

RESULTS
ANNOUNCEMENT
1Q18



The consolidated financial information disclosed in this report is based on unaudited financial statements, prepared in accordance with the International Financial Reporting Standards (IAS/IFRS), issued by the International Accounting Standards Board (IASB), as adopted by the European Union.



1. Main Highlights

Consolidated turnover of 36.6 million euros increasing 1.3% y.o.y and 6.2% q.o.q.

NOS with a solid performance driving increased operating profitability and Free Cash Flow

Technology revenues reaching 33.3 million euros, growing 1.0% y.o.y and 6.5% q.o.q., with International markets weighting almost 50%

Net income of 5.0 million euros, increasing 11.3% y.o.y.

2. Sonaecom Consolidated Results

Telecommunications area, which includes a 50% stake in ZOPT - consolidated through the equity method - which owns 52.15% stake in NOS, continued to present growth in its operating revenues, even more significant in the telco segment, coupled with a strong Total Free Cash Flow before Dividends and Disposals, reflecting improved operating profitability and financial discipline, both supportive of attractive and sustainable shareholder remuneration.

Technology area, during 1Q18, continued to pursue its active portfolio strategy, with four new investments closed and reinforcement in some portfolio companies while commanding a strong pipeline with multiple active processes, across all investment stages.

Turnover

Consolidated turnover in 1Q18 reached 36.6 million euros, increasing 1.3%, when compared to 1Q17, and 6.2%, versus the last quarter, with both technology and media areas contributing positively.

Operating costs

Operating costs amounted to 37.0 million euros, 0.2% above 1Q17. Personnel costs grew 4.2% reflecting the increase in the average number of employees. Commercial costs decreased 3.2% to 13.6 million euros, mainly driven by the lower cost of goods sold, and despite the higher level of sales. The decline in other operating costs is mainly explained by the lower level of Outsourcing services.

EBITDA

Total EBITDA stood at 8.0 million euros, 17.6% above 1Q17, essentially on the back of equity results, impacted mostly by ZOPT contribution which, in turn, depends on NOS net income evolution. Underlying EBITDA stood close to zero versus negative 0.3 million euros in the 1Q17.

Net results

Sonaecom's EBIT increased to 6.1 million euros, from 4.3 million, mainly explained by the higher level of EBITDA but also driven by the lower depreciation costs.

Net financial results reached negative 0.3 million euros in 1Q18 that compares with positive 0.1 million in the previous year, on the back of higher exchange rate costs.

Sonaecom's earnings before tax (EBT) increased from 4.4 million to 5.8 million euros, driven by the higher EBIT.

Indirect results reached negative 0.5 million euros, that compare with negative 0.2 million euros in 1Q17, impacted by Armilar Venture Funds' portfolio fair value adjustments.

Net results group share stood at 5.0 million euros, 11,3% above the 4.5 million euros presented in 1Q17.

Operating CAPEX

Sonaecom's operating CAPEX decreased to 1.6 million euros, reaching 4.4% of turnover, 1.3 p.p. below 1Q17.

Capital structure

The cash position stood at 197.5 million euros, decreasing 0.4 million euros since December 2017, driven namely by 1.8 million euros of investments, which were not fully compensated by the positive operating cash flow generation of 1.7 million euros.

2.1 Telecommunications

NOS operating revenues were 383.0 million euros in 1Q18, growing 0.7% y.o.y..

EBITDA reached 146.7 million euros, increasing 3.0% when compared to 1Q17 and representing a 38.3% EBITDA margin.

CAPEX amounted to 87.7 million euros in 1Q18, an increase of 1.4% y.o.y. As a consequence of EBITDA and CAPEX evolution, EBITDA- CAPEX increased 5.5%.

At the end of 1Q18, net financial debt totalled 1,050.4 million euros, equal to 1.8x EBITDA, and with an average maturity of 2.7 years.

NOS published its 1Q18 results on 10th May, 2018, which are available at www.nos.pt.

During 1Q18, NOS share price decreased 12.6% from €5.481 to €4.790, whilst PSI20 increased by 0.3%.

Operational Indicators

Million euros

Operational Indicators ('000)	1Q17	1Q18	Δ 18/17	4Q17	q.o.q.
Total RGUs	9 155.2	9 454.4	3.3%	9 411.7	0.5%
Convergent RGUs	3 509.0	3 732.4	6.4%	3 650.6	2.2%

Financial indicators

Million euros

NOS HIGHLIGHTS	1Q17	1Q18	Δ 18/17	4Q17	q.o.q.
Operating Revenues	380.3	383.0	0.7%	398.9	-4.0%
EBITDA	142.4	146.7	3.0%	126.6	15.9%
EBITDA margin (%)	37.4%	38.3%	0.9pp	31.7%	6.6pp
Net Income	32.8	33.8	3.0%	17.0	99.2%
CAPEX	86.4	87.7	1.4%	114.0	-23.1%
EBITDA-CAPEX	56.0	59.1	5.5%	12.5	-

2.2 Technology

The Technology area aims to build and manage a portfolio of technology businesses around retail and telecommunications, as well as cybersecurity, with an international scale. This area currently comprises, alongside with minority stakes and Bright Pixel, five controlled companies – WeDo Technologies, S21Sec, Saphety, Bizdirect and Inovretail - that generated circa 47.4% of its revenues outside the Portuguese market with 38.7% out of the total 1,075 employees based abroad.

WeDo Technologies is a worldwide leader in Revenue Assurance and Fraud Management that works with more than 180 telecommunications operators in over 100 countries. The international markets represented 78.1% of its turnover.

WeDo Technologies' market leadership was recognized by Stratecast (Frost & Sullivan's Stratecast Global Communication Services Providers Financial Assurance Market Leadership) and the excellence of its products and implementations were recognized by Falcon Business Research (Best Revenue Assurance & Fraud Management Solution) and Informa BSS&OSS Latam Awards (Best Revenue Assurance Solution), amongst others. During 1Q18, WeDo among the "10 to Watch Company" by Stratecast.

During this quarter WeDo Technologies marked its presence at the Mobile World Congress in Barcelona and acquired three new telecom customers based in South Korea, Indonesia and USA.

S21Sec is a reference multinational pure cybersecurity player, focused on the delivery of cyber security services and development of proprietary supporting technologies, with a global customer base, leveraging its teams in Spain, Portugal and Mexico.

During 1Q18, the company continued to focus its positioning as an MSSP (Managed Security Services Provider). A new VP was brought on board to lead the business development and growth in the Managed Services area. A new VP of International Business was also hired with the goal of speeding up the funnel generation and strengthening overall sales capabilities.

With a positive impact on brand visibility, S21sec participated in some industry events: RBR ATM Indonesia, Infosecurity Mexico, Porto IDC Cybersecurity Conference, ICS & Critical Infrastructure Lisbon, Breach & Attack Simulation Mexico, IDC GDPR Forum Lisbon and Indusec2018 Donosti.

Saphety is a solutions provider for business processes optimization that has a foothold in electronic invoicing and EDI (Electronic Data Interchange) market as well as in data synchronization for GSI worldwide organizations.

This period has been marked by a strong commercial activity in Colombia market (eInvoice solution) and a positive evolution at EBP (Electronic Billing Presentment) project at Oi.

Saphety's customer base has now over 8,500 customers and 160,000 users in 34 countries with international market already representing more than 30% of total revenues.

Bizdirect is a technology company specialized in IT solutions commercialization, consulting and management of corporate software licensing contracts and Microsoft solutions integration.

During 1Q18, the cloud business unit improved its presence on helping customers in digital transformation and the solutions business unit achieved important new customer references. Bizdirect Competence Center, in Viseu, won 2 new international customers contributing to the international revenues that already represent 9.7% of total Turnover.

InovRetail is a company focused in the development of advanced analytics tools, aiming to assist retailers in improving performance by making more informed decisions. The company's main product is the predictive analytics engine, Smart Measure, that provides highly reliable sales forecasts, promotion impacts and stock levels, based on machine learning algorithms that combine data from the retailers' stores and sales, as well as from over 100 external sources. The next steps include accelerating growth in existing markets, as well as penetrating new ones, through the investment in building up the team, improving the SaaS platform and reinforcing R&D.

Bright Pixel is a company builder studio whose goal is to transform the creation of new ventures and the way companies address innovation. Bright Pixel is managing a venture lifecycle going from experimentation and lab phases that have the objective to identify ideas and projects that should be brewed in its incubation programme. Bright Pixel invests and supports the development of internally brewed projects as well as assisting their first batch of invited startups in their product development roadmap and market rollout.

Bright Pixel is also investing in events, like Pixels Camp, to link its activity to the tech community as well as promoting a close relationship with its partners, by developing quick proof of concepts aimed at resolving technology and business needs in themes such as retail, media, cyber-security and telecommunications.

Probe.ly, having started as an internal project of Bright Pixel, won the *Caixa Capital Empreender Award 2017*, has stepped from MVP (minimum valuable product) to an independent Web Application Security startup.

Armilar Venture Funds are the 3 Venture Capital funds in which Sonae IM owns participation units acquired to Novo Banco. With this transaction, concluded in December 2016, Sonae IM reinforced its portfolio with sizeable stakes in leading edge companies such as Outsystms and Feedzai, both consistently presenting meaningful and sustainable levels of growth.



StyleSage is a strategic analytics SaaS platform that helps fashion, home and beauty retailers and brands with critical pre, in and post season decisions globally. Every day, StyleSage pulls product data from competitors' ecommerce websites from around the world. Then, with groundbreaking technology in machine learning and visual recognition, StyleSage cleans, organizes, and analyzes the massive amounts of collected data into a cloud-based dashboard that empowers brands and retailers to make informed, data-driven decisions in areas such line planning, markdown optimization, and global expansion.

Ometria is a London based AI powered customer marketing platform with the vision to become the central hub that powers all the communication between retailers and their customers. This investment was done by Sonae IM in the \$6m Series A round, alongside several strategic investors (including Summit Action, the US VC fund of the Summit Series).

Secucloud is a Germany based company that provides a cloud security platform for protecting all devices (subscriber endpoints) and operating systems with no installation required, offered to Telcos & ISPs as a white label solution. Sonae Investment Management totally subscribed the multi million Series B financing round.

ArticWolf, a US based company, is a global pioneer in the SOC-as-a-Service market with cutting-edge managed detection and response (MDR), which provides a unique combination of technology and services for clients to quickly detect and contain threats. US technology investors Lightspeed Venture Partners and Redpoint were joined by Sonae IM and Knollwood Investment Advisory in the last round.

Continuum Security is a Spanish based company with an application security platform to address vulnerabilities early in the development process. In order to realise their international growth plans, the company has raised an investment round of €1.5million euros, which was led by Swaanlaab Venture Factory and joined by JME Venture Capital and Sonae IM.

Jscrambler is a Portuguese startup that develops a security solution to protect Web and Mobile Applications (Javascript code). The company raised a 2.3 million dollars in a series A financing round that was led by Sonae IM with the co-investment of Portugal Ventures.



Financial indicators

Million euros

TECHNOLOGY AREA	1Q17	1Q18	Δ 18/17	4Q17	q.o.q.
Turnover	32.9	33.3	1.0%	31.2	6.5%
Service Revenues	19.9	20.0	0.5%	21.9	-9.0%
Sales	13.1	13.3	1.8%	9.3	43.2%
Other Revenues	0.3	0.2	-10.7%	0.7	-64.1%
Operating Costs	32.5	32.5	0.1%	29.7	9.4%
Personnel Costs	11.8	12.6	6.6%	12.1	3.7%
Commercial Costs ⁽¹⁾	13.0	12.8	-1.9%	9.3	37.2%
Other Operating Costs ⁽²⁾	7.7	7.2	-6.2%	8.3	-13.4%
EBITDA	0.7	0.5	-22.7%	1.8	-70.3%
Underlying EBITDA ⁽³⁾	0.7	0.9	36.8%	2.1	-55.4%
Equity method ⁽⁴⁾	0.0	-0.4	-	-0.3	-26.5%
Underlying EBITDA Margin (%)	2.1%	2.9%	0.7pp	6.8%	-4.0pp
Operating CAPEX ⁽⁵⁾	1.8	1.5	-15.5%	1.6	-7.2%
Operating CAPEX as % of Turnover	5.5%	4.6%	-0.9pp	5.3%	-0.7pp
Underlying EBITDA - Operating CAPEX	-1.1	-0.6	48.2%	0.5	-
Total CAPEX	2.4	3.3	34.5%	10.7	-69.3%

(1) Commercial Costs = COGS + Mktg & Sales; (2) Other Operating Costs = Outsourcing Services + G&A + Provisions + others; (3) Includes the businesses fully consolidated at Technology area; (4) Includes the 50% holding in Big Data, the 27.45% holding in Secucloud and the 22.9% holding in Probe.ly; (5) Operating CAPEX excludes Financial Investments;

Turnover

Turnover increased 1.0% y.o.y. and 6.5% q.o.q., supported on a very strong performance of the commercial activity.

Operating costs

Operating costs stood almost in line with 1Q17, reaching 32.5 million euros. The higher staff costs were fully compensated by the lower commercial costs and by the decline of other operational costs. Staff costs increased 6.6% driven by the growth in the number of employees. Commercial costs decreased 1.9% mainly driven by cost of goods sold, and despite the higher level of sales. Other operating costs decreased 6.2%, mainly explained by lower levels of outsourcing costs.

EBITDA

EBITDA reached 0.5 million euros, 22.7% below 1Q17. Underlying EBITDA reached 0.9 million euros increasing 36.8% when compared to 1Q17, and reaching a margin of 2.9%, as a result of higher Turnover while maintaining the level of Operating Costs.

Underlying EBITDA-operating CAPEX

Underlying EBITDA-operating CAPEX stood at negative 0.6 million euros, increasing when compared to 1Q17, mainly explained by the lower level of Operating CAPEX but also driven by the higher EBITDA.



2.3 Media

During 1Q18, Público continued to pursue its digital strategy reinforcing digital competencies and presence in online platforms. Moreover, the company continued to be recognized by SND (Society for News Design), that had already attributed 3 Award of Excellence to 3 Ipslon Front Pages, and by *Design – Meios & Publicidade* with an Honor Award.

Throughout 1Q18, the company continued to implement important initiatives aimed at strengthening Público as the reference Portuguese speaking news organisation: opinion panel renovation, offline distribution improvement and digital skills reinforcement, while developing two digital media projects funded by Google DNI (Digital News Initiatives) Innovation Funds.

The positive performance of online advertising revenues and online subscriptions coupled with the impact of a new accounting procedure regarding distribution costs, translated into an overall 3.4% revenue growth, when compared to 1Q17. EBITDA, despite negative, increased 12.2%, when compared to last year.

3. Appendix

Consolidated income statement

Million euros

CONSOLIDATED INCOME STATEMENT	1Q17	1Q18	Δ 18/17	4Q17	q.o.q.
Turnover	36.1	36.6	1.3%	34.5	6.2%
Service Revenues	21.1	21.2	0.3%	23.4	-9.4%
Sales	15.0	15.4	2.7%	11.1	39.3%
Other Revenues	0.4	0.4	-7.9%	0.9	-52.4%
Operating Costs	36.9	37.0	0.2%	35.2	5.1%
Personnel Costs	14.4	15.0	4.2%	14.8	1.4%
Commercial Costs ⁽¹⁾	14.1	13.6	-3.2%	10.3	33.0%
Other Operating Costs ⁽²⁾	8.5	7.9	-6.1%	10.2	-22.1%
EBITDA	6.8	8.0	17.6%	3.4	136.2%
Underlying EBITDA ⁽³⁾	-0.3	0.0	-	0.1	-84.8%
Equity method ⁽⁴⁾	7.1	8.0	11.8%	3.3	142.1%
Underlying EBITDA Margin (%)	-0.9%	0.0%	1.0pp	0.3%	-0.2pp
Depreciation & Amortization	2.5	1.9	-22.5%	2.1	-10.1%
EBIT	4.3	6.1	40.4%	1.3	-
Net Financial Results	0.1	-0.3	-	-0.6	45.3%
Financial Income	0.8	1.0	17.9%	1.8	-45.9%
Financial Expenses	0.7	1.3	74.4%	2.3	-45.8%
EBT	4.4	5.8	30.6%	0.7	-
Tax results	0.3	-0.2	-	-2.7	91.0%
Direct Results	4.7	5.5	18.2%	-2.0	-
Indirect Results⁽⁵⁾	(0.2)	(0.5)	-166.2%	(0.0)	-
Net Income	4.5	5.1	-	-2.1	-
Group Share	4.5	5.0	11.3%	-2.1	-
Attributable to Non-Controlling Interests	0.0	0.1	170.5%	0.1	47.2%

(1) Commercial Costs = COGS + Mktg & Sales Costs; (2) Other Operating Costs = Outsourcing Services + G&A + Provisions + others;

(3) Includes the businesses fully consolidated by Sonaecom;

(4) Includes the 50% holding in Unipress, the 50% holding in SIRS, the 50% holding in BigData, the 50% holding in ZOPT, the 27.45% holding in Secucloud and the 22.9% holding in Probely;

(5) Includes equity method adjustments related with AVP funds and related taxes.

Consolidated balance sheet

Million euros

CONSOLIDATED BALANCE SHEET

	1Q17	1Q18	Δ 18/17	4Q17	q.o.q.
Total Net Assets	1 108.5	1 104.4	-0.4%	1 105.6	-0.1%
Non Current Assets	820.3	846.4	3.2%	839.9	0.8%
Tangible and Intangible Assets	29.6	27.8	-5.8%	28.2	-1.4%
Goodwill	23.7	23.3	-1.5%	23.4	-0.2%
Investments	754.3	784.2	4.0%	777.2	0.9%
Deferred Tax Assets	9.3	7.0	-25.3%	7.3	-4.8%
Others	3.4	4.1	18.6%	3.8	7.0%
Current Assets	288.2	258.0	-10.5%	265.7	-2.9%
Trade Debtors	38.4	34.6	-9.7%	47.2	-26.6%
Liquidity	211.4	201.1	-4.8%	202.0	-0.5%
Others	38.5	22.2	-42.2%	16.5	35.0%
Shareholders' Funds	1 037.4	1 034.4	-0.3%	1 031.9	0.2%
Group Share	1 037.5	1 032.7	-0.5%	1 030.3	0.2%
Non-Controlling Interests	-0.1	1.7	-	1.6	3.0%
Total Liabilities	71.1	70.0	-1.6%	73.7	-5.1%
Non Current Liabilities	18.2	18.1	-1.0%	18.5	-2.4%
Bank Loans	3.4	2.0	-41.4%	2.4	-17.5%
Provisions for Other Liabilities and Charges	4.5	3.6	-20.4%	3.6	-1.0%
Others	10.4	12.5	20.5%	12.5	0.1%
Current Liabilities	52.9	51.9	-1.8%	55.2	-6.0%
Loans	1.2	1.2	1.0%	1.2	0.3%
Trade Creditors	16.1	15.7	-2.5%	16.0	-2.1%
Others	35.6	35.0	-1.6%	38.0	-7.9%
Operating CAPEX ⁽¹⁾	2.0	1.6	-21.4%	2.0	-19.7%
Operating CAPEX as % of Turnover	5.6%	4.4%	-1.3pp	5.8%	-1.4pp
Total CAPEX	2.7	3.4	25.6%	11.0	-69.6%
Underlying EBITDA - Operating CAPEX	-2.4	-1.6	33.2%	-1.9	16.7%
Gross Debt	5.5	3.6	-34.5%	4.1	-13.1%
Net Debt	-205.9	-197.5	4.1%	-197.9	0.2%

(1) Operating CAPEX excludes Financial Investments.

Consolidated levered FCF

LEVERED FREE CASH FLOW	1Q17	1Q18	Δ 18/17	4Q17	q.o.q.
Underlying EBITDA-Operating CAPEX	-2.4	-1.6	33.2%	-1.9	16.7%
Change in WC	5.2	3.2	-38.4%	23.6	-86.5%
Non Cash Items & Other	-1.4	0.1	-	1.2	-93.3%
Operating Cash Flow	1.4	1.7	21.8%	22.9	-92.7%
Investments	0.0	-1.8	-	-8.7	79.9%
Dividends	0.0	0.0	-	0.0	-
Financial results	0.1	-0.4	-	-1.2	61.2%
Income taxes	0.2	0.2	-0.4%	-1.5	-
FCF⁽¹⁾	1.7	-0.4	-	11.5	-

(1) FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs.

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.

SAFE HARBOUR

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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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