



Management Letter

In 2006, Ideiasnet took important steps towards growth and consolidation in the main IT sectors in which it operates. By means of the incorporation and purchase of new companies, using on many occasions its own shares as currency, Ideiasnet is consolidating several sectors, reaching the growth and leadership which our shareholders expect.

At the end of this year, considering the annualized monthly sales of the entire portfolio, we reached the level of R\$1 billion. Ideiasnet's proportional interest in this volume is approximately 45%, and 2007 will be focused also on the expansion of our interest in the more relevant investees.

The more detailed analysis of foreign investors in our shares began at the end of this year and tends to increase in 2007, as estimated in our projections and expectations in the previous Annual Information (IAN). Be it the fact that we are part of a special group of developing countries – the so-called BRICs (Brazil, Russia, India and China), or growth, or even be it the fact that we are included in the technology industry, we have great potential of interest for foreign investors that represent nowadays less than 5% of our shareholding.

We present below some examples of events favorable to the continuation of the strong growth recorded in 2006:

- Increase of investments in infrastructure to improve data traffic capability (Padtec)
- Formalization of the hardware and software industry in Brazil (Officer and Softcorp).
- Migration of paid products and services from the internet into the cell phone (iMusica and Hands).
- Private companies' investments in the optimization of processes by means of wireless network (Spring Wireless).

In addition to that, we can mention the digital inclusion and strong expansion of e-commerce, both in full swing in Brazil, and which affect positively all the group's companies.

George Ellis
Chairman of the Board of Directors

Retrospective 2006



Ideiasnet is a holding company with interest in Brazilian Information Technology (IT) companies, with shares traded at Bovespa ("IDNT3").

Currently, the company has interest in 19 companies in the Electronic Commerce, Wireless, Infrastructure and Media and Entertainment segments, and contributes actively to their respective managements.

Although the Company still invests in venture capital, it reduced substantially its exposure in this segment. In 2006, Ideiasnet promoted its restructuring to separate its operation in venture capital and private equity. The venture capital companies are now grouped in a new subsidiary, IdeiasVentures, which comprises companies with annual sales results below R\$10 million.

In July 2006, Fator Corretora began the cover-

age of Ideiasnet's shares. The analyst Jacqueline Lison calculated a target-price of R\$4.27 (reference date 09/25/06) with the recommendation of "attractive". [\(read the report\)](#)

In the first nine months of 2006, the Company recorded a consolidated gross revenue of R\$648.9 million, a growth of 37.7% compared to the same period of the previous year, considering the acquisition of Officer. The proportional EBITDA of investees totaled R\$7.5 million in the first nine months of 2006, a growth of 682.1% compared to the same period in the previous year.

Rodin Spielmann, CFO at the holding company, believes that there still are consolidation opportunities in the industry in addition to Ideiasnet's proactivity in the search for opportunities in venture capital.

Padtec: Annual sales of R\$100 million

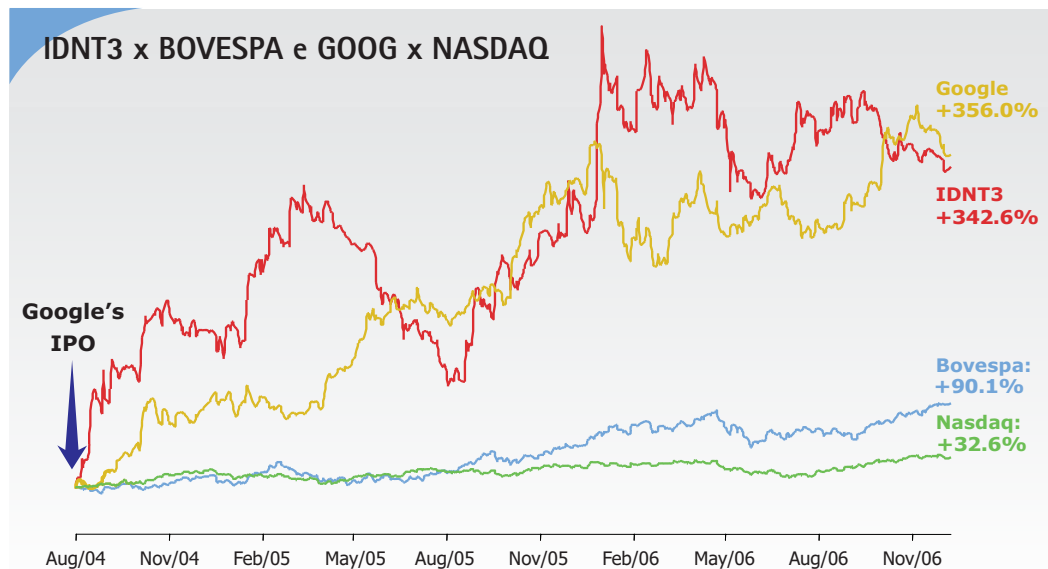
With annual sales above R\$100 million in 2006, Padtec became the largest Brazilian company in the segment of communication optical networks equipment and solutions, strengthening more and more its presence in the domestic and foreign markets.

After reaching sales revenues of R\$9.4 million in 2004, recording a growth above 300% and reaching sales revenues of R\$38.0 million

in 2005, Padtec kept an accelerated growth rate, reaching R\$80 million, a growth of 110% when compared to the previous year. Padtec is the result of the partnership between CPqD – Centro de Pesquisa e Desenvolvimento (Research and Development Center) – and Ideiasnet. With these figures, the Company was granted recently a subsidy of R\$20.7 million from BNDES to expand and develop new products.

Performance of Shares

Ideiasnet's shares increased 342.6% since 2H04, three times higher than the appreciation of the Bovespa Index and ten times the Nasdaq Index. This performance was in line with Google's shares, which since its IPO in August 2004 has been showing one of the highest appreciations in the last years.



Officer Highlights

Officer will reach sales revenues above R\$ 650 million in 2006, equivalent to a growth higher than 30% in the year. The company acquired 21 out of the 23 awards for which it vied in the 7th Edition of "Distribuidor Preferido" (Preferred Supplier), an event promoted by CRN Brasil, the main industry news magazine, aiming to award this year's outstanding IT and telecom suppliers. According to resellers, VARs, software integrators and developers, Officer was the favorite and was awarded nine different categories.

The award "Distribuidor Preferido" is based on research with resellers throughout Brazil. The survey had two phases and more than 1,165 resellers voted in the first phase and 4,527 readers of CRN Brasil and Reseller-Web voted in the second phase.

In December, Officer was selected as the exclusive supplier of two of the largest and more important IT manufacturers in the country: Microsoft and Positivo. From Microsoft, Officer acquired the exclusive right to sell the Xbox 360 videogame for the Brazilian retail market, and from Positivo, the Company acquired the unprecedented exclusive right to distribute computers for more than 20 thousand resellers.

Online movie rental attracts new investments

The online movie rental market begins to count on Ideiasnet, which became a partner of NetMovies, a company specialized in online DVD rental. After the subsidy, NetMovies acquired Flexfilmes, the number two in the industry.

The purpose of such an acquisition was to consolidate the Company in a market currently dominated by small operations without a structured growth capability. NetMovies now has the largest movie col-

lection – 9 thousand titles approximately – and the largest coverage in Brazil.

NetMovies follows the rental model created by the American company Netflix, which has been expanding in the United States. Their model provides a "subscription plan" whereby the subscriber can see movies with no return date and no charging of fines, with only a monthly payment.

The Company started operations in

February 2006 and initially operates in the metropolitan region of São Paulo and in the city of Rio de Janeiro. Our expectation is to reach 20 thousand subscribers in the first quarter of 2007, ending the year with 50 thousand clients and to expand operations into the southeast, middle-east and south regions of Brazil.

This undertaking is expected to provide sales revenues of R\$12 million in 2007, and of R\$50 million next year.

iMusica engages with four large record labels

The portal iMusica engaged with four large multinational record labels in Brazil. This is what iMusica was waiting to expand operations not only increasing the collection of songs available for downloading on its website, but also stimulating the Brazilian habit in this activity in a legal way.

That is why Felipe Llerena, partner director at iMusica, considers this the "initial milestone" in the history of the Company, which already has engagements with most independent label records, but did not have any with those responsible for the great hits of popular appeal. According to

Llerena, "the biggest advantage is that users can find on the website songs that they can not find in any other place".

Nowadays, the website collection comprises 500 thousand songs. For Llerena, the popularization of such type of sales channel of songs "will begin when the great artists start to use the internet to launch their songs", catching people's attention to this medium, like the Brazilian singer Ivete Sangalo, who launched in November, exclusively online, the song "Berimbau Metalizado", which will be launched in CD only in March 2007.

Braspag wants to conquer the world with payment operations

Braspag, operator of distance payments, wants to expand its operations to other continents with a new multicurrency platform, whereby Brazilian call-center companies and electronic commerce webpages can sell their products to countries in Europe, North America and Asia by invoicing in local currency. Recently, Braspag was authorized to make transactions in Argentina, Chile and Mexico, thus keeping operations in all Latin American countries.

Founded last year, Braspag handled more than R\$1.8 billion

in only 18 months of operations and ended the year with a record result of R\$2 billion, 49% of which are movements related to e-commerce.

From March to October, the Company more than doubled the number of clients, from 80 to 180. Large companies from the Brazilian e-commerce segment are among our clients, such as Lojas Americanas, Shoptime, MercadoLivre and Tok&Stok. Braspag comprises payment systems for sales operations through cell phones, known as M-Payment.

Nokia cell phone has built-in iMusica store



One more step in the increasing approximation between iMusica and Nokia. The mobile division continues to add content, advancing towards the target of 1 million songs in 2007, as well as getting increasingly closer to Brazilian mobile telephone operators.

Nokia's N91 handset will arrive in stores with a tool never seen in the country: it will have a built-in digital music store in its menu.

iMusica Mobile, as it is called, was designed by iMusica, a company with a large experience in selling music on the internet. "Broadband internet has only 5 million users in the country. Mobile telephony has 90 million. We couldn't stay outside that market", says iMusica's partner director, Paulo Lima.

Like the existing web operation, the mobile operation relies on protected

songs only. Each user will be allowed up to three downloads of the same file, which will act as a backup in case clients inadvertently erase the content or lose their cell phone. It's important to point out that, by using their personal registration, clients can download the same song to their computer, accessing the iMusica website on the internet, without having to pay for the content again.

Spring Wireless and Sysgold shake hands on merger

Company establishes itself as the largest supplier of solutions for mobile business in Latin America

Spring Wireless and Sysgold, leaders in solutions for mobile business in Latin America, merged in May 2006, resulting in the largest supplier of mobile business solutions in Latin America. With the merger, Spring Wireless increased its client base from 80 to

150, and the number of users rose from 40,000 to 70,000.

Following the merger, the company increased its focus on internationalization, and now has operations in Brazil, Chile, Venezuela, Colombia, Mexico, the United States, and Portugal. "We have a unique position in the market. Our capillarity allows us to serve our multinational clients

throughout Latin America, providing them with complete mobility solutions with a high level of service in the entire region", says Marcelo Condé, Spring Wireless's CEO.

The company will consolidate its share in the consumer goods and pharmaceutical markets, especially for solutions of field sales, trade marketing and medical visitation.

Ideiasnet invests in voice over IP

In 2006, another new arrival in Ideiasnet's portfolio was TrinnPhone, a VoIP telephony operator catering for small and medium companies. The initiative came from the holding itself, which saw a good opportunity in this segment, since the voice over IP market nowadays is much more focused on the individual.

Ideiasnet acquired 90% of Trinn-

Phone, which obtained a license to render multimedia communication services (SCM) from the National Telecommunications Agency (Anatel), and started to operate in May of this year. Requiring a R\$ 1 million investment, TrinnPhone is now under Ideiasnet Ventures, and expects sales results of R\$ 10 million in 2008.

The company also intends to cater

for the SOHO market by using the Officer distribution channel. The TrinnVoIP product was launched in October, with the proposal of reducing by around 50% the costs of national and international long-distance calls.

A study developed by Frost & Sullivan, a consulting and market intelligence company, indicates that Latin America will experience a boom of

Online advertising gains strength

Addcomm

In September 2006, the digital agency Addcomm began to service Siemens' online account, after bidding against seven other companies. Addcomm already services clients such as Chocolates Garoto, Varig, Aracruz, Nissan and Softcorp and did recent jobs to Procter & Gamble and Roche. Addcomm assisted in the reformulation of the Siemens portal on the internet and its intranet, as well as the actions directed to Company's online communication. The web revitalization and evolution plan is expected to be executed in a 36-month project.

Bolsa de Mulher

Women decide 80% of purchases in the country, and they represent already over 48% of internet users. One hundred percent focused on women, the portal Bolsa de Mulher had its brand repositioned, which resulted in a growth of 500% in audience in 2006. The attainment of over 700 thousand registered users has attracted big advertisers, such as Unilever, Roche, HSTern, Natura and L'Oréal. The vertical portal has as a benchmark the American website iVillage, which was sold to TV network NBC in 2006 for US\$600 million.

voice over IP services between 2005 and 2011. According to the study, with this technology the number of lines should increase by around 87.5% per year, leading the segment to achieve 1.1 billion dollars by the end of that period; representing 49% of that amount, Brazil should be responsible for the largest client base in the region.

Companies' Portfolio

Ideiasnet S.A.

Officer

Ideiasnet interest: 49.5%

Brazil's largest distributor of information technology products – hardware and software. It has closed a deal for the exclusive rights of sale of Positivo computers – the largest manufacturer in the country. It has over 30 lines of products and a complete infrastructure to serve its 20 thousand registered resellers, distributed throughout the national territory.

Softcorp

Ideiasnet interest: 41.6%

Brazil's largest reseller of information technology products – hardware and software – and associated services for the corporate market. It is the only prime reseller for both Microsoft and HP, with an efficient logistics infrastructure that allows for an operation with very low stocks.

iLogística

Ideiasnet interest: 34.6 %

Company offering services for logistics and electronic commerce, which provides solutions for direct sales, optimizing all the processes for an efficient e-commerce.

Automatos

Ideiasnet interest: 19.0%

Company focused on IT infrastructure management. Besides innovation, it offers low cost, quick installation and easy product implementation, and has grown by around 40% per year.

Spring Wireless

Ideiasnet interest: 10.8%

Leader in solutions of corporate mobility in the "end-to-end" model, comprising software, managed services and wireless connectivity. It has a market share of over 70% in Brazil, and it is expanding to Latin America.

Pini

Ideiasnet interest: 31.1 %

The largest technical publishing company in the country operating in the civil construction segment, with a complete software line, specialized services and web solutions. Founded in 1948, it is one of the most traditional companies in the engineering, architecture and construction sector.

Padtec

Ideiasnet interest: 22.5%

The largest Brazilian company in the segment of solutions for communication optical networks. The history of its growth in sales results is 300% from 2004 to 2005, and 110% for 2006, therefore it is becoming increasingly active in the Brazilian and international markets, especially in Latin America.

IdeiasVentures

iMusica

Ideiasnet interest: 74.8%

A pioneer in Latin America in the distribution of digital media and in the sale of legal downloads of audiovisual content through the internet and through cell phones. It is the sale portal for MSN – Brazil and Latin America, Yahoo, Americanas.com, Submarino and Nokia, among others.

Hands

Ideiasnet interest: 49.0%

Supplier of content for cell phones, palmtops and smartphones, allowing for daily access to information through mobile telephony without the need for a wireless connection.

Braspag

Ideiasnet interest: 25.0%

The main Latin American company in the segment of processing transactions via internet and call center. It is the only Brazilian provider of complete and customized solutions for processing and control of electronic payments.

TrinnPhone

Ideiasnet interest: 90.0%

Telephony operator that provides a series of services based on VoIP technology for small and medium companies. Focused on the corporate market, it offers plans for different consumer profiles.

NetMovies

Ideiasnet interest: 10.0%

Leader in the segment of DVD rentals on the internet, with the largest collection and the widest coverage in Brazil. It offers subscription plans that allow clients to see as many movies, concerts and documentaries as they wish, with no return date and no charging of fines, for a fixed monthly fee.

Addcomm

Ideiasnet interest: 22.8%

Marketing and Digital Communication agency, focused on rendering services of planning, design, production and management for brands, products and services on the internet.

Bolsa de Mulher

Ideiasnet interest: 27.1%

Bolsa de Mulher is the largest women's portal on the Brazilian internet. With over 700 thousand registered users, the website has 21 journalists and over 6 thousand published reports. It is currently MSN's and Embratel's women's channel.

TV ao Vivo

Ideiasnet interest: 23.3%

Interactive multimedia communication company, capable of broadcasting television online, both for corporate projects and independent contents.

Ivox

Ideiasnet interest: 57.3%

Opinion survey website and CRM tool. The portal records 750 thousand page views and 200 thousand visitors every month, and relies on a large database, comprised of 800 thousand registered users.

Visionnaire

Ideiasnet interest: 40.0%

Software house focused on system development via web, complex system integration in large companies, besides offering its own products.

Sadig

Ideiasnet interest: 19.6%

It develops and sells business intelligence software for corporate clients. Its software Sadig 3.0 offers complete solutions that help companies analyze and interpret data about their clients, suppliers, inventories, orders, and accounts payable and receivable, among other competitive variables.