

RESULTS
ANNOUNCEMENT
9M17



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 105.1 million euros increasing 7.1% y.o.y driven mainly by the technology area

NOS showing continuous growth in all key operating metrics and growing 3.4% in Revenues

Technology area revenues reaching 94.7 million euros, growing 7.7% y.o.y., with International markets weighting 48.4%

Indirect Results with a positive impact from fair value adjustments in AVP funds

Net income reaching 24.9 million, significantly above 9M16

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, continues to strengthen market share in almost all of its core services.

Operating Revenues grew by 3.4% to 1,162.5 million euros reflecting an acceleration yoy in the telecom business and a deceleration from the cinema and audiovisuals business. Continued growth in RGUs associated with higher ARPU explain the acceleration in the telecom operation.

Technology area continued to pursue its active portfolio strategy, with a new investment closed, some potential investments at a very advanced stage, a new pre-seed fund formally launched and managing a strong pipeline with several active processes across all investment stages.

Turnover

Consolidated turnover in 9M17 reached 105.1 million euros, increasing 7.1% when compared to 9M16, with both Technology and Media areas contributing positively.

Operating costs

Operating costs amounted to 106.7 million euros, 8.4% above 9M16. Personnel costs grew 12.4% reflecting the increase in the average number of employees. Commercial costs increased 35.2% to 38.6 million euros, driven by the increase in cost of goods sold, aligned with 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 23.9 million euros, 44.6% above 9M16, essentially on the back of equity results increase, impacted mostly by ZOPT contribution which, in turn, depends on NOS net income evolution. Underlying EBITDA decreased to 0.2 million euros.

Net results

Sonaecom's EBIT increased 94.6% to 16.6 million euros, mainly explained by the higher level of EBITDA.

Net financial results reached negative 0.5 million euros in 9M17. In 9M16, net financial results were negatively impacted by NOS direct stake fair value adjustment at market price (until its sale in June 2016), amounting to negative 15.7 million euros, and positively impacted by both the 1.8 million euros of dividend received and the capital gain generated by the sale to ZOPT of the 2.14% direct stake in NOS.

Sonaecom's earnings before tax (EBT) increased to 16.1 million euros, driven by the higher EBITDA and the higher net financial results.

Indirect results of 6.9 million euros are related with the Armilar Venture Funds and its portfolio fair value adjustments.

Net results group share stood at 24.9 million euros, which compares with 6.0 million euros in 9M16.

Operating CAPEX

Sonaecom's operating CAPEX decreased to 6.6 million euros, reaching 6.2% of turnover, 2.1 p.p. below 9M16.

Capital structure

The cash position stood at 185.3 million euros, decreasing 57.1 million euros since September 2016, driven namely by 23.5 million euros of dividends distribution.

2.1 Telecommunications

NOS operating revenues were 1,162.5 million euros in 9M17, growing 3.4% y.o.y. EBITDA reached 451.6 million euros, increasing 4.6% when compared to 9M16 and representing a 38.8% EBITDA margin. CAPEX amounted to 263.6 million euros in 9M17, a decrease of 9.9% y.o.y. As a consequence of EBITDA and CAPEX evolution, EBITDA-CAPEX increased 35.1%.

At the end of 9M17, net financial debt totalled 1,079.8 million euros, equal to 1.9x EBITDA, a conservative ratio compared to its peers in the sector.

NOS published its 9M17 results on 8th November, 2017, which are available at www.nos.pt.

During 9M17, NOS share price decreased 7.1% from €5.638 to €5.240, whilst PSI20 increased by 15.6%.

Operational Indicators

Operational Indicators ('000)	3Q16	3Q17	Δ 17/16	2Q17	q.o.q.	9M16	9M17	Δ 17/16
Total RGUs	8 941.5	9 365.7	4.7%	9 254.3	1.2%	8 941.5	9 365.7	4.7%
Convergent RGUs	3 272.9	3 631.5	11.0%	3 585.9	1.3%	3 272.9	3 631.5	11.0%

Financial indicators

Million euros	3Q16	3Q17	Δ 17/16	2Q17	q.o.q.	9M16	9M17	Δ 17/16
NOS HIGHLIGHTS								
Operating Revenues	381.0	393.1	3.2%	388.4	1.2%	1 124.1	1 162.5	3.4%
EBITDA	145.2	151.2	4.1%	156.7	-3.5%	431.8	451.6	4.6%
EBITDA margin (%)	38.1%	38.5%	0.3pp	40.4%	-1.9pp	38.4%	38.8%	0.4pp
Net Income	27.5	33.6	22.4%	40.4	-16.7%	78.4	105.5	34.5%
CAPEX	96.6	90.8	-6.0%	85.7	5.9%	292.6	263.6	-9.9%
EBITDA-CAPEX	48.7	60.5	24.3%	71.1	-14.9%	139.1	188.0	35.1%

2.2 Technology

The Technology area aims to build and manage a portfolio of technology businesses around retail and telecommunications 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 48.4% of its revenues outside the Portuguese market with 38.5% out of the total 1,024 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 76.1% of its nine months 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 9M17, WeDo Technologies hosted a regional event in Malaysia, with over 85 attendees, including 17 telecom operators and held its Worldwide User Group in Lisbon with more than 300 attendees and more than 65 telecom operators. Already in October, the Company hosted the User Group Americas in Miami. It also marked its presence at the Mobile World Congress in Barcelona, where it launched an online platform for Telecom Operators, counting with a set of cloud-based applications, RAID.Cloud, that tackle fraud, revenue loss and other telecom operational issues.

RAID.Cloud also features ground breaking applications in customer digital risk profiling and crowdsourced service assurance analytics, leveraging the latest technologies in Artificial Intelligence and Machine Learning.

During this period, the company acquired ten new telecom customers - Moldova, Greece, Australia, Sri Lanka, 2 in USA, Benin, Georgia, UK and Curacao.

It is also worth noting that WeDo Technologies signed a Global Partnership agreement with Ericsson aiming at helping Operators in maximizing the value of their digital transformation investments, through smarter risk management and revenue stream protection.

S21Sec is a reference multinational cybersecurity player, focused on the delivery of cyber security services and development of proprietary supporting technologies. Since its foundation, the company has grown through constant R&D investment and today works with a global customer base, leveraging its teams in Spain, Portugal and Mexico.

S21sec has a strong commitment to the government sector and a recurrent collaboration with law enforcement agencies.

During 9M17, the company worked on its portfolio positioning to focus as an MSSP (Managed Security Services Provider), with all the services provided built around continuity with customers. In what concerns its own product, Lookwise Device Manager (LDM), a world-class product for the ATM Protection market, the strategy also evolved very positively with relevant contracts being signed with Mexican Banks and with a leading global Bank, the latter with a project including a significant number of licenses. Despite the growing number of cyber-attacks, no S21sec customer was affected by the 2 global attacks, WannaCry and Petya, occurred in 2017.

With a positive impact on brand visibility, S21sec powered Donostia Cyber Sec Event 2017 in San Sebastián and participated in several relevant events for the sector like "Mundo HackerDay", "Infosecurity Europe 2017", "Secure Payments & ID Congress 2017".

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 GS1 worldwide organizations.

This period has been marked by a market share reinforcement at Saphety GOV with 132 new customers. Saphety DOC also presented growth while EBP (Electronic Billing Presentment) project at Oi is being deployed. After being homologated as an invoice platform by Colombian tax authorities in 2016, Saphety closed its first Saphety DOC contracts in the country, which shows a favorable local market acceptance of the defined market strategy.

Saphety's customer base has now over 8,500 customers and 130,000 users in 34 countries with international markets representing almost 28% 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 9M17 Bizdirect revenues grew 16.4% versus 9M16 while the Cloud business unit, focused in Microsoft contract management, infrastructure sale and Cloud products and services, grew more than 17%. Nearshore business unit, supported by Bizdirect Competence Center in Viseu, won 8 new customers.

International revenues represented 8.2% of total Turnover as Bizdirect notoriety in the European market is growing. Nearshore already counts with 33 international customers across 15 countries.

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 forecasts of sales, 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, launched in April 2016, 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. *Probe.ly*, having started as an internal project, won the *Caixa Capital Empreender Award 2017*, has recently stepped from MVP (minimum valuable product) to an independent startup.

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.

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.

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 Outsystems and Feedzai, both consistently presenting meaningful and sustainable levels of growth.

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).

Financial indicators

Million euros

TECHNOLOGY AREA	3Q16	3Q17	Δ17/16	2Q17	q.o.q.	9M16	9M17	Δ17/16
Turnover	27.3	25.3	-7.3%	36.5	-30.6%	87.9	94.7	7.7%
Service Revenues	20.6	18.9	-8.2%	21.2	-10.9%	62.6	60.0	-4.2%
Sales	6.7	6.4	-4.4%	15.3	-57.9%	25.3	34.8	37.1%
Other Revenues	0.1	0.5	-	0.4	47.7%	0.6	1.1	94.7%
Operating Costs	26.2	25.8	-1.8%	35.1	-26.6%	85.4	93.3	9.3%
Personnel Costs	11.0	11.8	7.7%	11.6	1.7%	30.7	35.3	14.7%
Commercial Costs ⁽¹⁾	6.5	6.6	1.6%	15.6	-58.0%	25.6	35.2	37.2%
Other Operating Costs ⁽²⁾	8.8	7.3	-16.2%	7.8	-6.1%	29.0	22.9	-21.1%
EBITDA	1.2	0.1	-92.9%	1.8	-95.0%	3.1	2.5	-19.0%
EBITDA Margin (%)	4.5%	0.3%	-4.2pp	4.8%	-4.5pp	3.6%	2.7%	-0.9pp
Operating CAPEX ⁽³⁾	3.0	1.8	-40.0%	2.1	-12.2%	7.6	5.7	-25.1%
Operating CAPEX as % of Turnover	11.0%	7.1%	-3.9pp	5.6%	1.5pp	8.6%	6.0%	-2.6pp
EBITDA - Operating CAPEX	-1.8	-1.7	3.5%	-0.3	-	-4.4	-3.1	29.4%
Total CAPEX	4.6	3.2	-29.9%	3.0	7.5%	10.1	8.7	-14.1%

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

(3) Operating CAPEX excludes Financial Investments.

Turnover

Turnover increased 7.7% y.o.y., resulting from a very strong first half of 2017. 3Q17 Turnover declined 7.3% y.o.y. but with very positive signs from commercial activity.

Operating costs

Operating costs increased 9.3%, reaching 93.3 million euros, impacted by higher staff costs and higher commercial costs, despite declining other operational costs. Staff costs increased 14.7% driven by the growth in the number of employees. Commercial costs increased 37.2% driven by cost of goods sold, aligned with the higher level of sales, and other operating costs decreased 21.1%, mainly explained by lower levels of outsourcing costs.

EBITDA

EBITDA reached 2.5 million euros, decreasing 19.0% y.o.y., and reaching a margin of 2.7%.



EBITDA-operating CAPEX

EBITDA-operating CAPEX stood at negative 3.1 million euros, increasing when compared to 9M16, explained by the lower level of Operating CAPEX.

2.3 Media

During 9M17, Público continued to follow 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 an Award of Excellence, in the 2016 Best of Digital Design competition. During 1H17, Público was also awarded by “Prémio 5 Estrelas”, in the Social Communication Players category, as one of the preferred brands in Portugal.

Since October 2016, with the new Editorial Direction, the company has been able to implement important initiatives aimed at strengthening Público as the reference Portuguese speaking news organisation: editorial newsletters launch, opinion panel renovation, offline distribution improvement and digital skills reinforcement, while developing three digital media projects funded by Google DNI (Digital News Initiatives) Innovation Funds.

The positive performance of online advertising revenues coupled with online subscriptions growth more than offset offline circulation and advertising decline, having translated into an overall 3.9% revenue growth, when compared to 9M16, bucking the market trend. Recurrent EBITDA, despite negative, increased 25.0%, when compared to the same period last year.

3. Appendix

Consolidated income statement

Million euros

CONSOLIDATED INCOME STATEMENT	3Q16	3Q17	Δ17/16	2Q17	q.o.q.	9M16	9M17	Δ17/16
Turnover	30.5	28.7	-6.0%	40.3	-28.8%	98.1	105.1	7.1%
Service Revenues	21.7	20.1	-7.4%	22.9	-12.1%	66.7	64.1	-3.9%
Sales	8.8	8.5	-2.7%	17.4	-50.9%	31.4	41.0	30.5%
Other Revenues	0.2	0.8	-	0.6	27.9%	0.9	1.8	96.5%
Operating Costs	30.6	30.3	-1.1%	39.5	-23.3%	98.4	106.7	8.4%
Personnel Costs	13.5	14.3	6.3%	13.8	3.8%	37.8	42.5	12.4%
Commercial Costs ⁽¹⁾	7.4	7.8	4.9%	16.7	-53.6%	28.5	38.6	35.2%
Other Operating Costs ⁽²⁾	9.7	8.2	-16.0%	8.9	-8.4%	32.1	25.6	-20.2%
EBITDA	5.8	6.6	14.0%	10.5	-37.3%	16.5	23.9	44.6%
Underlying EBITDA ⁽³⁾	0.1	-0.8	-	1.4	-	0.6	0.2	-61.7%
Equity method ⁽⁴⁾	5.7	7.4	31.1%	9.1	-18.3%	15.9	23.7	48.6%
Underlying EBITDA Margin (%)	0.3%	-3.0%	-3.3pp	3.5%	-6.5pp	0.6%	0.2%	-0.4pp
Depreciation & Amortization	3.4	2.4	-29.6%	2.4	-1.9%	8.0	7.3	-8.9%
EBIT	2.4	4.2	75.7%	8.1	-48.0%	8.5	16.6	94.6%
Net Financial Results	-0.2	-0.2	-15.6%	-0.4	39.1%	-5.2	-0.5	90.7%
Financial Income	1.4	0.5	-61.6%	1.5	-64.9%	14.2	2.8	-80.1%
Financial Expenses	1.5	0.7	-52.1%	1.8	-59.8%	19.5	3.3	-83.0%
EBT	2.2	4.0	80.8%	7.7	-48.4%	3.3	16.1	-
Tax results	0.3	0.2	-42.2%	1.5	-87.0%	2.3	2.0	-16.7%
Direct Results	2.5	4.2	64.6%	9.2	-54.7%	5.7	18.1	-
Indirect Results⁽⁵⁾	-	7.1	-	-0.1	-	-	6.9	-
Net Income	2.5	11.3	-	9.1	-	5.7	25.0	-
Group Share	2.5	11.3	-	9.1	24.0%	6.0	24.9	-
Attributable to Non-Controlling Interests	0.0	0.0	-9.7%	0.0	-48.9%	-0.3	0.1	-

⁽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 Big Data and the 50% holding in ZOPT;

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

Consolidated balance sheet

Million euros

CONSOLIDATED BALANCE SHEET	3Q16	3Q17	Δ17/16	2Q17	q.o.q.	9M16	9M17	Δ17/16
Total Net Assets	1 053.7	1 098.4	4.2%	1 097.7	0.1%	1 053.7	1 098.4	4.2%
Non Current Assets	741.5	829.8	11.9%	819.8	1.2%	741.5	829.8	11.9%
Tangible and Intangible Assets	30.8	28.4	-7.7%	28.9	-1.6%	30.8	28.4	-7.7%
Goodwill	27.6	23.4	-15.4%	23.5	-0.4%	27.6	23.4	-15.4%
Investments	676.3	766.4	13.3%	755.9	1.4%	676.3	766.4	13.3%
Deferred Tax Assets	6.5	8.5	31.3%	8.4	1.7%	6.5	8.5	31.3%
Others	0.3	3.0	-	3.0	0.0%	0.3	3.0	-
Current Assets	312.2	268.6	-14.0%	277.9	-3.4%	312.2	268.6	-14.0%
Trade Debtors	40.1	37.6	-6.3%	46.0	-18.3%	40.1	37.6	-6.3%
Liquidity	248.9	190.3	-23.5%	189.1	0.7%	248.9	190.3	-23.5%
Others	23.2	40.7	75.6%	42.8	-5.0%	23.2	40.7	75.6%
Shareholders' Funds	989.9	1 032.7	4.3%	1 021.8	1.1%	989.9	1 032.7	4.3%
Group Share	991.5	1 032.8	4.2%	1 022.0	1.1%	991.5	1 032.8	4.2%
Non-Controlling Interests	-1.6	-0.2	90.3%	-0.2	8.0%	-1.6	-0.2	90.3%
Total Liabilities	63.8	65.8	3.1%	75.9	-13.3%	63.8	65.8	3.1%
Non Current Liabilities	11.0	19.4	75.7%	17.2	12.9%	11.0	19.4	75.7%
Bank Loans	4.4	3.2	-27.4%	3.2	-0.8%	4.4	3.2	-27.4%
Provisions for Other Liabilities and Charges	4.2	3.6	-13.4%	3.7	-0.6%	4.2	3.6	-13.4%
Others	2.4	12.5	-	10.3	21.9%	2.4	12.5	-
Current Liabilities	52.8	46.4	-12.1%	58.7	-20.9%	52.8	46.4	-12.1%
Loans	1.1	1.2	13.0%	1.2	-2.2%	1.1	1.2	13.0%
Trade Creditors	19.0	12.5	-34.1%	23.1	-45.7%	19.0	12.5	-34.1%
Others	32.6	32.6	0.0%	34.3	-5.0%	32.6	32.6	0.0%
Operating CAPEX ⁽¹⁾	3.3	2.1	-37.5%	2.4	-14.7%	8.2	6.6	-19.7%
Operating CAPEX as % of Turnover	10.9%	7.3%	-3.6pp	6.0%	1.2pp	8.3%	6.2%	-2.1pp
Total CAPEX	4.9	3.5	-28.8%	3.4	3.4%	10.7	9.6	-10.5%
Underlying EBITDA - Operating CAPEX	-3.2	-2.9	9.1%	-1.0	-186.4%	-7.6	-6.3	16.4%
Gross Debt	6.5	5.1	-22.2%	5.3	-3.9%	6.5	5.1	-22.2%
Net Debt	-242.4	-185.3	23.6%	-183.8	-0.8%	-242.4	-185.3	23.6%

(1) Operating CAPEX excludes Financial Investments.

Consolidated levered FCF

Million euros

LEVERED FREE CASH FLOW	3Q16	3Q17	Δ17/16	2Q17	q.o.q.	9M16	9M17	Δ17/16
Underlying EBITDA-Operating CAPEX	-3.2	-2.9	9.1%	-1.0	-186.4%	-7.6	-6.3	16.4%
Change in WC	3.4	-1.4	-	-4.8	71.7%	-0.5	-1.0	-95.3%
Non Cash Items & Other	-0.7	1.0	-	1.0	1.2%	-0.8	0.6	-
Operating Cash Flow	-0.5	-3.3	-	-4.8	32.3%	-8.9	-6.7	24.4%
Investments	-0.7	-1.4	-103.8%	-1.9	25.6%	81.7	-3.4	-
Dividends	10.3	7.5	-27.3%	9.0	-16.8%	20.1	16.5	-17.7%
Financial results	-0.3	-0.9	-191.0%	-2.1	54.5%	-1.4	-2.8	-99.4%
Income taxes	-0.1	-0.3	-129.8%	1.2	-	0.1	1.1	-
FCF⁽¹⁾	8.6	1.5	-82.1%	1.4	7.3%	91.6	4.7	-94.9%

(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.

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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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