

ANNOUNCEMENT



Optimus has entered a new stage of development of its growth strategy

Porto, 7 July 2005 - Optimus has entered a new stage of development of its growth strategy, with a strong commitment to growing its business and increasing its market share. The Optimus strategy is based essentially on four key areas: aggressive migration of customers to 3G, innovation with the launch of new services, renovation of the basic offer and repositioning of the Optimus brand and enlargement of the frontiers of the addressable market, with a focus on fixed-mobile convergence.

Recent data and empirical evidence during the last year show that the number of different services used by a customer directly influences the value generated by that customer, accordingly 3G, by presenting a wider and better quality range of non-voice services, will enhance average revenue per customer.

In addition, the recent positive trend in UMTS technology, in particular the quality and diversity of available equipment, permits and indeed provides a strong argument in favour of investing in the aggressive migration of customers to 3G. This new perspective leads Optimus to significantly reinforce its value proposition:

- Complete range of 3G terminals, with 10 new models, at the best prices, including an exclusive contract with the LG brand. Under the Strategic Partnership Agreement signed with Orange, Optimus can now benefit from access to Orange products and global conditions.
- Aggressive promotion associated with the acquisition of customers and the renewal of handsets for existing customers, including the current Leve2/Pague1 (Take2/Pay1) campaign with the exclusive LG U8130.
- The most complete portfolio of products and services based on Optimus' 3G Zone offer, now complemented by the services and multimedia contents of the Orange group.
- Initial free usage of 3G services, encouraging experimentation and the adoption of these new services.
- Current coverage of around 50% of the Portuguese population, of whom 80% at speeds of 384kbps.

With this approach, Optimus aims to capture a market share in this new technology greater than its current market share and estimates that 15% to 20% of its customer base will be 3G enabled by the end of 2006, with 30% to 35% of data revenues being generated by non-SMS services.

Consistent with the objective of growth in customer revenues and aligned with its continuous differentiation strategy, Optimus continues to launch new data services based on 2.5G technology. The most recent examples are the launch of the Push e-mail service, Instant Messaging and Push-to-talk.

The penetration and success of Instant Messaging on fixed platforms and the simplicity and quality of mobile Instant Messaging, based on MSN Mobile Messenger, has led Optimus to believe that this success can be transported to the mobile arena, making Instant Messaging, in the long term, a service with widespread use within the younger age group segments.

Also the enormous success achieved in other markets, in particular the US, of "walkie-talkie" services, using cell phone networks and handsets, make the objectives associated with launch of this service particularly ambitious.

Currently limited in scope by a narrow range of handsets, we envisage that in the coming months, most handsets launched will be equipped with the push-to-talk functionality and that a number of

handsets supporting Instant Messaging and Push e-mail services will also be launched, thus maximising rapid growth for these services.

Faced with the challenges of a mature Portuguese mobile market with limited client base growth potential, Optimus conducted a comprehensive market re-segmentation, which led to a redesign of its offers and the repositioning of the brand.

The promotion of the new offers was supported by significant media investment and was an integral part of the Optimus brand repositioning. The purpose of the brand repositioning is to increase brand awareness and further differentiate it from its competitors, in relation to the most relevant market segments to Optimus' growth strategy.

Also as a consequence of the new market segmentation, rede4 was launched, an autonomous operation that uses Optimus' technical infrastructure. rede4 is based on a discount business model: a simple product line, offering the best price in the market for voice and SMS services, distributed exclusively on-line and with a philosophy of *self-care* in customer support. In the first week of operations, rede4 had 30,000 registrations, which clearly demonstrates the importance of the concept, in the current stage of market development.

As far as fixed-mobile convergence is concerned, and despite all the initial obstacles to launch, that are public knowledge, Optimus Home is today an enormous commercial success. At the end of the first 4 months of operations, the customer base of Optimus Home has risen to more than 40,000.

Optimus Home was developed as a much more attractive value proposition for the market of homes that are connected to the fixed network and which only use voice services, i.e. circa 1.2 million homes.

In accordance with original plans, Optimus will be investing in new advertising campaigns for Optimus Home, and aims to achieve the target of 130,000 customers by the end of 2006.

As a result of the above mentioned investments in customer acquisition and increased commercial effort, and due to the challenges faced in achieving growth, Optimus estimates that, in 2005, the financial impact will be an increase in operating costs of circa 20 to 25 million euros, a 6% to 10% reduction in service revenues as a result of lower interconnection tariffs and a reduction in EBITDA of 30 to 40 million euros, when compared to 2004.

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