% | 0.3 | -65.3% |
| **Other Revenues** | **0.0** | **0.1** | **-** | **2.0** | **-94.8%** |
| **Operating Costs** | **61.2** | **56.7** | **-7.4%** | **56.3** | **0.7%** |
| Personnel Costs | 1.5 | 1.0 | -32.7% | 1.2 | -17.8% |
| Direct Servicing Costs(1) | 40.5 | 39.4 | -2.7% | 36.7 | 7.5% |
| Commercial Costs(2) | 5.8 | 4.3 | -24.6% | 5.2 | -17.3% |
| Other Operating Costs(3) | 13.5 | 11.9 | -11.4% | 13.1 | -9.2% |
| **EBITDAP** | **3.0** | **4.3** | **42.0%** | **4.5** | **-3.5%** |
| Provisions and Impairment Losses | 2.4 | 3.6 | 50.4% | 2.2 | 61.3% |
| **EBITDA** | **0.6** | **0.7** | **10.6%** | **2.2** | **-68.5%** |
| EBITDA Margin (%) | 1.0% | 1.2% | 0.2pp | 3.8% | -2.7pp |
| | | | | | |
| Operating CAPEX(4) | 7.8 | 5.3 | -32.3% | 18.0 | -70.8% |
| Operating CAPEX as % of Turnover | 12.1% | 8.7% | -3.5pp | 30.7% | -22.1pp |
| EBITDA - Operating CAPEX | -7.1 | -4.6 | 36.1% | -15.8 | 71.1% |
| Total CAPEX | 7.8 | 5.3 | -32.3% | 18.0 | -70.8% |

(1) Direct Servicing Costs = Interconnection and Content + Leased Lines + Other Network Operating Costs; (2) Commercial Costs = COGS + Mktg & Sales Costs; (3) Other Operating Costs = Outsourcing Services + G&A + others; (4) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments.

### Turnover

Wireline Turnover decreased y.o.y. to, approximately, 60.9 million euros, as a result of the 14.7% lower level of Customer Revenues, fully driven by the Residential segment. It is important to add that the level of Operator Revenues has evolved positively, increasing 16.6% when compared to the previous quarter and increasing 8.9% when compared to the 1Q09.

### Operating Costs

Wireline Operating Costs decreased y.o.y. from 61.2 million euros to 56.7 million euros, mainly due to a reduction in the level of Commercial and Other Operating Costs, a direct consequence of our cost control initiatives, namely in areas such as IT and Network.

On what concerns the Provisions level, given the macroeconomic environment, we have decided, by prudence, to reinforce the level of Bad Debt Provisions.

### EBITDA

Wireline EBITDA was positive 0.7 million euros in the 1Q10, increasing 10.6% when compared to the 1Q09, reflecting the growth in our Wholesale and Corporate and SMEs segments and notwithstanding the decline of total customer revenues driven, as explained, by the Residential segment.

In relation to EBITDA margin, the Wireline business achieved a positive 1.2% margin in the 1Q10, an increase of 0.2pp from the 1.0% margin registered in the 1Q09.

# 3. Software and Information Systems (SSI)

During the 1Q10, WeDo Technologies continued to consolidate its global presence, by opening three new offices in Singapore, Chile and Panama. Another sign of the company's international expansion is related to the amount of international revenues, which has grown y.o.y. by circa 15.0%. Overall, the first two months of the year were slower than usual in terms of sales activity but March already showed signs of upturn. Additionally, the level of orders increased y.o.y. by 12.1%, a good indicator of upcoming activity.

The remaining three companies, Mainroad (IT Management, Security and Business Continuity), Bizdirect (value added IT Products) and Saphety (Business process automation, electronic invoicing and security on B2B transactions) are delivering results in line with our expectations for this quarter.

## 3.1. Operational data

| SSI OPERATIONAL KPI's | 1Q09 | 1Q10 | y.o.y. | 4Q09 | q.o.q |
|---|---|---|---|---|---|
| IT Service Revenues/Employee[1] ('000 euros) | 28,2 | 29,2 | 3,6% | 32,2 | -9,3% |
| Equipment Sales as % Turnover | 61,2% | 52,1% | -9,1pp | 51,5% | 0,6pp |
| Equipment Sales/Employee[2] ('000 euros) | 1.448,3 | 739,7 | -48,9% | 843,4 | -12,3% |
| EBITDA/Employee ( '000 euros) | 3,9 | 2,9 | -26,2% | 4,9 | -40,9% |
| Employees | 502 | 534 | 6,4% | 522 | 2,3% |

(1) Excluding employees dedicated to Equipment Sales; (2) Bizdirect.

IT Service Revenues per Employee reached 29.2 thousand euros in the 1Q10, 3.6% above the 1Q09, while Equipment sales per Employee have decreased y.o.y. by circa 48.9%. The latter evolved negatively mostly due to the lower level of Equipment Sales, as expected with the deceleration of the e-schools programme. Total headcount increased to 534, a 6.4% y.o.y. growth, mainly due to the need for additional internal consultants to support the increased level of activity at all subsidiaries and to the growing international footprint of WeDo Technologies: the total number of employees placed outside Portugal is of 162 in the 1Q10, against 147 in the 1Q09, representing an increase of 10.2%. EBITDA per employee reached 2.9 thousand euros, a 26.2% y.o.y. decrease, due to a combination between the lower level of EBITDA and the higher level of employees.

### Corporate Developments

During the 1Q10, the most important Corporate achievements of each of the SSI companies were the following:

- WeDo Technologies launched its most recent version of RAID – Business Assurance RAID 6.0 - its Business Assurance platform which is already being used by more than 60 Telecomunications Operators worldwide.
- Mainroad renewed its certification as SAP Hosting Partner.
- Bizdirect won several contracts with entities such as Inatel, Universidade Católica and instituto Politécnico de Leiria for the management of Microsoft agreements.
- Saphety was selected by the largest Portuguese paper and office material distribution company to implement an innovative electronic purchasing solution for its customers.

## 3.2. Financial data

Million euros

| SSI CONSOLIDATED INCOME STATEMENT | 1Q09 | 1Q10 | y.o.y. | 4Q09 | q.o.q |
|---|---|---|---|---|---|
| **Turnover** | **39,92** | **32,43** | **-18,8%** | **34,33** | **-5,5%** |
| Service Revenues | 15,49 | 15,53 | 0,2% | 16,65 | -6,8% |
| Equipment Sales | 24,43 | 16,91 | -30,8% | 17,68 | -4,4% |
| **Other Revenues** | **0,25** | **0,11** | **-53,7%** | **-0,08** | **-** |
| **Operating Costs** | **38,11** | **30,92** | **-18,9%** | **31,56** | **-2,0%** |
| Personnel Costs | 7,02 | 7,43 | 5,9% | 6,93 | 7,3% |
| Commercial Costs(1) | 24,34 | 16,64 | -31,6% | 17,35 | -4,1% |
| Other Operating Costs(2) | 6,75 | 6,84 | 1,3% | 7,28 | -6,0% |
| **EBITDAP** | **2,06** | **1,63** | **-20,9%** | **2,70** | **-39,5%** |
| Provisions and Impairment Losses | 0,08 | 0,04 | -53,6% | 0,07 | -44,5% |
| **EBITDA** | **1,98** | **1,59** | **-19,5%** | **2,62** | **-39,4%** |
| EBITDA Margin (%) | 4,9% | 4,9% | 0pp | 7,6% | -2,7pp |
| | | | | | |
| Operating CAPEX(3) | 0,46 | 0,70 | 54,2% | 1,37 | -48,8% |
| Operating CAPEX as % of Turnover | 1,1% | 2,2% | 1pp | 4,0% | -1,8pp |
| EBITDA - Operating CAPEX | 1,52 | 0,89 | -41,6% | 1,25 | -29,1% |
| Total CAPEX | 0,46 | 0,70 | 54,2% | 1,37 | -48,8% |

(1) Commercial Costs = COGS + Mktg & Sales; (2) Other Operating Costs = Outsourcing Services + G&A + others; (3) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments.

**Turnover**

During the 1Q10, SSI Turnover decreased y.o.y. by 18.8% to, approximately, 32.4 million euros, as a result of a lower level of IT Equipment Sales, which have decreased by 30.8%. The decrease in Equipment Sales is totally due to a slowdown of laptop sales under the e-schools programme.

**Operating Costs**

Total Operating Costs decreased y.o.y. by 18.9%, fully driven by a 31.6% decrease in terms of Commercial Costs. It is important to add that the increase in Personnel Costs was driven by a higher level of activity across all subsidiaries and the expansion of WeDo Technologies International footprint.

**EBITDA**

SSI EBITDA was positive 1.59 million euros in the 1Q10, a decrease of 19.5% against last year, due to the lower level of Turnover, not fully compensated by the lower level of Operating Costs. The EBITDA margin remained at the 4.9% level, namely reflecting the international growth of Wedo Technologies, which has signed new contracts not yet entirely reflected on Service Revenues.

## 4. Online & Media

Besides Optimus and SSI, Sonaecom also controls a set of additional businesses which comprises Miau.pt, Clix.pt and Público.pt and, notably, Público, a reference daily newspaper in Portugal launched in 1990.

Regarding Público, during the 1Q10, the market dynamics subsisted for daily generalist press both in terms of circulation and in terms of advertising figures. However, Público was able to increase its advertising revenues in the 1Q10, which have grown y.o.y. by more than 7.9%, and in what relates to its on-line business, to maintain the market leadership in terms of unique visitors, two considerable achievements given the challenging market conditions.

In terms of Financial Overview, 1Q10 Online & Media EBITDA was still negative 0.44 million euros but improving its upwards trend, increasing when compared to the negative 0.90 million euros of the 1Q09.

# 5. Main Regulatory Developments in the 1Q10

The following are some of the more relevant regulatory developments during the 1Q10:

- On 20 January, ANACOM published a draft decision regarding the wholesale market for voice call termination on individual mobile networks (market 7). This decision includes the market definition, an assessment of significant market power and the review of the obligations imposed, in which price control is included.
  Regarding price control, the new glide-path proposed by the Portuguese regulator presents a price reduction (on quarterly basis), which starts on 1 February 2010 and reaches €0.035 by 1 April 2011. The total reduction, considering the price prevailing as at 31 December 2009 (€0.065), corresponds to 46%. ANACOM maintained symmetrical prices between the 3 operators. The proposed glide-path is as follows:

| | Tariffs |
|---|---|
| As of 31 December 2009 | 0,065 |
| 01 February 2010 | 0,060 |
| 01 April 2010 | 0,055 |
| 01 July 2010 | 0,050 |
| 01 October 2010 | 0,045 |
| 01 January 2011 | 0,040 |
| 01 April 2011 | 0,035 |

  The public consultation was closed on the 3rd March 2010 and a final decision from ANACOM is still pending.

- On February 2010, ANACOM approved a final decision about amendments to PT's Reference Unbundling Offer (RUO), which is relevant for Optimus' fixed business. Among other, amendments to PT's RUO include:
  - Integration of premium Service Level Agreements;
  - Reinforcement of the penalties' scheme;
  - Obligation for PT to provide further information to alternative operators on the existing copper network and on its future evolution, in order to ensure service continuity to unbundled loops.

# 6. Main Corporate Events in the 1Q10

- On 6 January 2010, Sonaecom received a notice from "Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.", informing that funds managed by it held, since 20 October 2009, a total of 7,408,788 shares, representing 2.023% of the share capital and voting rights of Sonaecom.

- On 20 January 2010, following the decision to concentrate all the group's telecommunications businesses in one single brand, Optimus became the only Sonaecom brand for the Telecommunications sector, by integrating the Wireline Residential activities under the brand Optimus Clix, relying on a fully convergent network and a set of unique and integrated processes and systems.

- On 3 February 2010, Sonaecom completed a 3-year bond issue, by private placement, in the total amount of Euros 30,000,000.00 (thirty million euros), an issue arranged by Banco Espírito Santo de Investimento. The bonds are unsecured, with a bullet repayment in February 2013. Also, on 26 March 2010, Sonaecom completed a 5-year bond issue, by private placement, in the total amount of Euros 40,000,000.00 (forty million euros), an issue arranged by Caixa – Banco de Investimento, S.A.. These bonds are also unsecured, with a bullet repayment in March 2015. A request will be made for the listing of these bonds in the Euronext Lisbon exchange.

- On 6 February 2010, the Portuguese Government announced the results of the public tender process for the deployment of NGN's in Portugal's more sparsely populated areas. DST, the construction company that has partnered with Sonaecom in this process, won the tender in the North and in Alentejo and Algarve regions, which cover up to 750 thousand residents.

- On 26 February 2010, the European Investment Bank has approved a 75 million euros loan, aimed at the roll out of Sonaecom's Next Generation Network.

- In accordance with the authorizations granted by the Shareholders' General Assembly and for the purpose of fulfilling the obligations arising from the employees' Medium Term Incentive Plan (MTIP), Sonaecom purchased, from 15 March to 26 March, through the Euronext Lisbon Stock Exchange, a total of 886,935 shares, representing, approximately, 0.24% of its share capital. As of 31 March 2010, Sonaecom was the holder of 7,831,325 own shares representing, approximately, 2.14% of its share capital. As foreseen under the terms of Sonaecom's Medium Term Incentive Plan, on 10 March 2010, Sonaecom attributed 943,725 shares to its employees.

## 7. Subsequent Events

At the Company's Annual General Meeting held on 23 April 2010, Shareholders have approved the following proposals:

1) To approve the Annual report, Individual and Consolidated Accounts of Sonaecom, SGPS, S.A. for the year ended 31 December 2009, as presented.
2) To approve the proposed application of the Company's Individual Accounts.
3) To approve a vote to express appreciation for and confidence in the work performed by the Board of Directors, Statutory Audit Board and Statutory External Auditor of Sonaecom, SGPS, S.A., during the year ended 31 December 2009.
4) To approve the proposed Remuneration Policy to be adopted for the Management and Auditing Bodies.
5) To elect António Bernardo Aranha da Gama Lobo Xavier as a member of the Board of Directors for the remainder of the present four year mandate covering the period from 2008 to 2011.
6) To authorize the Board of Directors to, over the next 18 months and subject to the limits established by law, purchase and sell own shares, under the terms of the proposal that was presented by the Board and previously disclosed.
7) To authorize the purchase and holding of shares of the Company, over the next 18 months, by companies directly or indirectly controlled by the Company, under the terms of the proposal that was presented by the Board and previously disclosed.

# 8. Appendix

## 8.1. Consolidated Income Statement

Million euros

| CONSOLIDATED INCOME STATEMENT | 1Q09 | 1Q10 | y.o.y. | 4Q09 | q.o.q |
|---|---|---|---|---|---|
| **Turnover** | **240.9** | **222.8** | **-7.5%** | **232.8** | **-4.3%** |
| Mobile | 146.8 | 142.5 | -3.0% | 153.7 | -7.3% |
| Wireline | 64.3 | 60.9 | -5.3% | 58.7 | 3.7% |
| SSI | 39.9 | 32.4 | -18.8% | 34.3 | -5.5% |
| Other & Eliminations | -10.1 | -13.0 | -28.9% | -13.9 | 6.4% |
| **Other Revenues** | **0.9** | **1.1** | **24.7%** | **3.9** | **-71.1%** |
| **Operating Costs** | **189.9** | **172.1** | **-9.4%** | **194.9** | **-11.7%** |
| Personnel Costs | 24.8 | 24.5 | -1.1% | 24.6 | -0.6% |
| Direct Servicing Costs(1) | 69.8 | 71.1 | 1.8% | 67.1 | 5.9% |
| Commercial Costs(2) | 59.0 | 42.2 | -28.5% | 65.1 | -35.2% |
| Other Operating Costs(3) | 36.4 | 34.4 | -5.5% | 38.1 | -9.7% |
| **EBITDAP** | **51.9** | **51.8** | **-0.2%** | **41.8** | **23.8%** |
| Provisions and Impairment Losses | 6.5 | 3.9 | -40.3% | 2.7 | 43.5% |
| **EBITDA** | **45.4** | **47.9** | **5.6%** | **39.1** | **22.4%** |
| EBITDA Margin (%) | 18.8% | 21.5% | 2.7pp | 16.8% | 4.7pp |
| Mobile | 43.8 | 46.4 | 6.0% | 35.4 | 31.1% |
| Wireline | 0.6 | 0.7 | 10.6% | 2.2 | -68.5% |
| SSI | 2.0 | 1.6 | -19.5% | 2.6 | -39.4% |
| Other & Eliminations | -1.0 | -0.8 | 22.6% | -1.1 | 29.7% |
| Depreciation & Amortization | 39.4 | 34.0 | -13.6% | 32.9 | 3.3% |
| **EBIT** | **6.0** | **13.9** | **131.8%** | **6.2** | **123.9%** |
| **Net Financial Results** | **-3.9** | **-2.0** | **49.8%** | **-1.8** | **-10.1%** |
| Financial Income | 1.7 | 1.5 | -14.2% | 1.6 | -4.7% |
| Financial Expenses | 5.7 | 3.5 | -38.9% | 3.4 | 3.2% |
| **EBT** | **2.1** | **11.9** | **-** | **4.4** | **170.0%** |
| Tax results | -1.7 | -3.7 | -117.6% | -1.3 | -177.9% |
| **Net Results** | **0.4** | **8.2** | **-** | **3.1** | **166.6%** |
| Group Share | 0.2 | 8.2 | - | 3.0 | 172.1% |
| Attributable to Minority Interests | 0.1 | 0.1 | -56.4% | 0.1 | -37.6% |

(1) Direct Servicing Costs = Interconnection and Content + Leased Lines + Other Network Operating Costs; (2) Commercial Costs = COGS + Mktg & Sales Costs; (3) Other Operating Costs = Outsourcing Services + G&A + others.

## 8.2. Consolidated Balance Sheet

| Million euros<br>CONSOLIDATED BALANCE SHEET | 1Q09 | 1Q10 | y.o.y. | 4Q09 | q.o.q |
|---|---|---|---|---|---|
| **Total Net Assets** | **1.958,1** | **1.910,6** | **-2,4%** | **1.920,1** | **-0,5%** |
| Non Current Assets | 1.492,1 | 1.493,7 | 0,1% | 1.506,4 | -0,8% |
| Tangible and Intangible Assets | 840,9 | 847,1 | 0,7% | 857,1 | -1,2% |
| Goodwill | 526,0 | 526,1 | 0,0% | 526,1 | 0,0% |
| Investments | 1,2 | 1,2 | 0,0% | 1,2 | 0,0% |
| Deferred Tax Assets | 124,0 | 119,1 | -3,9% | 121,9 | -2,3% |
| Current Assets | 466,0 | 417,0 | -10,5% | 413,7 | 0,8% |
| Trade Debtors | 164,3 | 143,3 | -12,8% | 158,9 | -9,9% |
| Liquidity | 101,0 | 76,3 | -24,4% | 83,6 | -8,8% |
| Others | 200,7 | 197,4 | -1,7% | 171,2 | 15,3% |
| **Shareholders' Funds** | **933,2** | **941,5** | **0,9%** | **935,6** | **0,6%** |
| Group Share | 932,9 | 941,1 | 0,9% | 935,1 | 0,6% |
| Minority Interests | 0,3 | 0,4 | 33,6% | 0,5 | -22,0% |
| **Total Liabilities** | **1.024,9** | **969,1** | **-5,4%** | **984,5** | **-1,6%** |
| Non Current Liabilities | 603,2 | 459,9 | -23,8% | 444,7 | 3,4% |
| Bank Loans | 416,7 | 328,5 | -21,2% | 299,1 | 9,8% |
| Provisions for Other Liabilities and Charges | 33,5 | 31,8 | -4,9% | 32,2 | -1,2% |
| Others | 153,1 | 99,6 | -34,9% | 113,4 | -12,2% |
| Current Liabilities | 421,7 | 509,2 | 20,7% | 539,7 | -5,7% |
| Bank Loans | 11,3 | 21,6 | 90,9% | 59,3 | -63,6% |
| Trade Creditors | 164,7 | 194,1 | 17,8% | 195,3 | -0,6% |
| Others | 245,7 | 293,5 | 19,5% | 285,2 | 2,9% |
| | | | | | |
| Operating CAPEX(1) | 21,4 | 23,9 | 12,0% | 48,1 | -50,2% |
| Operating CAPEX as % of Turnover | 8,9% | 10,7% | 1,9pp | 20,7% | -9,9pp |
| Total CAPEX | 22,1 | 24,1 | 8,8% | 48,4 | -50,3% |
| EBITDA - Operating CAPEX | 24,0 | 24,0 | -0,1% | -8,9 | - |
| Operating Cash Flow(2) | -36,1 | 12,4 | - | 11,3 | 9,9% |
| FCF(3) | -45,9 | 1,3 | - | 4,3 | -68,3% |
| Gross Debt | 451,9 | 373,5 | -17,4% | 382,2 | -2,3% |
| Net Debt | 350,9 | 297,2 | -15,3% | 298,5 | -0,5% |
| Net Debt/ EBITDA | 2,0 x | 1,7 x | -0,4x | 1,7 x | 0x |
| EBITDA/Interest Expenses(4) (last 12 months) | 8,2 x | 11,3 x | 3,1x | 9,8 x | 1,5x |
| Debt/Total Funds (Debt + Shareholders' Funds) | 32,6% | 28,4% | -4,2pp | 29,0% | -0,6pp |
| **Excluding the Securitisation Transaction:** | | | | | |
| Net Debt | 444,6 | 371,0 | -16,6% | 377,8 | -1,8% |
| Net Debt/ EBITDA | 2,6 x | 2,1 x | -0,5x | 2,2 x | -0,1x |
| EBITDA/Interest Expenses(4) (last 12 months) | 8,2 x | 11,3 x | 3,1x | 9,8 x | 1,5x |

(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.

## 8.3. Levered FCF

| Million euros<br>LEVERED FREE CASH FLOW | 1Q09 | 1Q10 | y.o.y. | 4Q09 | q.o.q |
|---|---|---|---|---|---|
| **EBITDA-Operating CAPEX** | **24.0** | **24.0** | **-0.1%** | **-8.9** | **-** |
| Change in WC | -67.8 | -11.9 | 82.5% | 18.9 | - |
| Non Cash Items & Other | 7.7 | 0.3 | -95.8% | 1.3 | -75.3% |
| **Operating Cash Flow** | **-36.1** | **12.4** | **-** | **11.3** | **9.9%** |
| Financial Investments | 0.0 | 0.0 | - | 0.0 | - |
| Securitisation Transaction | -5.0 | -5.0 | 0.0% | -5.0 | 0.0% |
| Own shares | -1.3 | -3.0 | -130.1% | -1.1 | -157.5% |
| Financial results | -4.2 | -2.4 | 43.9% | -1.3 | -82.5% |
| Income taxes | 0.8 | -0.7 | - | 0.4 | - |
| **FCF** | **-45.9** | **1.3** | **-** | **4.3** | **-68.3%** |

## 8.4. Headcount

| **Sonaecom** | 1Q09 | 1Q10 | y.o.y. | 4Q09 | q.o.q |
|---|---|---|---|---|---|
| Total Employees | 2,000 | 2,053 | 2.7% | 2,013 | 2.0% |
| o.w. Telecomunications | 432 | 448 | 3.7% | 432 | 3.7% |
| o.w. SSI | 502 | 534 | 6.4% | 522 | 2.3% |

## 8.5. Online & Media

| PÚBLICO OPERATIONAL KPI's | 1Q09 | 1Q10 | y.o.y. | 4Q09 | q.o.q |
|---|---|---|---|---|---|
| Average Paid Circulation[1] | 40,151 | 33,377 | -16.9% | 34,238 | -2.5% |
| Market Share of Advertising (%) | 11.9% | 10.1% | -1.8pp | 12.0% | -1.9pp |
| Audience[2] (%) | 4.6% | n.a | - | 4.7% | - |
| Employees | 264 | 256 | -3.0% | 257 | -0.4% |

(1) Estimated value updated in the following quarter; (2) As % of adressable population; Source: Bareme Imprensa (data not gathered in the 3rd quarter).

Million euros

| ONLINE & MEDIA CONS. INCOME STATEMENT | 1Q09 | 1Q10 | y.o.y. | 4Q09 | q.o.q |
|---|---|---|---|---|---|
| **Turnover** | **7.41** | **7.38** | **-0.5%** | **7.92** | **-6.8%** |
| Advertising Sales[1] | 3.13 | 3.08 | -1.9% | 3.26 | -5.7% |
| Newspaper Sales | 3.05 | 3.14 | 2.7% | 3.36 | -6.7% |
| Associated Product Sales | 1.22 | 1.17 | -4.6% | 1.30 | -9.9% |
| **Other Revenues** | **0.05** | **0.05** | **-10.6%** | **0.14** | **-64.6%** |
| **Operating Costs** | **8.30** | **7.85** | **-5.4%** | **8.48** | **-7.5%** |
| Personnel Costs | 3.05 | 2.65 | -13.1% | 2.90 | -8.5% |
| Commercial Costs[2] | 2.44 | 2.62 | 7.3% | 2.86 | -8.4% |
| Other Operating Costs[3] | 2.81 | 2.58 | -8.2% | 2.73 | -5.4% |
| **EBITDAP** | **-0.84** | **-0.42** | **49.3%** | **-0.43** | **1.1%** |
| Provisions and Impairment Losses | 0.07 | 0.02 | -77.1% | -0.06 | - |
| **EBITDA** | **-0.90** | **-0.44** | **51.3%** | **-0.37** | **-19.9%** |
| EBITDA Margin (%) | -12.2% | -6.0% | 6.2pp | -4.6% | -1.3pp |
| | | | | | |
| Operating CAPEX[4] | 0.15 | 0.13 | -10.7% | 0.22 | -39.2% |
| Operating CAPEX as % of Turnover | 2.0% | 1.8% | -0.2pp | 2.8% | -1pp |
| EBITDA - Operating CAPEX | -1.05 | -0.57 | 45.6% | -0.59 | 2.2% |
| Total CAPEX | 0.15 | 0.13 | -10.7% | 0.22 | -39.2% |

(1) Includes Content; (2) Commercial Costs = COGS + Mktg & Sales Costs; (3) Other Operating Costs = Outsourcing Services + G&A + others; (4) Operating CAPEX excludes Financial Investments, Provisions for sites dismantling and other non operational investments.

## 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.

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Sonaecom SGPS is listed on the Euronext Stock Exchange. Information is available on Reuters under the symbol "SNC.LS" and on Bloomberg under the symbol "SNC:PL".

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