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.

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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 GS1 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 Outsystems 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 campany, 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 Ípslon 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 Big Data, the 50% holding in ZOPT, the 27.45% holding in Secucloud and the 22.9% holding in Probe.ly
(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.

4. Financial Information

4.1. Sonaecom consolidated financial statements

Consolidated statement of financial position

For the periods ended at 31 March 2018 and 2017 and for the year ended at 31 December 2017

(Amounts expressed in Euro)	Notes	March 2018 (not audited)	March 2017 (not audited)	December 2017
Assets				
Non-current assets				
Tangible assets	1.c, 1.h and 5	3,068,410	3,197,438	3,211,795
Intangible assets	1.d, 1.e, 1.x and 6	24,770,274	26,358,421	25,019,894
Goodwill	1.f, 1.x and 7	23,298,687	23,652,640	23,351,829
Investments in associated companies and companies jointly controlled	1.b and 8	777,163,110	753,763,814	771,735,367
Investments at fair value through other comprehensive income	1.g, 4 and 9	7,009,723	539,615	5,480,963
Other non-current assets	1.g, 1.r, 4 and 22	4,078,805	3,439,942	3,812,536
Deferred tax assets	1.p, 1.t and 10	6,973,588	9,338,418	7,324,057
Total non-current assets		846,362,597	820,290,288	839,936,441
Current assets				
Inventories	1.i	397,170	461,786	232,706
Trade debtors	1.g, 1.j, 4 and 22	34,640,275	38,371,475	47,170,847
Other current debtors	1.g, 1.j, 4 and 22	3,398,084	21,163,810	2,942,113
Income tax receivable	1.p and 4	3,437,340	3,730,755	3,315,918
Other current assets	1.g, 1.r, 1.x, 4 and 22	15,005,359	13,112,499	9,985,136
Cash and cash equivalents	1.g, 1.k, 4 and 11	201,116,431	211,352,910	202,025,688
Total current assets		257,994,659	288,193,235	265,672,408
Total assets		1,104,357,256	1,108,483,523	1,105,608,849
Shareholders' funds and liabilities				
Shareholders' funds				
Share capital	12	230,391,627	230,391,627	230,391,627
Own shares	1.v and 13	(7,686,952)	(7,686,952)	(7,686,952)
Reserves	1.u	805,043,992	810,336,100	784,781,832
Consolidated net income/(loss) for the period		4,977,455	4,472,436	22,765,966
		1,032,726,122	1,037,513,211	1,030,252,473
Non-controlling interests		1,673,858	(122,364)	1,625,044
Total Shareholders' funds		1,034,399,980	1,037,390,847	1,031,877,517
Liabilities				
Non-current liabilities				
Non-current loans net of current position	1.g, 1.l, 1.m, 1.q, 4 and 14.a	1,970,354	3,360,219	2,389,738
Other non-current financial liabilities	1.h, 4 and 15	121,334	384,884	173,478
Provisions for other liabilities and charges	1.o, 1.t and 16	3,566,952	4,481,145	3,603,145
Deferred tax liabilities	1.p, 1.t and 10	10,112,055	8,263,418	10,243,448
Other non-current liabilities	1.g, 1.r, 1.y, 4, 22 and 27	2,287,512	1,746,786	2,093,069
Total non-current liabilities		18,058,207	18,236,452	18,502,878
Current liabilities				
Current loans and other loans	1.g, 1.l, 1.m, 1.q, 4 and 14.b	1,207,020	1,195,166	1,203,639
Trade creditors	1.g, 4, and 22	15,683,792	16,077,715	16,019,197
Other current financial liabilities	1.g, 1.h, 4 and 17	272,873	513,712	341,479
Other creditors	1.g, 4 and 22	5,718,142	6,334,953	5,293,896
Income tax payable	1.p and 4	152,631	181,400	112,690
Other current liabilities	1.g, 1.r, 1.y, 4, 22 and 27	28,864,611	28,553,278	32,257,553
Total current liabilities		51,899,069	52,856,224	55,228,454
Total liabilities		69,957,276	71,092,676	73,731,332
Total Shareholders' funds and liabilities		1,104,357,256	1,108,483,523	1,105,608,849

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Director

Consolidated profit and loss account by nature

For the periods ended at 31 March 2018 and 2017 and for the year ended at 31 December 2017

(Amounts expressed in Euro)	Notes	March 2018 (not audited)	March 2017 (not audited)	December 2017
Sales	1.s and 22	15,434,360	15,029,034	52,044,191
Services rendered	1.s and 22	21,174,466	21,101,311	87,515,371
Other operating revenues	1.q and 22	405,245	439,948	2,661,389
		37,014,071	36,570,293	142,220,951
Cost of sales	1.i	(12,695,354)	(13,124,744)	(44,493,096)
External supplies and services	1.h, 18 and 22	(9,247,809)	(9,301,914)	(37,524,704)
Staff expenses	1.y and 26, 27	(14,961,838)	(14,352,792)	(57,279,014)
Depreciation and amortisation	1.c, 1.d, 1.f, 1.x, 5, 6 and 7	(1,912,510)	(2,466,312)	(9,407,071)
Provisions and impairment losses	1.j, 1.o, 1.x and 16	(16,902)	(3,670)	(1,977,534)
Other operating costs		(78,827)	(125,868)	(630,639)
		(38,913,240)	(39,375,300)	(151,312,058)
Gains and losses in associated companies and companies jointly controlled	1.b, 8 and 20	7,384,589	6,959,588	35,779,065
Other financial expenses	1.h, 1.m, 1.w, 1.x and 19	(1,274,375)	(730,700)	(5,665,134)
Other financial income	1.w and 19	971,486	824,232	4,624,204
Current income / (loss)		5,182,531	4,248,113	25,647,028
Income taxation	1.p, 10 and 21	(110,925)	259,123	(2,742,817)
Consolidated net income/(loss) for the period		5,071,606	4,507,236	22,904,211
Attributed to:				
Shareholders of parent company	25	4,977,455	4,472,436	22,765,966
Non-controlling interests		94,151	34,800	138,245
Earnings per share	25			
Basic		0.02	0.01	0.07
Diluted		0.02	0.01	0.07

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Director

Consolidated statements of comprehensive income

For the periods ended at 31 March 2018 and 2017 and for the year ended at 31 December 2017

(Amounts expressed in Euro)	Notes	March 2018 (not audited)	March 2017 (not audited)	December 2017
Consolidated net income / (loss) for the period		5,071,606	4,507,236	22,904,211
Components of other consolidated comprehensive income, net of tax, that will be reclassified subsequently to profit or loss:				
Changes in reserves resulting from the application of equity method	8	(1,172,637)	(57,512)	653,663
Changes in currency translation reserve and other	1.v	(186,251)	(358,906)	(2,420,494)
Components of other consolidated comprehensive income, net of tax, that will not be reclassified subsequently to profit or loss:				
Changes in reserves resulting from the application of equity method	8	(785,640)	171,965	19,899
Consolidated comprehensive income for the period		2,927,078	4,262,783	21,157,279
Attributed to:				
Shareholders of parent company		2,832,927	4,227,983	21,019,034
Non-controlling interests		94,151	34,800	138,245

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Director

Consolidated movements in shareholders' funds

For the periods ended at 31 March 2018 and 2017

			Reserves							
(Amounts expressed in Euro)	Share capital	Own shares (note 13)	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non--controlling	Net income / (loss)	Total
2018										
Balance at 31 December 2017	230,391,627	(7,686,952)	775,290,377	16,913,362	7,686,952	(15,108,859)	784,781,832	1,625,044	22,765,966	1,031,877,517
Appropriation of the consolidated net result of 2017										
Transfers to other reserves	-	-	-	-	-	22,765,966	22,765,966	-	(22,765,966)	-
Dividend Distribution	-	-	-	-	-	-	-	-	-	-
Consolidated comprehensive income for the period ended at 31 March 2018	-	-	-	-	-	(2,144,528)	(2,144,528)	94,151	4,977,455	2,927,078
Impact of application of IFRS 15	-	-	-	-	-	(359,278)	(359,278)	-	-	(359,278)
Other changes	-	-	-	-	-	-	-	(45,337)	-	(45,337)
Balance at 31 March 2018	230,391,627	(7,686,952)	775,290,377	16,913,362	7,686,952	5,153,301	805,043,992	1,673,858	4,977,455	1,034,399,980

			Reserves							
(Amounts expressed in Euro)	Share capital	Own shares (note 13)	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non--controlling	Net income / (loss)	Total
2017										
Balance at 31 December 2016	230,391,627	(7,686,952)	775,290,377	15,163,177	7,686,952	(35,691,494)	762,449,012	(155,054)	48,131,541	1,033,130,174
Appropriation of the consolidated net result of 2016										-
Transfers to other reserves	-	-	-	-	-	48,131,541	48,131,541	-	(48,131,541)	-
Consolidated comprehensive income for the year ended at 31 March 2017	-	-	-	-	-	(244,453)	(244,453)	34,800	4,472,436	4,262,783
Other changes	-	-	-	-	-	-	-	(2,110)	-	(2,110)
Balance at 31 March 2017	230,391,627	(7,686,952)	775,290,377	15,163,177	7,686,952	12,195,594	810,336,100	(122,364)	4,472,436	1,037,390,847

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Director

Consolidated cash flow statements

For the periods ended at 31 March 2018 and 2017

(Amounts expressed in Euro)	Notes	March 2018 (not audited)		March 2017 (not audited)	
Operating activities					
Receipts from trade debtors		44,866,239		41,914,040	
Payments to trade creditors		(24,580,720)		(21,686,789)	
Payments to employees		(15,565,369)		(15,348,551)	
Cash flows generated by operations		4,720,150		4,878,700	
Payments / receipts relating to income taxes		(74,587)		(656,127)	
Other receipts / payments relating to operating activities		(2,387,278)		(1,007,187)	
Cash flows from operating activities (1)			2,258,285		3,215,386
Investing activities					
Receipts from:					
Tangible assets		-		557	
Intangible assets		3,250		-	
Interest and similar income		11,240		393,611	
Payments for:					
Financial investments		(1,751,475)		-	
Tangible assets		(471,287)		(1,243,464)	
Intangible assets		(222,716)		(380,192)	
Variation in loans granted		-		(100,000)	
Cash flows from investing activities (2)			(2,430,988)		(1,329,488)
Financing activities					
Payments for:					
Leasing	11	(108,746)		(97,622)	
Interest and similar expenses		(191,812)		(280,978)	
Loans obtained		(435,622)		(456,283)	
Cash flows from financing activities (3)			(736,180)		(834,883)
Net cash flows (4)=(1)+(2)+(3)			(908,883)		1,051,015
Effect of the foreign exchanges			(19,563)		45,733
Cash and cash equivalents at the beginning of the period	11		202,025,379		210,255,686
Cash and cash equivalents at the end of the period	11		201,096,933		211,352,434

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Director

Notes to the consolidated cash flow statements

For the periods ended at 31 March 2018 and 2017

1. Description of non-monetary financing activities

	Notes	March 2018	March 2017
a) Bank credit obtained and not used	14	1,000,000	1,000,000
b) Purchase of company through the issue of shares		Not applicable	Not applicable
c) Conversion of loans into shares		Not applicable	Not applicable

2. Acquisition or disposal of subsidiaries and other business activities

	Notes	March 2018	March 2017
a) Amounts paid of acquisitions			
Jscrambler	3.a	1,250,000	-
Convertivel Style Sage	3.a	126,475	-
Convertivel Sensei	3.a	200,000	-
Advert.io	3.a	150,000	-
Binary answer	3.a	25,000	-
		1,751,475	-

3. Cash flow breakdown by activity

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
2018				
Multimedia	(807,868)	(110,563)	(1,762)	(920,193)
Information Systems	4,406,537	(2,278,794)	(596,927)	1,530,816
Holding	(1,340,383)	(41,631)	(137,491)	(1,519,505)
	2,258,286	(2,430,988)	(736,180)	(908,882)

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
2017				
Multimedia	(370,915)	(126,969)	(9,070)	(506,954)
Information Systems	5,462,880	(1,478,230)	(648,902)	3,335,748
Holding	(1,876,580)	275,712	(176,911)	(1,777,779)
	3,215,386	(1,329,488)	(834,883)	1,051,015

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Director

4.2. Notes to the consolidated financial statements of Sonaecom

SONAECOM, SGPS, S.A. (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal. It is the parent company of the Group of companies listed in notes 2 and 3 ('the Group').

Sonaecom SGPS, S.A. is owned directly by Sontel BV and Sonae SGPS, SA and the ultimate beneficial owner is Efanor Investimentos SGPS, S.A..

Pargeste, SGPS, S.A.'s subsidiaries in the communications and information technology area were transferred to the Company through a demerger-merger process, executed by public deed dated 30 September 1997.

On 3 November 1999 the Company's share capital was increased, its Articles of Association were modified and its name was changed to Sonae.com, SGPS, S.A.. Since then the Company's corporate object has been the management of investments in other companies. Also on 3 November 1999, the Company's share capital was re-denominated to Euro, being represented by one hundred and fifty million shares with a nominal value of 1 Euro each.

On 1 June 2000, the Company carried out a Combined Share Offer, involving the following:

- A Retail Share Offer of 5,430,000 shares, representing 3.62% of the share capital, made in the domestic market and aimed at: (i) employees of the Sonae Group; (ii) customers of the companies controlled by Sonaecom; and (iii) the general public;
- An Institutional Offering for sale of 26,048,261 shares, representing 17.37% of the share capital, aimed at domestic and foreign institutional investors.

In addition to the Combined Share Offer, the Company's share capital was increased under the terms explained below. The new shares were fully subscribed for and paid up by Sonae, SGPS, S.A. (a Shareholder of Sonaecom, hereinafter referred to as 'Sonae'). The capital increase was subscribed for and paid up on the date the price of the Combined Share Offer was determined, and paid up in cash, 31,000,000 new ordinary shares of 1 Euro each being issued. The subscription price for the new shares was the same as that fixed for the sale of shares in the aforementioned Combined Share Offer, which was Euro 10.

In addition, in this year, Sonae sold 4,721,739 Sonaecom shares under an option granted to the banks leading the Institutional Offer for Sale and 1,507,865 shares to Sonae Group managers and to the former owners of the companies acquired by Sonaecom.

By decision of the Shareholders' General Meeting held on 17 June 2002, Sonaecom's share capital was increased from Euro 181,000,000 to Euro 226,250,000 by public subscription reserved for the existing Shareholders, 45,250,000 new shares of 1 euro each having been fully subscribed for and paid up at the price of Euro 2.25 per share.

On 30 April 2003, the Company's name was changed by public deed to SONAECOM, SGPS, S.A..

By decision of the Shareholders' General Meeting held on 12 September 2005, Sonaecom's share capital was increased by Euro 70,276,868, from Euro 226,250,000 to Euro 296,526,868, by the issuance of 70,276,868 new shares of 1 euro each and with a share premium of Euro 242,455,195, fully subscribed by France Télécom. The corresponding public deed was executed on 15 November 2005.

By decision of the Shareholders General Meeting held on 18 September 2006, Sonaecom's share capital was increased by Euro 69,720,000, from Euro 296,526,868 to Euro 366,246,868, by the issuance of 69,720,000 new shares of 1 euro each and with a share premium of Euro 275,657,217, subscribed by 093X – Telecomunicações Celulares, S.A. ('EDP') and Parpública – Participações Públicas, SGPS, S.A. ('Parpública'). The corresponding public deed was executed on 18 October 2006.

By decision of the Shareholders General Meeting held on 16 April 2008, bearer shares were converted into registered shares.

During the year ended on 31 December 2013, the merger between Zon Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. ('Zon') and Optimus SGPS, SA (note 8) was closed. Accordingly, the telecommunications segment was classified, for presentation purposes, as a discontinued operation and the Group's business became of, rather than the holding activity:

- Multimedia;
- Information systems consultancy.

Consequently, since the merger mentioned above, the telecommunications segment became jointly controlled (note 8).

On 5 February 2014, Sonaecom made public the decision to launch a general and voluntary tender offer for the acquisition of shares representing the share capital of Sonaecom.
The offer was general and voluntary, with the offered obliged to acquire all the shares that were the object of the offer and were, until the end of the respective period, subject to valid acceptance by the recipients.

The period of the offer, during which sales orders were received, ran for two weeks, beginning on 6 February and ending on 19 February 2014. On 20 February 2014, the results of the offer were released. The level of acceptance reached 62%, corresponding to 54,906,831 Sonaecom shares.

In 2014 Sonaecom reduced its share capital to Euro 230,391,627.

Euronext Lisbon announced Sonaecom exclusion from the PSI-20 from 24 February 2014 forward.

The Group operates in Portugal and has subsidiaries (from the information systems consultancy segment) operating in about 12 countries.

The consolidated financial statements are also presented in euro, rounded at unit, and the transactions in foreign currencies are included in accordance with the accounting policies detailed below.

1. Basis of presentation

The accompanying financial statements relate to the consolidated financial statements of the Sonaecom Group and have been prepared on a going concern basis, based on the accounting records of the companies included in the consolidation through full consolidation method (note 2) in accordance with the International Financial Reporting Standards (IFRS) as adopted and effective in the European Union on 1 January 2018 and taking into consideration the IAS 34 – Interim Financial Reporting. These financial statements were prepared based on the historical cost, except for the revaluation of some financial instruments.

Sonaecom adopted IFRS for the first time according to SIC 8 (First-time adoption of IAS) on 1 January 2003.

The following standards, interpretations, amendments and endorsed revisions by the European Union were enforced in the economic period beginning on or after 1 January 2018 and were first adopted in the period ending 31 March 2018:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 15 - Revenue from Contracts with Customers IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.	1-Jan-18
Amendments to IFRS 15 - Revenue from contracts with customers Review of accounting treatment for license revenue, definition of agency and transitory regime.	1-Jan-18
IFRS 9 Financial instruments This standard introduces new requirements for classifying and measuring financial assets.	1-Jan-18
Amendments to IFRS 4 - Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard, allowing an exemption regime in the recognition of changes in the fair value of financial investments.	1-Jan-18
Amendments to IFRS 2 - Share-based payment The objective of clarifications to IFRS 2 Share-based Payment was to clarify the classification and measurement of share-based payment transactions.	1-Jan-18
Annual Improvements to IFRS Standards 2014-2016 Cycle Annual Improvements to IFRSs 2014–2016 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2014–2016 cycle for annual improvements to IFRSs.	1-Jan-18
IFRIC Interpretation 22 - Foreign currency transactions and advance consideration IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	1-Jan-18
Amendments to IAS 40 - Transfers of investmenty property Amendments to IAS 40 clarifles the application of paragraph 57 of IAS 40 Investment Property, which provides guidance on transfers to, or from, investment properties.	1-Jan-18

Impacts of adoption IFRS 15 and IFRS 9

In the period ended on 31 March 2018, changes were introduced in the financial statements resulting from the application of IFRS 15 and IFRS 9.

I – IFRS 15 – Revenue from contracts with customers

IFRS 15 is based on the principle that revenue is recognized on the date of transfer of control to the customer, with the transaction value being allocated to the different performance obligations assumed to the client and subject to adjustment in the measurement whenever the consideration is variable or subject to a significant financial effect.

IFRS 15 resulted in the following accounting policies:

1. Recognition for Software as a Service (SaaS) contracts - IFRS 15 requires that if a service is not distinct, the entity shall combine such service with other services until it identifies a distinct service package. This will result in the record of all services in a contract as a unique performance obligation. In some SaaS agreements, software implementation services do not constitute a distinct performance obligation, but a

performance obligation combined with the SaaS service. In these cases, implementation and initial configuration activities mainly consist on administrative tasks required to perform the primary SaaS service, but do not provide an incremental benefit to the customer alone. Thus, in these contracts, the group should identify only one performance obligation (implementation and SaaS) and recognise the revenue from this performance obligation on a monthly basis over-the-time, over the contract period.

2. Recognition for certain costs incurred in the fulfillment of a contract (fulfillment costs) - The costs related to the implementation phase are considered fulfillment costs. Costs associated with performance of a contract must be capitalised in accordance with IFRS15 if (i) it is related to an existing contract or a specific future contract; ii) if they create the resources that will be used to satisfy a performance obligation in the future; (iii) whether costs are expected to be recovered; (iv) are not already covered by another accounting standard. These costs will be capitalised and recognised in profit and losses according to the estimated period of permanence of cleint or over the contract period.

3. Recognition for IT Audit Contracts - In accordance with IFRS 15, recognition of audit revenue must be "over-the-time" at the time that the benefits of the performance obligation are transferred to the customer, that is, in accordance with the milestones reports delivery to the client.

4. Recognition for the sale of newspapers and associated products through the distributor- In accordance with the definitions of IFRS 15, the revenue from these contracts must be recognised at the total amount. The conditions previse in IFRS 15 are verified in order for the Group to perform the role of Principal in these contracts. In this way, revenue must be recognised by the total value of sales of newspapers and associated products and the discount attributed to the distributor should be recognised as cost of distribution.

In adopting IFRS 15, the Group decided to adopt the transitional regime of the retrospective application with the initial cumulative effect recognised in retained earnings as of 1 January 2018, with the use of the following practical records:

a) Application only for contracts not completed on 01/01/2018

b) Non-restatement of modified contracts before 01/01/2017

IFRS 15 did not have an impact on Sonaecom's financial statements when it was applied on 1 January 2018.

II – IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial instruments, introducing changes at the level of: i) classification of financial assets; ii) calculation of the impairment of financial assets; and iii) designation of hedging relationships.

In the period ended 31 March, 2018, the Group has investments in unlisted companies that were classified as available for sale. In accordance with IFRS 9, the Group chose to present the subsequent changes in fair value through equity, and classified as "Investments at fair value through other comprehensive income". Consequently, fair value gains and losses are recorded under "Other comprehensive income".

With regard to the calculation of impairment, the new model requires the recognition of impairment losses based on expected credit losses rather than credit losses incurred as in IAS 39.

In adopting IFRS 9, the Group decided to adopt the transitional regime of the retrospective application with the initial cumulative effect recognised in retained earnings as of 1 January 2018.

The company had no material impacts from the application of IFRS 9, so no effect was recorded in Shareholders' Equity.

The following standards, interpretations, amendments and revisions, whose application is mandatory in future financial years, have been at the date of approval of these financial statements, approved (endorsed) by the European Union:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 16 - Leases IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases, replacing IAS 17. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17.	1-Jan-19
Amendments to IFRS 9 - Prepayment features with negative compensation The objective of the amendments to IFRS 9 is examine whether amortized cost measurement would provide relevant and useful information for instruments that contain symmetric prepayment options and otherwise have contractual cash flows that are solely payments of principal and interest.	1-Jan-19

The Group has not yet implemented any of these standards in the financial statements for the period ended on 31 March 2018.

The following standards, interpretations, amendments and revisions have not yet been approved (endorsed) by the European Union, at the date of approval of these financial statements:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRIC 23 - Uncertainty over income tax treatments	1-Jan-19
The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.	
Amendments to IAS 28 - Long-term interests in associates and joint ventures	1-Jan-19
The objective of the amendments is clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	
Annual Improvements to IFRS Standards 2015-2017 Cycle	1-Jan-19
Annual Improvements to IFRSs 2015–2017 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2015–2017 cycle for annual improvements to IFRSs.	
IFRS 17 - Insurance contracts	1-Jan-21
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.	
Amendments to IAS 19 - Plan amendment, curtailment or settlement	1-Jan-19
IAS 19 establishes the principles for accounting and disclosure of employee benefits.	

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the Group for the period ended on 31 March 2018. Their application is not yet mandatory.

The accounting policies and measurement criteria adopted by the Group on 31 March 2018 are comparable with those used in the preparation of 31 March 2017 financial statements.

Main accounting policies

The main accounting policies used in the preparation of the accompanying consolidated financial statements are as follows:

a) Investments in Group companies

Sonaecom has control of the subsidiary when the company cumulatively fulfils the following conditions: i) has power over the subsidiary; ii) is exposed to, or has rights over, variable results from its involvement with the subsidiary; and iii) the ability to use its power to affect its returns. These Investments were fully consolidated in the accompanying consolidated financial statements. Third party participations in the Shareholders' equity and net results of those companies are recorded separately in the consolidated balance sheet and in the consolidated profit and loss statement, respectively, under the caption 'Non-controlling interests'.

Total comprehensive income is attributed to the owners of the Shareholders of parent company and the non-controlling interests even if this results in a deficit balance of non-controlling interests.

In the acquisition of subsidiaries, the purchase method is applied. The results of subsidiaries bought or sold during the year are included in the profit and loss statement as from the date of acquisition (or of control acquisition) or up to the date of sale (or of control cession). Intra-Group transactions, balances and dividends are eliminated.

The fully consolidated companies are listed in note 2.

The acquisition cost is the amount of cash or cash equivalents paid or the fair value of other consideration transferred to acquire an asset at the time of its acquisition or constitution or, where applicable, the amount attributed to that asset upon initial recognition in accordance with the specific requirements of IFRS 3.

The transferred consideration may include assets or liabilities of the acquirer that have carrying amounts that differ from their fair value at the acquisition date (for example, non-cash assets or a business of the acquirer). If so, the acquirer shall re-measure the assets or liabilities transferred at their fair value at the acquisition date and recognise any gains or losses arising, if any, on the statement of income. However, sometimes the transferred assets or liabilities remain in the entity acquired after the business is carried out, and therefore, the acquirer retains control over them. In such situation, the acquirer shall measure those assets and liabilities at their carrying amounts immediately before the acquisition date and shall not recognise any gain or loss in the statement of profit and loss on assets or liabilities that it controls both before and after the business.

The expenses incurred with the acquisition of investments in Group companies are recorded as cost when they are incurred.

b) Investments in associated companies and companies jointly controlled

Investments in associated companies correspond to investments in which the Group has significant influence (generally investments representing between 20% and 50% of a company's share capital) and are recorded using the equity method.

The investments in companies jointly controlled are also recorded using the equity method. The classification of these investments is determinate based on Shareholders Agreements, which regulate the shared control.

In accordance with the equity method, investments are adjusted annually by the amount corresponding to the Group's share of the net results of associated companies, against a corresponding entry to gain or loss for the year, and by the amount of dividends received, as well as by other changes in the equity of the associated companies, which are recorded by a corresponding entry under the caption 'Other reserves'. An assessment of the investments in associated companies and companies jointly controlled is performed annually, with the aim of detecting possible impairment situations.

When the Group's share of accumulated losses of an associated company or a company jointly controlled exceeds the book value of the investment, the investment is recorded at nil value, except when the Group has assumed commitments to the associated company or a company jointly controlled, a situation when a provision is recorded under the caption 'Provisions for other liabilities and charges'.

The difference between the acquisition price of the investments in associated companies and companies jointly controlled and the fair value of identifiable assets and liabilities at the time of their acquisition, when positive, is recorded as Goodwill, included in the investment value and, when negative, after a reassessment, is recorded, directly, in the profit and loss statement under the caption 'Gains and losses in companies in associated companies and companies jointly controlled'.

The description of the associated companies and companies jointly controlled is disclosed in note 8.

c) Tangible assets

Tangible assets are recorded at their acquisition cost less accumulated depreciation and less estimated accumulated impairment losses.

Depreciations are calculated on a straight-line monthly basis as from the date the assets are available for use in the necessary conditions to operate as intended by the management, by a corresponding charge under the profit and loss statement caption 'Depreciation and amortisation'.

The annual depreciation rates used correspond to the estimated useful life of the assets, which are as follows:

	Years of useful life
Buildings and other constructions	5 - 20
Plant and machinery	3 - 15
Vehicles	4
Fixtures and fittings	1 - 10
Tools and utensils	4-5

Impairment losses detected in the realisation value of tangible assets are recorded in the year in which they arise, by a corresponding charge under the caption 'Depreciation and amortisation' in the profit and loss statement.

Current maintenance and repair expenses of tangible assets are recorded as costs in the year in which they occur. Improvements of significant amount, which increase the estimated useful life of the assets, are capitalised and depreciated in accordance with the remaining estimated useful life of the corresponding assets.

The estimated costs related with the mandatory dismantling and removal of tangible assets, incurred by the Group, are capitalised and depreciated in accordance with the estimated useful life of the corresponding assets.

Work in progress corresponds to tangible assets still in the construction/development stage which are recorded at their acquisition cost. These assets are depreciated as from the moment they are in condition to be used and when they are ready to start operating as intended by the management.

d) Intangible assets

Intangible assets are recorded at their acquisition cost less accumulated amortisation and less estimated accumulated impairment losses. Intangible assets are only recognised if they were identifiable and if it is likely that they will bring future economic benefits to the Group, if the Group controls them and if their cost can be reasonably measured.

Intangible assets comprise, essentially, software, industrial property, costs incurred with the acquisition of customers' portfolios (value attributed under the purchase price allocation in business combinations) and know-how.

Amortisations of intangible assets are calculated on a straight-line monthly basis, over the estimated useful life of the assets, as from the month in which the corresponding expenses are incurred. The amortisation of the customer's portfolios is provided on a straight-line basis over the estimated average retention period of the customers (6 years).

Expenditures with internally-generated intangible assets, namely research and development expenditures, are recognised in the profit and loss statement when incurred. Development expenditures can only be recognised as an intangible asset if the Group demonstrates the ability to complete the project and is able to put it in use or available for sale.

Amortisation for the year is recorded in the profit and loss statement under the caption 'Depreciation and amortisation'.

Impairment losses detected in the realisation value of intangible assets are recorded in the year in which they arise, by a corresponding charge under the caption 'Depreciation and amortisation' in the profit and loss statement.

The annual depreciation rates used correspond to the estimated useful life of the assets, which are as follows:

	Years of useful life
Brands and patents	1 - 15
Customers' portfolios	6
Contratuals rights	6
Software	1 - 15

e) Brands and patents

Brands and patents are recorded at their acquisition cost and are amortised on a straight-line basis over their respective estimated useful life. When the estimated useful life is undetermined, they are not depreciated but are subject to annual impairment tests.

Sonaecom Group does not hold any brands or patents with undetermined useful life, therefore the second half of the above referred paragraph is not applicable.

f) Goodwill

The differences between the acquisition price of investments in Group companies, companies jointly controlled and associated companies added the value of non-controlling interests (in the case of subsidiaries), the fair value of any interests previously held at the date and the fair value of the identifiable assets, liabilities and contingent liabilities of these companies at the date of business combination, when positive, are recorded under the caption 'Goodwill' (note 7) or maintained in the caption 'Investments in associated companies and companies jointly controlled' (note 8). The differences between the price of investments in foreign subsidiaries whose functional currency is not the Euro, the value of non-controlling interests (in case of subsidiaries) and the fair value of the identifiable assets and liabilities of these companies at the acquisition date are recorded in the functional currency of those subsidiaries. The reporting currency of Sonaecom (EUR) at the exchange rate on the date of the statement of financial position. The exchanges rate differences that arise upon conversion are recorded in the caption 'Reserves'.

Contingent consideration is recognised as a liability, at the acquisition-date, according to its fair value, and any changes to its value are recorded as a change in the 'Goodwill', but only as long as they occur during the 'measurement period' (until 12 months after the acquisition-date) and as long as they relate to facts and circumstances that existed at the acquisition date, otherwise these changes must be recognised in profit or loss.

Transactions regarding the acquisition of additional interests in a subsidiary after control is obtained, or the partial disposal of an investment in a subsidiary while control is retained, are accounted for as equity transactions impacting the shareholders' funds captions, and without giving rise to any additional 'Goodwill' and without any gain or loss recognised.

In the moment that a sales transaction generate a loss of control, should be derecognised assets and liabilities of the entity and any interest retained in the entity sold should be remeasured at fair value and any gain or loss calculated on the sale is recorded in profit and loss.

The Goodwill amount is not amortized, being tested annually or whenever there are impairment indices, to verify if there are any impairment losses to be recognized. The recoverable amount is determined based on the business plans used by Sonaecom's management. Goodwill impairment losses of the year are recorded in the profit and loss statement of the year under the caption 'Depreciation and amortization'.

Goodwill impairment losses can not be reversed.

Goodwill, if negative, is recognized as income on the acquisition date after reconfirmation of the fair value of identifiable assets, liabilities and contingent liabilities.

g) Financial instruments

Financial assets

Financial assets are recognized in the Group's statement of financial position on the trade or contracting date, which is the date on which the Group undertakes to acquire or dispose of the asset. At the initial recognition, except for trade accounts receivable, financial assets are recognized at fair value plus directly attributable transaction costs, except for assets at fair value through profit or loss in which transaction costs are recognized immediately in profit or loss. Trade accounts receivable, at the initial recognition, are recognized at their transaction price, as defined in IFRS 15.

Financial assets are derecognised when: (i) the contractual rights of the Group to receive their cash flows expire; (ii) the Group has transferred substantially all the risks and benefits associated with its detention; or (iii) despite retaining a portion, but not substantially all the risks and benefits associated with its holding, the Group has transferred control over the assets.

Financial assets and liabilities are offset and presented at net value, when and only when the Group has the right to offset the amounts recognized and intends to settle at the net value.

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, financial assets measured at amortized cost, financial assets at fair value through other comprehensive income. Its classification depends on the entity's business model to manage the financial assets and the contractual characteristics in terms of the cash flows of the financial asset.

(i) 'Financial assets at fair value through profit or loss'
'Financial assets at fair value through profit or loss' include derivative financial instruments and equity instruments that the Group has not classified as financial assets through other comprehensive income at the time of initial recognition. This category also includes all financial instruments whose contractual cash flows are not exclusively capital and interest.

Gains and losses resulting from the change in the fair value of assets measured at fair value through profit or loss are recognized in the income statement for the year in which they occur in the respective caption "Losses / (gains) on financial assets", which includes the amounts of income interest and dividends.

(ii) 'Financial assets at fair value through other comprehensive income'
Financial assets measured at fair value through other comprehensive income are part of a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets, these contractual cash flows being only capital repayment and interest on the capital in debt.

(iii) 'Financial assets measured at amortized cost
Financial assets measured at amortized cost are those that are included in a business model whose purpose is to hold financial assets in order to receive the contractual cashflows, and these contractual cash flows are only capital repayment and interest payments on capital in debt.

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the contractual substance regardless of their legal form. Equity instruments are contracts that show a residual interest in the Group's assets after deducting liabilities. Equity instruments issued by Group companies are recorded at the amount received, net of the costs incurred with their issue. Financial liabilities are derecognised only when they are extinguished, that is, when the obligation is settled, canceled or expired.

In accordance with IFRS 9, financial liabilities are classified as subsequently measured at amortized cost, except for:

(a) Financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, should subsequently be measured at fair value;
(b) financial liabilities that arise when a transfer of a financial asset does not meet the conditions for derecognition or when the continued involvement approach is applied;
(c) Financial guarantee contracts;
(d) commitments to grant a loan at a lower interest rate than the market;
(e) The contingent retribution recognized by a buyer in a business combination to which IFRS 3 applies. Such contingent retribution shall be subsequently measured at fair value, with changes recognized in profit or loss.

The Group's financial liabilities include: loans obtained (Note 1), accounts payable and derivative financial instruments (Note n)

h) Financial and operational leases
Lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the detention of the leased asset are transferred by the lease contract or as operational leases, if, in substance, there is no transfer of risks and rewards associated with the detention of the leased assets.

The lease contracts are classified as financial or operational in accordance with the substance and not with the form of the respective contracts.

Tangible assets acquired under finance lease contracts and the related liabilities are recorded in accordance with the financial method. Under this method the tangible assets, the corresponding accumulated depreciation and the related liability are recorded in accordance with the contractual financial plan at fair value or, if less, at the present value of payments. In addition, interests included in lease payments and the depreciation of the tangible assets are recognised as expenses in the profit and loss statement for the period to which they relate.

Assets under long-term rental contracts are recorded in accordance with the operational lease method. In accordance with this method, the rents paid are recognised as an expense, over the rental period.

i) Inventories
Inventories are stated at their acquisition cost, net of any impairment losses, which reflects their estimated net realisable value.

Accumulated inventory impairment losses reflect the difference between the acquisition cost and the realisable amount of inventories, as well as the estimated impairment losses due to low turnover, obsolescence and deterioration, and are registered in profit and loss statement, in 'Cost of sales'.

j) Trade and other current debtors

Trade and other current debtors are recorded at their net realisable value and do not include interests, since the discount effect is not significant.

These financial instruments arise when the Group provides money, supplies goods or provides services directly to a debtor with no intention of trading the receivable.

The amounts of these captions are presented net of any impairment losses and are registered in profit and loss statement in heading 'Provisions and impairment losses'. Future reversals of impairment losses are recorded in the profit and loss statement under the caption other operating revenue.

k) Cash and cash equivalents

Amounts included under the caption 'Cash and cash equivalents' correspond to amounts held in cash and term bank deposits and other treasury applications, with less than three months' maturity, where the risk of change in value is insignificant.

The consolidated cash flow statement has been prepared in accordance with IAS 7, using the direct method. The Group classifies, under the caption 'Cash and cash equivalents', investments that mature in less than three months, for which the risk of change in value is insignificant. The caption 'Cash and cash equivalents' in the cash flow statement also includes bank overdrafts, which are reflected in the balance sheet caption 'Short-term loans and other loans'.

The cash flow statement is classified by operating, financing and investing activities. Operating activities include collections from customers, payments to suppliers, payments to personnel and other flows related to operating activities. Cash flows from investing activities include the acquisition and sale of investments in associated, subsidiary companies and companies jointly controlled as well as receipts and payments resulting from the purchase and sale of fixed assets. Cash flows from financing activities include payments and receipts relating to loans obtained and finance lease contracts, as well as cash flows from the shareholders' transactions, in quality of shareholders.

All amounts included under this caption are likely to be realised in the short term and there are no amounts given or pledged as guarantee.

l) Loans

Loans are recorded as liabilities by the 'amortised cost'. Any expenses incurred in setting up loans are recorded as a deduction to the nominal debt and recognised during the period of the loan, based on the effective interest rate method. The interests incurred but not yet due are added to the loans caption until their payment.

m) Financial expenses relating to loans obtained

Financial expenses relating to loans obtained are generally recognised as expenses at the time they are incurred. Financial expenses related to loans obtained for the acquisition, construction or production of assets are capitalised as part of the cost of the assets. These expenses are capitalised starting from the time of preparation for the construction or development of the asset and are interrupted when the assets are ready to operate, at the end of the production or construction phases or when the associated project is suspended.

n) Derivatives

The Group only uses derivatives in the management of its financial risks to hedge against such risks. The Group does not use derivatives for trading purposes.

The cash flow hedges used by the Group are related to:

(i) Forward's exchange rate for hedging foreign exchange risk, particularly from receipts from customers of subsidiary Wedo Consulting. The values and times periods involved are identical to the amounts invoiced and their maturities.

On 31 March 2018, the Group had foreign exchange forwards in amount to USD 170,000 (USD 920,000 on 31 March 2017), fixing the exchange rate for EUR , which have an average maturity of 2 months (2 months on 31 March 2017).

o) Provisions and contingencies

Provisions are recognised when, and only when, the Group has a present obligation (either legal or implicit) resulting from a past event, the resolution of which is likely to involve the disbursement of funds by an amount that can be reasonably estimated. Provisions are reviewed at the balance sheet date and adjusted to reflect the best estimate at that date.

Provisions for restructurings are only registered if the Group has a detailed plan and if that plan has already been communicated to the parties involved.

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes, if the possibility of a cash outflow affecting future economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes when future economic benefits are likely to occur.

p) Income tax

'Income tax' expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in accordance with IAS 12 – 'Income Taxes'.

Sonaecom was covered, since January 2008, the special regime for the taxation of groups of companies, under which, the provision for income tax is determined on the basis of the estimated taxable income of all the companies covered by that regime, in accordance with such rules, however, for the year ended on 31 December 2015, the Sonaecom Group, no longer has an independent group of companies covered by the special regime for taxation due to of having passed to integrate the special regime for taxation of groups of Sonae SGPS companies.

Sonaecom is under the special regime for the taxation of groups of companies, from which Sonae, SGPS is the dominant company since 1 January 2015. Sonaecom records the income tax on their individual accounts and the tax calculated is record under the caption of group companies. The special regime for the taxation of groups of companies covers all direct or indirect subsidiaries, and even through companies resident in another Member State of the European Union or the European Economic Area, only if, in the last case, there is an obligation of administrative cooperation, on which the Group holds at least 75% of their share capital, where such participation confers more than 50% of voting rights, if meet certain requirements. The subsidiary Digitmarket is not covered by the special regime for the taxation of groups, since Sonae SGPS's indirect participation in Digitmarket is less than 75%. Subsidiaries Inovretail and S21sec Portugal became part of the Special Regime for Group Taxation on 1 January 1 2018.

Deferred taxes are calculated using the liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the respective amounts for tax purposes.

Deferred tax assets are only recognised when there is reasonable expectation that sufficient taxable profits shall arise in the future to allow such deferred tax assets to be used. At the end of each year the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are, likely, enabling the recovery of such assets (note 10).

Deferred taxes are calculated with the tax rate that is expected to be in force at the time the asset or liability will be used based on decreed tax rate or substantially decreed tax rate at balance sheet date. Whenever deferred taxes derive from assets or liabilities directly registered in Shareholders' funds, its recording is also made under the Shareholders' funds caption. In all other situations, deferred taxes are always recorded in the profit and loss statement.

q) Government subsidies

Subsidies awarded to finance staff expenses are recognised as less cost during the period in which the Group incurs in its costs and are included in the profit and loss statement under the caption 'Staff expenses'.

Subsidies awarded to finance investments are recorded as deferred income on the Balance Sheet and are included in the profit and loss statement under the caption 'Other operating revenues'. Subsidies are recognized during the estimated useful life of the corresponding assets.

For businesses in the digital security area, non-repayable subsidies are recognized in the balance sheet as deferred income and are recognized in the profit and loss statement in 'Other operating income'. The incentive is recognized during the project development period.

The reimbursable subsidies are recognized in the balance sheet as liabilities in 'Loans' and are depreciated in accordance with the established payment plans. These subsidies are recorded at amortized cost in accordance with the method of effective interest rate.

r) Accrual basis

Expenses and income are recorded in the period to which they relate, regardless of their date of payment or receipt. Estimated amounts are used when actual amounts are not known.

The captions of 'Other non-current assets', 'Other current assets', 'Other non-current liabilities' and 'Other current liabilities' include expenses and income relating to the current period, where payment and receipt will occur in future periods, as well as payments and receipts in the current period but which relate to future periods. The latter shall be included by the corresponding amounts in the results of the periods that they relate to.

The costs attributable to current year and whose expenses will only occur in future years are estimated and recorded under the caption 'Other current liabilities' and 'Other non-current liabilities', when it is possible to estimate reliably the amount and the timing of occurrence of the expense. If there is uncertainty regarding both the date of disbursement of funds, and the amount of the obligation, the value is classified as Provisions (note 1.o).

s) Revenue

Revenue should be measured at the fair value of the consideration received or receivable for the sale or rendering of services resulting from the normal activity of the company. The revenue is recognized net from taxes and taking into account the amount of any trade discounts and volume rebates allowed by the entity.

The recognition of the Group's revenue is based on the five-step model established by IFRS 15:
(i) Identification of the contract with the customer;
(ii) Identification of performance obligations;
(iii) Determination of the price of the transaction;
(iv) Allocation of transaction price to performance obligations; and
(v) Recognition of revenue.

Thus, at the beginning of each contract, the Group evaluates the promised goods or services and identifies, as a performance obligation, every promise of transfer to the customer of any distinct good or service (alone or together). These promises in customer contracts may be explicit or implicit, since such promises create a valid expectation on the customer that the entity will transfer a good or service to the customer, based on the entity's published policies, specific statements, or customary business practices.

In determining and allocating the price of the transaction of each performance obligation, the Group used the stand-alone prices of the promised products and services, at the date of conclusion of the contract with the customer.

The recognition of revenue occurs at the time of performance of each performance obligation.

Sale of goods

Revenue from the sale of goods should be recognised in the profit and loss statement when all the following conditions have been satisfied:

(i) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;

(ii) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(iii) the amount of revenue can be measured reliably;

(iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

The revenues of the consultancy projects are recognized in each year, according to the performance obligation to which they comply, according to the percentage of completion of these. That is, for each performance obligation the group recognises revenue over time by measuring progress towards full compliance with such a performance obligation.

The revenue from the implementation of Software as a Service (SaaS) contracts in some cases must be recognized together with the service as a single performance obligation on a monthly basis over the contract period.

Revenue from consultancy services or IT audits should be recognised at the time the benefits of the performance obligation are transferred to the customer.

Revenue from rendering of services should be recognized in the profit and loss statement when all the following conditions have been satisfied:

(i) the amount of revenue can be measured reliably;

(ii) it is probable that the economic benefits associated with the transaction will flow to the entity;

(iii) the stage of completion of the performance obligation at the end of the reporting period can be measured reliably; and

(iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Dividends

Dividends are recognised when the Shareholders' rights to receive such amounts are appropriately established and communicated.

t) Fair value

The measurement of fair value presumes that an asset or liability is changed in an orderly transaction between market participants to see the asset or transfer the liabilitie at the measurement date, under current market conditions. The measurement of fair value is based on the assumption that the transaction of sell the asset or transfer the liability may occur:

(i) In the main asset and liability market, or

(ii) The principal (or most advantageous) market in which an orderly transaction would take place for the asset or liability.

The Group uses valuation techniques appropriate to the circumstances and for which there is sufficient data to measure fair value, maximizing the use of observable relevant data and minimizing the use of unobservable data.

All assets and liabilities measured at fair value or for which disclosure is mandatory are classified according to a fair value hierarchy, which classifies into three levels the data to be used in the fair value measurement, detailed below:

Level 1 - unadjusted quoted prices for identical assets and liabilities in active markets, which the entity can access at the measurement date;

Level 2 - Valuation techniques that use inputs that are not quoted are directly or indirectly observable;

Level 3 - Valuation techniques that use inputs not based on observable market data, ie, based on unobservable data.

The measurement of fair value is classified fully at the lowest level of the input that is significant for the measurement as a whole.

u) Reserves

Legal reserve

Portuguese commercial legislation requires that at least 5% of the annual net profit must be appropriated to a 'Legal reserve', until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in case of liquidation of the Company, but may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

Share premiums

The share premiums relate to premiums generated in the issuance of capital or in capital increases. According to Portuguese Commercial law, share premiums follow the same requirements of 'Legal reserves', i.e., they are not distributable, except in case of liquidation, but they can be used to absorb losses, after all the other reserves are exhausted or to increase share capital.

Own shares reserve

The own shares reserve reflects the acquisition value of the own shares and deducted in equity, being unavailable for distribution .

Other reserves

This caption includes retained earnings from previous years and accumulated exchange differences in the amount of Euro 166,515.

Under Portuguese law, the amount of distributable reserves is determined in accordance with the individual financial statements of the Company, presented in accordance with IFRS. Additionally, the increments resulting from the application of fair value through equity components, including its implementation through net results, shall be distributed only when the elements that gave rise to them are sold, liquidated or exercised or when they finish their use, in the case of tangible or intangible assets. Therefore, on 31 March 2018, Sonaecom have free reserves distributable amounting approximately Euro 59.5 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the period ended 31 March 2018.

v) Own shares

Own shares are recorded as a deduction of Shareholders' funds. Gains or losses arising from the sale of own shares are recorded under the heading 'Other reserves'.

w) Balances and transactions in foreign currency

All transactions in foreign currency are translated for the functional currency at the exchange rate of the transaction date. At each closing date, the exchange restatement of outstanding balances is carried out, applying the exchange rate in effect at that date.

Favourable and unfavourable foreign exchange differences resulting from changes in the rates in force at transaction date and those in force at the date of collection, payment or at the balance sheet date are recorded as income and expenses in the consolidated profit and loss statement of the year, in financial results.

Assets and liabilities of the financial statements of foreign entities are translated for the functional currency of the Group (EUR) using the exchange rates in force at the statement of financial position date, while expenses and income in such financial statements are translated into euro using the average exchange rate for the period. The resulting exchange differences were recorded under the Shareholders' funds caption 'Other reserves'.

Entities operating abroad with organisational, economic and financial autonomy are treated as foreign entities.

Goodwill and adjustments to fair value generated in the acquisitions of foreign entities reporting in a functional currency other than Euro are translated at the statement of financial position.

The following rates were used to translate into Euro the financial statements of foreign subsidiaries and the balances in foreign currency:

	2018		2017	
	31 March	Average	31 March	Average
Pounds Sterling	1.1430	1.1323	1.1689	1.1163
Brazilian Real	0.2443	0.2507	0.2959	0.2989
American Dollar	0.8116	0.8136	0.9354	0.9392
Polish Zloti	0.2375	0.2393	0.2366	0.2315
Australian Dollar	0.6236	0.6396	0.7152	0.7116
Mexican Peso	0.0444	0.0434	0.0500	0.0464
Egyptian Pound	0.0460	0.0460	0.0520	0.0530
Malaysian Ringgit	0.2098	0.2073	0.2114	0.2112
Swiss Franc	0.8490	0.8581	0.9349	0.9351
South African Rand	0.0684	0.0680	0.0702	0.0711
Canadian Dollar	0.6291	0.6436	0.7022	0.7093
Turkish Lira	0.2042	0.2132	0.2571	0.2541
Colombian Peso	0.0003	0.0003	0.0003	0.0003

x) Assets impairment

Whenever the book value of an asset is greater than the amount recoverable, an impairment loss is recognised and recorded in the profit and loss statement under the caption 'Depreciation and amortisation' in the case of tangible assets and Goodwill and for the other assets under the caption 'Provisions and impairment losses', in relation to the other assets.

Non-financial assets impairment

Impairment tests are performed for assets with undefined useful life and Goodwill at the date of each statement of financial position and whenever an event or change of circumstances indicates that the recorded amount of an asset may not be recoverable.

Impairment tests are performed for assets with defined useful lives and investments in associated whenever there is evidence that their book value is higher than the recoverable value.

The recoverable amount is the greater of the net selling price and the value in use. Net selling price is the amount obtainable upon the sale of an asset in a transaction within the capability of the parties involved, less the costs directly related to the sale. The value in use is the present value of the estimated future cash flows expected to result from the continued use of the asset and of its sale at the end of its useful life.

The recoverable amount is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

For the value of Goodwill and Investments in associated companies, the recoverable amount, calculated in terms of value in use, is determined based on the most recent business plans duly approved by the Group's Board of Directors. For Goodwill and Investments in companies jointly controlled, the recoverable amount is determined taking into account various information such as the most recent business plans duly approved by the Group's Board of Directors and the average of evaluations made by external analysts (researches).

Non-financial assets, except goodwill, for which impairment losses have been recorded, are reviewed at each reporting date for reversal of these losses.

Financial assets impairment

The group assesses at each reporting date the existence of impairment in financial assets at amortized cost. The expected loss results from the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate.

The objective of this impairment policy is to recognize expected credit losses over the respective duration of financial instruments that have undergone significant increases in credit risk since initial recognition, assessed on an individual or collective basis, taking into account all reasonable and sustainable information, including prospects. If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since the initial recognition, the Group measures the provision for losses relating to that financial instrument by an amount equivalent to the expected credit losses within a period of 12 months .

The application of IFRS 9 impairment requirements did not generate material impacts and therefore there was no impact on balance sheet or equity.

y) Medium Term Incentive Plans

The accounting treatment of Medium Term Incentive Plans is based on IFRS 2 – 'Share-based Payments'.

Under IFRS 2, when the settlement of plans established by the company involves the delivery of Sonaecom's own shares, the estimated responsibility is recorded, as a credit entry, under the caption 'Medium Term Incentive Plans Reserve', within the heading 'Shareholders' funds' and is charged as an expense under the caption 'Staff expenses' in the profit and loss statement.

The quantification of this responsibility is based on fair value and is recognised over the vesting period of each plan (from the award date of the plan until its vesting or settlement date). The total responsibility, at any point of time, is calculated based on the proportion of the vesting period that has 'elapsed' up to the respective accounting date.

When the responsibilities associated with any plan are covered by a hedging contract, i.e., when those responsibilities are replaced by a fixed amount payable to a third party and when Sonaecom is no longer the party that will deliver the Sonaecom shares, at the settlement date of each plann, the above accounting treatment is subject to the following changes:

(i) The total gross fixed amount payable to third parties is recorded in the balance sheet as either 'Other non-current liabilities' or 'Other current liabilities';

(ii) The part of this responsibility that has not yet been recognised in the profit and loss statement (the 'unelapsed' proportion of the cost of each plan) is deferred and is recorded, in the balance sheet as either 'Other non-current assets' or 'Other current assets';

(iii) The net effect of the entries in (i) and (ii) above eliminate the original entry to 'Shareholders' funds';

(iv) In the profit and loss statement, the 'elapsed' proportion continues to be charged as an expense under the caption 'Staff expenses'.

For plans settled in cash, the estimated liability is recorded under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the vesting period that has 'elapsed' up to the respective accounting date. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

When the liability is covered by a hedging contract, recognition is made in the same way as described above, but with the liability being quantified based on the contractually fixed amount.

Equity-settled plans to be liquidated through the delivery of shares of Sonae SGPS are recorded as if they were settled in cash, which means that the estimated liability is recorded under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

On 31 March 2018, the plans allovates during the years 2015, 2016 and 2017 are not covered by the contract being recorded liability at fair value. The responsibility of all plans is recorded in the captions 'Other non-current liabilities' and 'Other current liabilities'. The cost is recognized on the income statement under the caption 'Staff expenses'.

z) Subsequent events

Events occurring after the date of the balance sheet which provide additional information about conditions prevailing at the time of the balance sheet (adjusting events) are reflected in the consolidated financial statements. Events occurring after the balance sheet date that provide information on post-balance sheet conditions (non-adjusting events), when material, are disclosed in the notes to the consolidated financial statements.

aa) Judgements and estimates

The most significant accounting estimates reflected in the consolidated financial statements of the periods ended on 31 March 2018 and 2017 are as follows:

(i) Useful lives of tangible and intangible assets (notes 1.c and 1.d);

(ii) Impairment analysis of goodwill, investments in associated companies and companies jointly controlled and of other tangible and intangible assets (note 7);

(iii) Recognition of impairment losses on assets (Trade debtors and inventories), provisions and analysis of contingent liabilities; and

(iv) Recoverability of deferred tax assets (note 10);

(v) Valuation at fair value of assets, liabilities and contigent liabilities in operations of concentration of business activities.

Estimates used are based on the best information available during the preparation of the consolidated financial statements and are based on the best knowledge of past and present events. Although future events are neither foreseeable nor controlled by the Group, some could occur and have impact on such estimates. Changes to the estimates used by the management that occur after the approval date of these consolidated financial statements, will be recognised in net income, in accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors', using a prospective methodology.

The main estimates and assumptions in relation to future events included in the preparation of these consolidated financial statements are disclosed in the corresponding notes.

Entities included in the consolidation perimeter

To determine the entities to be included in the consolidation perimeter, the Group assesses the extent to which it is exposed, or has rights, to variability in returns from its involvement with that entity and can take possession of them through the power it holds over this entity.

The decision that an entity must be consolidated by the Group requires the use of judgment, estimates and assumptions to determine the extent to which the Group is exposed to return variability and the ability to take possession of them through its power.

Other assumptions and estimates could lead to the Group's consolidation perimeter being different, with direct impact on the consolidated financial statements.

ab) Financial risk management

Due to its activities, the Group is exposed to a variety of financial risks such as market risk, liquidity risk and credit risk. These risks arise from the unpredictability of financial markets, which affect the capacity of project cash flows and profits. The Group financial risk management, subject to a long-term ongoing perspective, seeks to minimise potential adverse effects that derive from that uncertainty, using, whenever it is possible and advisable, derivative financial instruments to hedge the exposure to such risks (note 1.n).

The Group is also exposed to equity price risks arising from equity investments, although they are usually maintained for strategic purposes.

Market risk

a) Foreign exchange risk

The Group operates internationally, having subsidiaries that operate in countries with a different currency than Euro namely Brazil, United Kingdom, United States of America, Mexico, Australia, Egypt, Colombia and Malaysia (branch) and so it is exposed to foreign exchange rate risk.

Foreign exchange risk management seeks to minimise the volatility of investments and transactions made in foreign currencies and contributes to reduce the sensitivity of Group results to changes in foreign exchange rates.

Whenever possible, the Group uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such a procedure is not possible, the Group adopts derivative financial hedging instruments (note 1.n).

The Group's exposure to foreign exchange rate risk, results essentially from the fact that some of its subsidiaries report in a currency different from euro, making the risk of operational activity immaterial.

b) Interest rate risk

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility on the Group results or on its Shareholders' funds is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility to use derivative financial instruments that hedge the interest rate risk, as mentioned below; (iii) possible correlation between the level of market interest rates and economic growth having the latter a positive effect in other lines of the Group's consolidated results (particularly operational), and in this way partially offsetting the increase of financial costs ('natural hedge'); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate.

The Group only uses derivatives or similar transactions to hedge interest rate risks considered significant. Three main principles are followed in all instruments selected and used to hedge interest rate risk:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates on the loans subject to hedging must equalise the settlement dates defined under the hedging instrument;
- Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the facility/transaction which is being hedged;
- As from the start of the transaction, the maximum cost of the debt, resulting from the hedging operation is known and limited, even in scenarios of extreme changes in market interest rates, so that the resulting rates are within the cost of the funds considered in the Group's business plan.

As all Sonaecom's borrowings (note 14) are at variable rates, interest rate are used swaps and other derivatives, when it is deemed necessary, to hedge future changes in cash flow relating to interest payments. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, being the Group's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions. In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

In determining the fair value of hedging operations, the Group uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates prevailing at the balance sheet date.

Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the valuation.

The fair value of the derivatives contracted, that are not considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions established in IAS 39), are recognised under statement financial position and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the year.

Sonaecom's Board of Directors approves the terms and conditions of the financing with significant impact in the Group, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed / variable). Under the policy defined above, the Executive Committee is responsible for the decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

On 31 March 2018, are not contracted any derivatives of interest rate hedging.

Liquidity risk

The existence of liquidity in the Group requires the definition of some policies for an efficient and secure management of the liquidity, allowing us to maximise the profitability and to minimise the opportunity costs related to that liquidity.

The liquidity risk management has a threefold objective: (i) Liquidity, i.e., to ensure the permanent access in the most efficient way to obtain sufficient funds to settle current payments within the respective dates of maturity as well as any eventual not forecasted requests for funds, within the deadlines set for this; (ii) Safety, i.e. to minimise the probability of default in any reimbursement of application of funds; and (iii) Financial Efficiency, i.e., to ensure that the Group maximises the value / minimises the opportunity cost of holding excess liquidity in the short term.

The main underlying policies correspond to the variety of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparty and the maximum periods for investments.

The existing liquidity in the Group should be applied to the alternatives and by the order described below:

(i) Amortisation of short-term debt – after comparing the opportunity cost of amortisation and the opportunity cost related to alternative investments;

(ii) Consolidated management of liquidity – the existing liquidity in Group companies, should mainly be applied in Group companies, to reduce the use of bank debt at a consolidated level; and

(iii) Applications in the market.

The applications in the market are limited to eligible counterparties, with ratings previously established by the Board and limited to certain maximum amounts by counterparty.

The definition of maximum amounts intends to ensure that the application of liquidity in excess is made in a prudent way and taking into consideration the best practices in terms of bank relationships.

The maturity of applications should equal the forecasted payments (or the applications should be easily convertible, in the case of asset investments, to allow urgent and not estimated payments), considering a threshold for eventual deviations on the estimates. The threshold depends on the accuracy level of treasury estimates and would be determined by the business. The accuracy of the estimates is an important variable to quantify the amounts and the maturity of the applications in the market.

Taking into account the low value of the liabilities of the Company is understood that the liquidity risk is very low.

Credit risk

The Group's exposure to credit risk is mainly associated with the accounts receivable related to current operational activities and cash investments.

The management of this risk seeks to guarantee that the amounts owing are effectively collected within the periods negotiated without affecting the financial health of the Group. The Group uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, as well as credit insurances, which all contribute to the mitigation of credit risk.

The amounts included in the financial statements related to trade debtors, other non-current assets, other current debtors and cash and cash equivalents, net of impairment losses, represent the maximum exposure of the Group to credit risk.

Sonaecom holds financial assets resulting from its relationship with its financial institutions. There is a credit risk associated with the potential pecuniary default of the Financial Institutions that are counterparts in these relationships, however, in general, the exposure related to this type of financial assets is widely diversified and of limited duration in time.

The credit risk associated to financial institutions is limited by the management of risks concentration and a rigorous selection of counterparties that presents a high prestige and international recognition and based on their ratings, taking into account the nature, maturity and size of operations.

Taking into account the above mentioned policies, the Administration does not anticipate the possibility of any occurrence of any immaterial non-compliance with contractual obligations.

Capital risk

Sonaecom's capital structure, determined by the ratio of equity and net debt, is managed in a way that ensures the continuity and development of its operating activities, maximizes shareholder returns and optimizes the cost of financing.

Risks, opportunities and necessary adjustment measures in order to achieve the referred objectives are periodically monotirized by Sonaecom.

In March 2018, Sonaecom reported an average gearing (accounting) of - 18.3%. The average gearing in market values in 2018 was negative in 25.3%.

2. Companies included in the consolidation

Group companies included in the consolidation through full consolidation method, their head offices, main activities, shareholders and percentage of share capital held on 31 March 2018 and 2017, are as follows:

				Percentage of share capital held			
				2018		2017	
Company (Commercial brand)	Head office	Main activity	Shareholder	Direct	Effective*	Direct	Effective*
Parent company							
SONAECOM, S.G.P.S., S.A. ('Sonaecom')	Maia	Management of shareholdings.	-	-	-	-	-
Subsidiaries							
Bright Developement Studio, S.A. ('Bright')	Lisbon	Research, development and commercialization of projects and service solutions in the area of information technology, communications and retail, and consulting activities for business and management.	Sonae IM	100%	100%	100%	100%
Bright Ventures Capital, SCR, S.A.	Lisbon	Realization of investment in venture capital, management of venture capital funds and investment in venture capital fund units.	Bright	100%	100%	100%	100%
Cape Technologies Limited ('Cape Technologies')	Dublin	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	100%	100%
Digitmarket – Sistemas de Informação, S.A. ('Digitmarket' – using the brand 'Bizdirect')	Maia	Development of management platforms and commercialisation of products, services and information, with the internet as its main support.	Sonae IM	75.10%	75.10%	75.10%	75.10%
Inovretail, S.A.	OPorto	Industry and coméricio of electronic equipment and software; development, installation, implementation, training and maintenance of systems and software products; rental equipment, sale of software use license; consulting business, advisory in retail segments, industry and services.	Sonae IM	100%	100%	100%	100%
Fundo Bright Vector I ('Bright Vector I') (a)	Lisbon	Venture Capital Fund	Sonae IM	50.13%	50.13%	-	-
PCJ - Público, Comunicação e Jornalismo, S.A. ('PCJ')	Maia	Editing, composition and publication of periodical and non-periodical material and the exploration of radio and TV stations and studios.	Sonaecom	100%	100%	100%	100%
Praesidium Services Limited ('Praesidium Services')	Berkshire	Rendering of consultancy services in the area of information systems.	Sonae IM	100%	100%	100%	100%
Público – Comunicação Social, S.A. ('Público')	Oporto	Editing, composition and publication of periodical and non-periodical material.	Sonaecom	100%	100%	100%	100%
S21Sec Portugal Cybersecurity Services, S.A.('S21 Sec Portugal')	Maia	Commercialization of products and management services, implementation and consulting in information systems and technologies areas.	S21 Sec Gestion	100%	100%	100%	100%
S21 Sec Brasil, Ltda ('S21 Sec Brasil')	São Paulo	Consulting in information technology. Development and licensing of customizable computer programs. Development of custom computer programs. Technical support, maintenance and other services in information technology.	S21 Sec Gestion	99.99%	100%	99.99%	100%
S21 Sec Ciberseguridad S.A. de CV (b)	Mexico City	Computer consulting services	S21 Sec Gestion S21 Sec México	Merged into S21 Sec, S.A. de CV		50% 50%	100%
S21 Sec Gestion, S.A. ('S21 Sec Gestion')	Guipuzcoa	Consulting, advisory, audit and maintenance of all types of facilities and advanced communications services and security systems. Purchase and installation of advanced communications and security systems produced by others.	Sonaecom CSI	100%	100%	100%	100%
S21 Sec Information Security Labs, S.L. ('S21 Sec Labs')	Navarra	Research, development and innovation, as well as consulting, maintenance and audit for products, systems, facilities and communication and security services.	S21 Sec Gestion	100%	100%	100%	100%
S21 Sec México, S.A. de CV ('S21 Sec México') (b)	Mexico City	Computer consulting services	S21 Sec Gestion	Merged into S21 Sec, S.A. de CV		99.87%	100%
S21 Sec, S.A. de CV ('S21 Sec, S.A. de CV')	Mexico City	Computer consulting services	S21 Sec Gestion S21 Sec Labs	99,9996% 0,0004%	100%	99,99% -	75% -
Saphety Level – Trusted Services, S.A. ('Saphety')	Maia	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; trade, development and representation of software.	Sonae IM	86.995%	86.995%	86.995%	86.995%
Saphety Brasil Transações Eletrônicas Ltda. ('Saphety Brasil')	São Paulo	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; electronic identification, storage and availability of databases and electronic payments; trade, development and representation of software related with these services.	Saphety	99.99%	86.986%	99.99%	86.986%
Saphety – Transacciones Electronicas SAS ('Saphety Colômbia')	Bogotá	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; electronic identification, storage and availability of databases and electronic payments; trade, development and representation of software related with these services.	Saphety	100%	86.995%	100%	86.995%

* Sonaecom effective participation

				Percentage of share capital held			
				2018		2017	
Company (Commercial brand)	Head office	Main activity	Shareholder	Direct	Effective*	Direct	Effective*
Sonaecom – Cyber Security and Intelligence, SGPS, S.A. ('Sonaecom CSI')	Maia	Management of shareholdings.	Sonae IM	100%	100%	100%	100%
Sonaecom - Serviços Partilhados, S.A. ('Sonaecom SP')	Maia	Support, management consulting and administration, particularly in the areas of accounting, taxation, administrative procedures, logistics, human resources and training.	Sonaecom	100%	100%	100%	100%
Sonae Investment Management – Software and Technology, SGPS, S.A. ('SonaeIM')	Maia	Management of shareholdings in the area of corporate ventures and joint ventures.	Sonaecom	100%	100%	100%	100%
Sonaecom - Sistemas de Información Espanã, S.L. ('SSI Espanã') (c)	Madrid	Rendering of consultancy services in the area of information systems.	We Do Sonae IM	100% -	100% -	- 100%	- 100%
Tecnológica Telecomunicações, LTDA. ('Tecnológica')	Rio de Janeiro	Rendering of consultancy and technical assistance in the area of IT systems and telecommunications.	We Do Brasil	99.99%	99.90%	99.99%	99.90%
We Do Consulting – Sistemas de Informação, S.A. ('We Do')	Maia	Rendering of consultancy services in the area of information systems.	Sonae IM	100%	100%	100%	100%
Wedo do Brasil Soluções Informáticas, Ltda. ('We Do Brasil')	Rio de Janeiro	Commercialisation of software and hardware; rendering of consultancy and technical assistance related to information technology and data processing.	We Do	99.91%	99.91%	99.91%	99.91%
We Do Technologies Americas, Inc ('We Do USA')	Delaware	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Technologies Australia PTY Limited ('We Do Asia')	Sydney	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Technologies BV ('We Do BV')	Amsterdam	Management of shareholdings.	We Do	100%	100%	100%	100%
We Do Technologies BV – Malaysian Branch ('We Do Malásia')	Kuala Lumpur	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	100%	100%
We Do Technologies Egypt LLC ('We Do Egypt')	Cairo	Rendering of consultancy services in the area of information systems.	We Do BV We Do	90% 10%	100%	90% 10%	100%
We Do Technologies (UK) Limited ('We Do UK')	Berkshire	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	100%	100%
We Do Technologies Mexico, S de R.L. ('We Do Mexico')	Mexico City	Rendering of consultancy services in the area of information systems.	We Do We Do BV	0.001% 99.999%	100%	0.001% 99.999%	100%

* Sonaecom effective participation
(a) Fund constituted in September 2017. As Sonae IM holds control over the Fund, the participation was included in the consolidated by the full consolidation method as established by IFRS 10.
(b) Companies merged in S21 Sec, S.A. De CV in April 2017
(c) In June 2017 the particpation held by Sonae Investment Management - Software and Technology, SGPS, S.A. was sold to We Do Consulting - Sistemas de Informação, S.A.

All the above companies were included in the consolidation in accordance with the full consolidation method under the terms of IFRS 10 – 'Consolidated Financial Statements'.

3. Changes in the Group

During the periods ended on 31 March 2018 and 2017, the following changes occurred in the composition of the Group:

a) Acquisitions

Shareholder	Subsidiary	Date	% Direct Participation	% Effective Participation
2018				
Bright	Food Orchestrator, Lda	Jan-18	7.81%	7.81%
Sonae IM	Jscrambler	Feb-18	10.00%	10.00%
Fundo Bright Vector I	Advert.io	Mar-18	7.23%	3.62%
Fundo Bright Vector I	Binary Answer	Mar-18	2.68%	1.34%

Shareholder	Subsidiary	Date	% Direct Participation	% Effective Participation
2017				
Bright	Food Orchestrator, Lda	Mar-17	0.17%	0.17%
Sonae IM	Fundo de Capital de Risco Armilar Venture Partners III ('Armilar III')	Mar-17	0.41%	0.41%

4. Breakdown of financial instruments

On 31 March 2018 and 2017, the breakdown of financial instruments was as follows:

2018	Financial assets measured at amortized cost	Financial assets at fair value through other comprehensive income	Total financial assets	Others not covered by IFRS 9	Total
Non-current assets					
Investments at fair value through other comprehensive income (note 9)	-	7,009,723	7,009,723	-	7,009,723
Other non-current assets	4,078,805	-	4,078,805	-	4,078,805
	4,078,805	7,009,723	11,088,528	-	11,088,528
Current assets					
Trade debtors	34,640,275	-	34,640,275	-	34,640,275
Other current debtors	2,577,457	-	2,577,457	820,627	3,398,084
Income taxa receivable	-	-	-	3,437,340	3,437,340
Other current assets	11,192,580	-	11,192,580	3,812,779	15,005,359
Cash and cash equivalents (note 11)	201,116,431	-	201,116,431	-	201,116,431
	249,526,743	-	249,526,743	8,070,746	257,597,489

2017	Financial assets measured at amortized cost	Financial assets at fair value through other comprehensive income	Total financial assets	Others not covered by IFRS 9	Total
Non-current assets					
Investments at fair value through other comprehensive income (note 9)	-	539,615	539,615	-	539,615
Other non-current assets	3,439,942	-	3,439,942	-	3,439,942
	3,439,942	539,615	3,979,557	-	3,979,557
Current assets					
Trade debtors	38,371,475	-	38,371,475	-	38,371,475
Other current debtors	19,927,034	-	19,927,034	1,236,776	21,163,810
Income taxa receivable	-	-	-	3,730,755	3,730,755
Other current assets	10,493,320	-	10,493,320	2,619,179	13,112,499
Cash and cash equivalents (note 11)	211,352,910	-	211,352,910	-	211,352,910
	280,144,739	-	280,144,739	7,586,710	287,731,449

2018	Liabilities recorded at amortised cost	Total financial liabilities	Others not covered by IFRS 9	Total
Non-current liabilities				
Non-current loans net of short term position (note 14)	1,970,354	1,970,354	-	1,970,354
Other non-current financial liabilities (note 15)	121,334	121,334	-	121,334
Other non-current liabilities	925,103	925,103	1,362,409	2,287,512
	3,016,791	3,016,791	1,362,409	4,379,200
Current liabilities				
Current loans and other loans (note 14)	1,207,020	1,207,020	-	1,207,020
Trade creditors	15,683,792	15,683,792	-	15,683,792
Other current financial liabilities (note 17)	272,873	272,873	-	272,873
Other creditors	1,139,346	1,139,346	4,578,796	5,718,142
Income tax payable	-	-	152,631	152,631
Other current liabilities	16,116,621	16,116,621	12,747,990	28,864,611
	34,419,652	34,419,652	17,479,417	51,899,069

2017	Liabilities recorded at amortised cost	Total financial liabilities	Others not covered by IFRS 9	Total
Non-current liabilities				
Non-current loans net of short term position (note 14)	3,360,219	3,360,219	-	3,360,219
Other non-current financial liabilities (note 15)	384,884	384,884	-	384,884
Other non-current liabilities	1,193,051	1,193,051	553,735	1,746,786
	4,938,154	4,938,154	553,735	5,491,889
Current liabilities				
Current loans and other loans (note 14)	1,195,166	1,195,166	-	1,195,166
Trade creditors	16,077,715	16,077,715	-	16,077,715
Other current financial liabilities (note 17)	513,712	513,712	-	513,712
Other creditors	2,004,864	2,004,864	4,330,089	6,334,953
Income tax payable	-	-	181,400	181,400
Other current liabilities	17,132,559	17,132,559	11,420,719	28,553,278
	36,924,016	36,924,016	15,932,208	52,856,224

Considering the nature of the balances, the amounts to be paid and received to/from 'State and other public entities' as well as specialized costs related to the share based plans were considered outside the scope of IAS 39. On the other hand, the deferred costs/profits recorded in the captions other current and non-current assets/liabilitie were considered non-financial instruments.

The Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument. Additionally other financial assets and other current liabilities correspond to assets and liabilities measured at amortized cost which will be satisfied in the short term.

5. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the periods ended on 31 March 2018 and 2017 was as follows:

							2018
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets							
Balance at 31 December 2017	4,261,366	10,136,678	27,398	9,763,442	453,821	227,465	24,870,170
Additions	9,170	-	-	56,418	161		65,749
Disposals	-	-	-	(374)	-	-	(374)
Effect of currency translation	1,058	(4,568)	-	(45,569)	(18)	-	(49,097)
Transfers and write-offs	4,082	35,793	-	10,989	1,986	(73,830)	(20,980)
Balance at 31 March 2018	4,275,677	10,167,903	27,398	9,784,906	455,950	153,635	24,865,468
Accumulated depreciation and impairment losses							
Balance at 31 December 2017	2,606,886	9,888,578	27,398	8,762,642	372,871	-	21,658,375
Depreciation for the year	52,229	24,236	-	113,013	1,277	-	190,755
Disposals	-	-	-	(70)	-	-	(70)
Effect of currency translation	(6,727)	(2,712)	-	(42,552)	(18)	-	(52,009)
Transfers and write-offs	(28)	8	-	28	-	-	8
Balance at 31 March 2018	2,652,359	9,910,110	27,398	8,833,061	374,130	-	21,797,059
Net value	1,623,318	257,793	-	951,845	81,820	153,635	3,068,410

							2017
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets							
Balance at 31 December 2016	4,059,411	10,054,035	72,116	9,705,401	447,759	68,388	24,407,110
Additions	-	7,470	-	62,165	5,469	77,608	152,712
Disposals	-	-	-	(4,557)	-	-	(4,557)
Effect of currency translation	13,401	1,935	-	(9)	11	-	15,338
Transfers and write-offs	52,538	47,015	-	39,364	-	(138,915)	2
Balance at 31 March 2017	4,125,350	10,110,455	72,116	9,802,364	453,239	7,081	24,570,605
Accumulated depreciation and impairment losses							
Balance at 31 December 2016	2,438,690	9,777,774	57,453	8,476,182	367,253	-	21,117,352
Depreciation for the year	59,941	33,846	3,287	153,922	1,663	-	252,659
Disposals	-	-	-	(4,380)	-	-	(4,380)
Effect of currency translation	7,599	1,820	-	(1,891)	8	-	7,536
Transfers and write-offs	-	-	-	-	-	-	-
Balance at 31 March 2017	2,506,230	9,813,440	60,740	8,623,833	368,924	-	21,373,167
Net value	1,619,120	297,015	11,376	1,178,531	84,315	7,081	3,197,438

Depreciation and amortization for the period ended on 31 March 2018 and 2017 can be detailed as follows:

	2018	2017
Tangible assets	190,755	252,659
Intangible assets (note 6)	1,721,755	2,213,653
	1,912,510	2,466,312

The 'Work in progress' at March 31, 2018 are composed as follows:

	2018	2017
Information systems / IT equipment	28,787	5,081
Other projects in progress	124,848	2,000
	153,635	7,081

During the periods ended on 31 March 2018 and 2017, there are no commitments to third parties relating to investments to be made.

6. Intangible assets

In the periods ended on 31 March 2018 and 2017, the movement occurred in intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

				2018
	Brands and patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2017	11,433,736	87,522,642	5,455,195	104,411,573
Additions	42,287	87,012	1,428,062	1,557,361
Disposals	-	(3,250)	-	(3,250)
Effect of currency translation	(117,072)	(246,309)	(6,791)	(370,173)
Transfers and write-offs	(34,016)	2,334,566	(2,334,054)	(33,504)
Balance at 31 March 2018	11,324,935	89,694,661	4,542,412	105,562,007
Accumulated amortisation and impairment losses				
Balance at 31 December 2017	11,130,078	68,261,601	-	79,391,679
Amortisation and impairment for the period (note 5)	102,282	1,619,473	-	1,721,755
Effect of currency translation	(122,269)	(168,375)	-	(290,645)
Disposals	-	(433)	-	(433)
Transfers and write-offs	(26,405)	(4,218)	-	(30,623)
Balance at 31 March 2018	11,083,686	69,708,048	-	80,791,733
Net value	241,249	19,986,613	4,542,412	24,770,274

				2017
	Brands and patents and other	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2016	12,172,469	82,785,488	4,224,640	99,182,597
Additions	8,740	133,951	1,744,037	1,886,728
Disposals	-	-	-	-
Effect of currency translation	(86,780)	(6,950)	(6,638)	(100,368)
Transfers and write-offs	-	1,024,764	(1,132,400)	(107,636)
Balance at 31 March 2017	12,094,429	83,937,253	4,829,639	100,861,321
Accumulated amortisation and impairment losses				
Balance at 31 December 2016	11,413,562	60,975,578	-	72,389,140
Amortisation and impairment for the period (note 5)	115,971	2,097,682	-	2,213,653
Effect of currency translation	(80,849)	23,362	-	(57,487)
Disposals	-	-	-	-
Transfers and write-offs	-	(42,406)	-	(42,406)
Balance at 31 March 2017	11,448,684	63,054,216	-	74,502,900
Net value	645,745	20,883,037	4,829,639	26,358,421

The 'Intangible assets in progress' at March 31, 2018 are composed as follows:

	2018
Internally generated assets	4,461,692
Software and Others	80,720
	4,542,412

On 31 March 2018, the additions related with intangible assets in progress include capitalizations of personnel costs related to own work, mainly associated with IT software development projects and RAID and Lookwise products.

The assessment of impairment for the main tangible and intangible assets, in the various segments, is carried out as described in note 7 ('Goodwill'), to the extent that such assets are closely related to the overall activity of the segment and consequently cannot be analysed separately.

On 31 March 2018, it was understood that the assumptions made in the impairment tests carried out in the year ended on 31 December 2017 did not have material variations, therefore, there are no additional impairments.

7. Goodwill

For the periods ended on 31 March 2018 and 2017, the movements occurred in Goodwill were as follows:

	2018	2017
Opening balance	23,351,829	23,683,622
Other movements of the period	(53,142)	(30,982)
Closing balance	23,298,687	23,652,640

For the periods ended on 31 March 2018 and 2017, the caption 'Other movements of the year' includes the effect of the exchange rate update of the Goodwill.

On 31 March 2018, Goodwill by business area was made up as follows:

2018	Technologies		
	Telecomunications	Retail	Cybersecurity
Goodwill	21,390,873	1,165,721	742,093

Goodwill impairment is tested annually. Impairment tests were performed on intangible assets, including Goodwill, which were to determine the recoverable amount using the discounted cash flow method. The measurement of the existence or not of impairment of the main amounts of interests in group companies recorded in the accompanying financial statements is made taking into account the cash generating units, based on the last business plans approved by the Group's Board of Directors made on an annual basis unless there are indications of impairment, which are prepared using cash flows projected for periods of 5 years

The assumptions used are based on the group's various businesses and the growth in the various geographic areas where the group operates:

	Technologies				Media
Assumptions	Telecomunications	Retail	Cybersecurity	Others	
Basis of recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use
Discount rate	6.75%-16.75%	10.5%	7.5%- 10.75%	9%-13.5%	8.5%
Growth rate in perpetuity	1.0%	3.0%	3.0%	1%-2%	0.01%

The average growth rate considered for the 5-year turnover was 9.2% for the Technology sector. For the Media sector, the average growth rate of turnover considered was around 2.4%.

The discount rates used are based on the weighted average capital costs estimated based on the segments and geographies where the companies are inserted. In Europe, discount rates are used between 6.8% and 9%, in Asia between 9% and 10.3%, in Latin America rates are used between 11% and 13.5% and in Africa 16.75%.

The analyses of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses. For the sensitivity analyses made, required in the IAS 36 - Impairment of Assets, have not lead to material changes of the recoveries, so not result material additional impairments.

On 31 March 2018, it was understood that the assumptions made in the impairment tests carried out in the year ended on 31 December 2017 did not have material variations, therefore, there are no additional impairments.

8. Investments in associated companies and companies jointly controlled

The associated companies and the companies jointly controlled, their head offices, percentage of ownership and value in profit and loss statement on 31 March 2018 and 2017, are as follows:

		Percentage of ownership				Value in profit and loss statement	
		31 March 2018		31 March 2017		31 March 2018	31 March 2017
	Head Office	Direct	Total	Direct	Total		
ZOPT, SGPS, S.A. ('ZOPT') (a)	Oporto	50.00%	50.00%	50.00%	50.00%	8,324,500	7,133,577
Unipress – Centro Gráfico, Lda. ('Unipress')	Vila Nova de Gaia	50.00%	50.00%	50.00%	50.00%	64,901	2,896
Rádio Nova (d)	Oporto	50.00%	50.00%	45.00%	45.00%	(1,431)	(5,031)
Intelligent Big Data, S.L. ('Big Data') (b)	Gipuzcoa	50.00%	50.00%	50.00%	50.00%	-	(12)
Armilar Venture Partners - Sociedade de Capital de Risco, S.A. (Armilar)	Lisboa	35.00%	35.00%	35.00%	35.00%	(83,528)	64,270
Fundo de Capital de Risco Armilar Venture Partners II (Armilar II) (e)	Lisboa	50.74%	50.74%	50.21%	50.21%	(474,206)	(264,168)
Fundo de Capital de Risco Armilar Venture Partners III (Armilar III) (c)	Lisboa	42.64%	42.64%	42.40%	42.40%	(26,237)	(313,418)
Fundo de Capital de Risco Armilar Venture Partners Inovação e Internacionalização (Armilar I+I)	Lisboa	37.54%	37.54%	37.54%	37.54%	-	341,474
Secucloud (f)	Hamburg	27.45%	27.45%	-	-	(391,241)	-
Probe.ly (g)	Lisbon	22.88%	22.88%	-	-	(28,169)	-
Total (note 20)						7,384,589	6,959,588

(a) Includes the incorporation of the results of the subsidiaries in proportion to the capital held.
(b) Company directly owned by S21 Sec Gestion
(c) In March 2017, July 2017 and November 2017 an aditional participation of 0.41% and 0.20% and 0,04% was acquired respectively
(d) In June 2017 an aditional participation of 5% was acquired
(e) Change in the share capital held by Sonae IM following the exit of one of the participants og the Fund in July 2017
(f) Participation acquired in October 2017
(g) Company incorporated in June 2017

Armilar, Armilar II, Armilar III e Armilar I + I

In March 2017, an increase in participation in Armilar III fund was approved, and Sonae IM subscribed and paid the amount of Euro 622,996, corresponding to 0.41%, in July 2017 a new increase of Armilar III fund, with Sonae IM subscribed and paid in the amount of Euro 302,598, corresponding to 0.20% and in November 2017, another increase of participation in the Armilar III fund was approved and Sonae IM subscribed and paid the amount of Euro 484,103, corresponding to 0.04%, and in the year ended at 31 December 2017 held a participation of 42.64% in the Armilar III fund. Also in July 2017, there was a change in the number of shares of Armilar II fund due to the exit of one of the Shareholders, thus giving SonaeIM a participation of 50.74% in the fund in the period ended at 31 March 2018.

Secucloud

In October 2017 Sonae IM invested Euro 4,000,000 in the company Secucloud, representing this investment 27.45% of the company's capital.

The allocation of the investment price was made as follows:

	Secucloud		
(Amounts expressed in Euro)	Balance value before acquisition	Adjustments to fair value	Fair value
Acquired assets			
Tangible assets	175,693	-	175,693
Intangible assets	1,477,540	120,724	1,598,264
Other financial assets	3,674	(3,674)	-
Trade debtors	81,033	-	81,033
Other current assets	245,436	-	245,436
Cash and cash equivalents	661,180	-	661,180
	2,644,556	117,050	2,761,606
Acquired liabilities			
Loans obtained	3,920,776	-	3,920,776
Trade creditors	117,443	-	117,443
Other creditors	65,835	-	65,835
Other current liabilities	107,916	78,750	186,666
	4,211,970	78,750	4,290,720
Total net assets	(1,567,414)		(1,529,114)
% Acquired			27.45%
Total net assets acquired			(419,742)
Acquisition price	4,000,000		4,000,000
Goodwill			(4,419,742)

Following the acquisition of Secucloud, the company made an valuation of the fair value of the assets acquired and the liabilities assumed.

As usual on business combinations, also in the acquisition of this company there was a part of the acquisition price which was not possible to be allocated to the fair value of some identified assets and liabilities, was considered as Goodwill. This Goodwill is related to a number of different elements, which cannot be individually quantified and isolated in a viable way and include, for example, synergies, qualified workforce, technical skills and market power.

The purchase price allocation is still subject to change until the end of the 12 month period from the date of acquisition, as permitted by IFRS 3 Business Combinations.

However, the Company does not expect significant changes in its financial position as a result of any changes to the allocation made.

Probe.ly

Probe.ly was constituted in 2017 and the group acquired a 22.88% stake corresponding to an investment of EUR 375,000 and loans to the company in the amount of EUR 140,000 recorded under the caption 'Other non current assets'.

During the periods ended on 31 March 2018 and 2017, the movement occurred in investments in associated companies and companies jointly controlled, were as follows:

	31 March 2018			31 March 2017		
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
Investments in associated companies and companies jointly controlled						
Balance at 1 January	679,091,048	92,644,319	771,735,367	658,212,535	87,849,200	746,061,735
Increases	-	-	-	622,996	-	622,996
Equity method						
Effect on gains and losses (note 20)	7,386,020	-	7,386,020	6,964,631	-	6,964,631
Effect on reserves	(1,958,277)	-	(1,958,277)	114,452	-	114,452
Dividends	-	-	-	-	-	-
	684,518,791	92,644,319	777,163,110	665,914,614	87,849,200	753,763,814
Registered in Provisions for other liabilities and charges			-			
Balance at 1 January	(106,404)	-	(106,404)	(119,250)	-	(119,250)
Increases	-	-	-	-	-	-
Equity method						
Effect on gains and losses (note 16 and 20)	(1,431)	-	(1,431)	(5,043)	-	(5,043)
	(107,835)	-	(107,835)	(124,293)	-	(124,293)
Total investment in associated companies and companies jointly controlled net of impairment losses	684,410,956	92,644,319	777,055,275	665,790,321	87,849,200	753,639,521

In accordance with the IFRS 11, the classification of investments in companies jointly controlled is determined based on the existence of an agreement that clearly demonstrate and regulate the joint control. Thus, on 31 March 2018 the group held associated and jointly controlled companies, as decomposition below.

The division by company of the amount included on the investments in associated companies and join controlled is as follows:

	31 March 2018			31 March 2017		
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
Investments in companies jointly controlled						
Zopt	607,033,490	87,527,500	694,560,990	596,519,740	87,527,500	684,047,240
Unipress	549,401	321,700	871,101	468,083	321,700	789,783
SIRS	(106,804)	-	(106,804)	(123,623)	-	(123,623)
Big Data	(1,031)	-	(1,031)	(671)	-	(671)
	607,475,056	87,849,200	695,324,256	596,863,529	87,849,200	684,712,729
Investments in associated companies						
Armilar	(83,527)	-	(83,527)	64,271	-	64,271
Armilar II	43,859,512	-	43,859,512	35,151,835	-	35,151,835
Armilar III	24,894,269	-	24,894,269	26,483,392	-	26,483,392
AVP I+I	9,431,244	-	9,431,244	7,227,294	-	7,227,294
Secucloud	(1,093,817)	4,419,742	3,325,925	-	-	-
Probe.ly	(71,781)	375,377	303,596	-	-	-
	76,935,900	4,795,119	81,731,019	68,926,792	-	68,926,792
Total	684,410,956	92,644,319	777,055,275	665,790,321	87,849,200	753,639,521

The aggregated amounts of the main financial indicators of the entities can be resumed as follows:

(Amounts expressed in thounsand Euro)								2018
Entity	% holding	Asset	Liability	Equity	Revenue	Operational results	Net result	Comprehensive income
ZOPT*	50.00%	4,375,425	1,962,910	2,412,514	383,002	52,534	31,849	(11,998)
Unipress	50.00%	2,038	939	1,098	648	152	130	130
SIRS	50.00%	408	622	(214)	208	5	(3)	(3)
Big Data	50.00%	1	4	(4)	-	-	-	-
Armilar	35.00%	32,115	7,062	25,053	-	(75)	(70)	(70)
Armilar II	50.74%	92,696	5,478	87,217	2	(176)	(165)	(165)
Armilar III	42.64%	70,372	11,700	58,672	-	(1,193)	(1,127)	(1,127)
AVP I+I	37.54%	5,013	709	4,304	496	103	73	73
Secucloud	27.45%	5,707	4,251	1,456	1,493	(2,592)	(3,448)	(3,448)
Probe.ly	22.88%	100	414	(314)	1	(68)	(68)	(68)

*The consolidated accounts not audited of Group ZOPT, prepared in accordance with the International Financial Report Statements ('IFRS') as adopted by the European Union. The value of the shareholder funds includes non-controlling interests in amount of Euro 1,178 and on 31 March 2018 the NOS' market capitalization amount to Euro 2,468 million.

Regarding the area of telecommunications (Zopt), the assessment of whether or not the impairment is determinate taking into account with several information as business plans approved by the Board of Directors of NOS for five years, which implied average growth rate of operating margin amounts to 3.4% and its associated, and the average rating of external reviewers (researches).

	NOS SGPS
Assumptions	
Basis of recoverable amount	Value in use
Discount rate	7.4%
Growth rate in perpetuity	1.4%

For other business sectors, the assessment of whether or not impairment to the goodwill value is determined based on the considerations presented in note 7.

The analysis of impairment indices and the review of impairment projections and tests have not lead to clearance losses. For the sensitivity analyses made, required by IAS 36 – Impairment of Assets, have not lead to material changes of the recoveries, so not result material additional impairments.

On 31 March 2018 was understood that the assumptions made in the impairment tests carried out on 31 December 2017 did not have material variations, therefore, there are no evidence of impairment.

The consolidated financial statements of Zopt, on 31 March 2018 and 2017 can be resumed as follows:

Condensed consolidated balance sheets

(Amounts expressed in thousands of Euro)	March 2018	March 2017 (Reexpress)
Assets		
Tangible assets	1,092,551	1,193,151
Intangible assets	2,406,530	2,340,655
Deferred tax assets	101,702	129,649
Other non-current assets	190,298	205,595
Non-current assets	3,791,081	3,869,050
Trade debtors	497,328	334,128
Cash and cash equivalents	4,580	2,981
Other current assets	82,436	157,463
Current assets	584,344	494,572
Total asseis	4,375,425	4,363,622
Liabilities		
Loans	943,214	1,031,565
Provisions	185,134	191,492
Other non-current liabilities	54,535	79,478
Non-current liabilities	1,182,883	1,302,535
Loans	226,775	175,319
Trade creditors	255,393	208,919
Other current liabilities	297,859	315,239
Current liabilities	780,027	699,477
Total liabilities	1,962,910	2,002,012
Shareholders' funds excluding non-controlling interests	1,234,233	1,189,280
Non-controlling interests	1,178,280	1,172,330
Total Shareholders' funds	2,412,513	2,361,610
Total Shareholders' funds and liabilities	4,375,424	4,363,622

Condensed consolidated statements of income by nature

(Amounts expressed in thousands of Euro)	March 2018	March 2017 (Reexpress)
Total revenue	383,002	380,998
Costs and losses		
Direct costs and External supplies and services	(161,352)	(158,622)
Depreciation, amortisation and impairment losses	(103,356)	(108,543)
Other operating costs	(65,760)	(80,123)
	(330,468)	(347,288)
Gains/ (losses) in associated companies	(7,416)	3,917
Financial results	(6,517)	(7,091)
Income taxation	(6,752)	(2,637)
Consolidated net income/(loss) for the period	31,849	27,899
Consolidated net income/(loss) for the period attributed to non-controlling interests	15,241	13,571
Attributed to shareholders of parent company	16,608	14,328

The value on the income statement related to Zopt results from net income of NOS, the net income of Zopt and the impact on results of the process of allocating the fair value to the assets and liabilities acquired by Zopt.

The consolidated financial statements of ZOPT have a significant exposure to the African market, particularly through financial investments that Group holds in associated companies operating in the Angolan and Mozambican markets, which are engaged in providing satellite and fiber television services. The book value of these associates in the financial statements of ZOPT on 31 March 2018 amounts to approximately Euro 163 million .

During the last quarter of 2017, Angola was considered a hyperinflationary economy, and the individual financial statements of the investees in Angola were restated (for consolidation purposes) in accordance with IAS 29 - Financial Reporting in Hyperinflationary

Economies. During the first quarter of 2018, the effect of hyperinflation on the Angolan subsidiaries was adjusted again, while the kwanza recorded an exceptional devaluation against the euro of approximately 30%, which generated the recognition of foreign exchange losses on these subsidiaries.

The Group made impairment tests for those assets, which are denominated in the currencies of those countries, Kwanzas and Meticals, respectively, considering the business plans (internal valuation using the discounted cash flow method, compared to researches) approved by the Board of Directors for a five years period, which include average growth rates of revenue for that period of 14.5% (Angola) and 8.1% (Mozambique). These revenue growth rates reflects: (i) the best estimate for the growth of the customer base, reflecting an expectation of new clients and chum estimated rates, when considered prudent, and (ii) an annual price increase which corresponds, over the period 2017 to 2021, to an average of 75% of the inflation rate, since, considering the nature of the activity carried out by the companies, especially in Angola and in line with the price increases in previous years, it is not expected that companies will be able to reflect in their prices the total inflation in the country.

The business plans consider yet a growth rate in perpetuity of 9.5% (Angola) and 5.5% (Mozambique) and a discount rate ('wacc') in perpetuity of 20.1% (Angola) and 21% (Mozambique). The discount rate, over the period 2018 to 2022 ranged from a maximum of 43.8% to a minimum of 20.1% (in 2022), for Angola, and from a maximum of 35% to a minimum of 21% (2022) in Mozambique, in line with the most appropriate inflation forecasts (source: International Monetary Fund (IMF)).

The impairment tests carried out in 2017, based on identified above assumptions, disregarding the effect of the adjustment to the effects of hyperinflation in the amount of the financial investment, support the value of the assets, so it was not recorded any additional impairment related to the effect of the economy hyperinflationary. However, it should be taken ito account that the current economic conditions of uncertainty in these markets, particularly in the foreign exchange market and the limitation of currency transfer, particularly in Angola, introduces an additional degree of variability to the assumptions, which could significantly impact the considered estimates in particular in terms of the rate of inflation and the ability to reflect the rate in price increases.

As of 31 March 2018, it was understood that the assumptions made in the impairment tests carried out in 2017 did not have material variations, therefore, there are no indications of additional impairments.

a) Zopt Group provision's

The processes described below are provisioned in the consolidated accounts of Zopt, given the level of risk identified.

1. Future credits transferred

For the year ended at 31 December 2010, the subsidiary NOS SA was notified of the Report of Tax Inspection, where it is considered that the increase, when calculating the taxable profit for the year 2008, of the amount of Euro 100 million, with respect to initial price of future credits transferred to securitization, is inappropriate. Given the principle of periodisation of taxable income, NOS SA was subsequently notified of the improper deduction of the amount of Euro 20 million in the calculation of taxable income between 2009 and 2013. Given that the increase made in 2008 was not accepted due to not complying with Article 18 of the CIRC, also in the years following, the deduction corresponding to credits generated in that years, will eliminate the calculation of taxable income, to meet the annual amortisation hired as part of the operation (20 million per year during 5 years). NOS SA challenged the decisions regarding the 2008 to 2013 fiscal year. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavorably, in March 2014. The company has appealed.

2. Supplementary Capital

The fiscal authorities are of the opinion that NOS SA has broken the principle of full competition under the terms of (1) of article 58 of the Corporate Tax Code (CIRC), (actual article 63), by granting supplementary capital to its subsidiary NOS Towering, without having been remunerated at a market interest rate. In consequence, it has been notified, with regard to the years 2004, 2005, 2006 and 2007, of corrections to the determination of its taxable income in the total amount of Euro 20.5 million. NOS SA contested the decision with regard to all the above mentioned years. As for the year 2004, the Court has decided favorably. This decision is concluded (favorably), originating a reversal of provisions, in 2016, in the amount of Euro 1.3 million plus interest. As for the years 2006 and 2007, the Oporto Fiscal and Administrative Court has already decided unfavorably. The company has contested this decision and the final decision of the processes is still pending.

3. Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU):

The Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU) is legislated in Articles 17 to 22 of Law nr 35/2012, of 23 August. From 1995 until June 2014, MEO, SA (ex-PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the government, i.e without a tender procedure, which constitutes an illegality, as acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of Euro 3 million for illegally designating MEO. In accordance with Article 18 of the abovementioned Law number 35/2012, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that MEO has being requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. Indeed, in accordance with the law, the compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requester the Government compensation for the net costs approved under the terms previously mentioned.

In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by MEO, relative to the period from 2007 to 2009, in a total amount of about Euro 66.8 million, decision contested by the Company. In January 2015, ANACOM issued the settlement notes in the amount of Euro 18.6 million, which were contested by NOS and for which bail were presented by NOS SGPS to avoid Tax Execution Proceedings, guarantees that have been accepted by ANACOM.

In 2014, ANACOM deliberated to approve the final results of the CLSU audit by MEO, relative to the period from 2010 to 2011, in a total amount of about Euro 47.1 million, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes to the Company in amount of Euro 13 million wich will be contested by NOS and for which it was before also presented bail by NOS SGPS in order to avoid the promotion of respective tax enforcement processes, guarantees that have been accepted by ANACOM.

In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO for the year of 2012 and 2013, in the amount of about Euro 26 million and Euro 20 milion, respectively, decision which was contested by the companie In December 2016, the liquidation notes relating to NOS, SA, NOS Madeira and NOS Azores, relating to that period, amounting to Euro 13.6 million, were challenged by NOS and to which guarantees have also been presented by NOS SGPS in order to avoid the promotion of the respective tax enforcement procedures. The guarantees were also accepted by ANACOM.

At October 2016, ANACOM approved the results of the audit to the CLSU presented by MEO related with the period between January and June 2014, in the amount of Euro 7.7 million, which NOS challenged in its usual terms in January 2017. In December 2017, NOS, SA, NOS Madeira and NOS Azores were notified of ANACOM's draft decision on entities required to contribute to the compensation fund and to the setting of the contributions to the CLSU to be offset for 2014, which provides for a contribution of Euro 2.4 million for all these companies.

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to CLSU of service providing by MEO violates the Directive of Universal Service. Moreover, considering the existing legal framework since NOS began its activity, the request of payment of the extraordinary contribution violates the principle of the protection of confidence, recognised on a legal and constitutional level in Portuguese domestic law. For these reasons, NOS will continue judicially challenge either the approval of the audit results to the net costs of the universal service for the pre-competitive period or the liquidation of each extraordinary contributions, once the Board of Directors is convinced it will be successful in all challenges, both future and already undertaken.

Legal actions and contingent assets and liabilities of Zopt Group

4. Legal actions with regulators

NOS SA, NOS Açores and NOS Madeira brought actions for judicial review of ANACOM's decisions in respect of the payment of the Annual Fee (for 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017) for carrying on the business of Electronic Communications

Services Networks Supplier, and furthermore, it is requested to pay back the sums paid in the course of the execution of said liquidation acts. The settlements for the year 2017 are in the period of challenge.

The settlement amounts are as follows:

- NOS SA: 2009: Euro 1,861 thousands, 2010: Euro 3,808 thousands, 2011: Euro 6,049 thousands, 2012: Euro 6,283 thousands, 2013: Euro 7,270 thousands, 2014: Euro 7,426 thousands, 2015: Euro 7,253 thousands, 2016: Euro 8,242 thousands and 2017: Euro 9,099 thousands.
- NOS Azores: 2009: Euro 29 thousand; 2010; Euro 60 thousand, 2011: Euro 95 thousand, 2012: Euro 95 thousand, 2013: Euro 104 thousand, 2014: Euro 107 thousand, 2015: Euro 98 thousand, 2016: Euro 105 thousand e 2017: Euro 104 thousand.
- NOS Madeira: 2009: Euro 40 thousand, 2010: Euro 83 thousand, 2011: Euro 130 thousand, 2012: Euro 132 thousand, 2013: Euro 149 thousand, 2014: Euro 165 thousand, 2015: Euro 161 thousand, 2016: Euro 177 thousand e 2017: Euro 187 thousand.

This fee is a percentage decided annually by ANACOM (in 2009 it was 0.5826%) of operators' electronic communications revenues. NOS SA, NOS Açores and NOS Madeira invoke, in particular, i) flaws of unconstitutionality and illegality related to the inclusion, in the accounting of ANACOM's costs, of the accrued provisions, due to the legal proceedings brought against it (including these same challenges of the activity rate) and ii) that only revenues from the electronic communications business per se, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and that revenues from television content should be excluded.

On 18 December 2012 and 29 September 2017, two single judgments were passed on the proceedings instigated by NOS SA for the annual rate of 2009 and 2012, respectively. The first judgment upheld the respective challenge, but based only on the defect of the previous hearing and condemning ANACOM to pay interest. The remaining proceedings are awaiting trial and/or decision. The second judgment also considered, and in turn, the corresponding challenge, but this time for substantive reasons, annulling the contested act for illegality, with the legal consequences, namely imposing the return to the NOS of the tax paid yet not returned and condemning ANACOM in the payment of compensatory interest. This decision was appealed by ANACOM to the Central Administrative Court - South.

The remaining cases are awaiting judgment and / or decision.

During the first quarter of 2017, NOS was notified by ANACOM of the initiation of a process of mismanagement related to price update communications, at the end of 2016. At the time, it is not possible to determine the scope of the process of mismanagement .

5. Tax Authorities

During the course of the 2003 to 2017 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2014 financial years. Following these inspections, NOS SGPS, as the controlling company of the Tax Group, and companies not covered by Tax Group, were notified of the corrections made to the Corporate Income Tax, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications unpaid is about Euro 19 million, plus interest and charges. Note that the Group considered that the corrections were unfounded, and contested the corrections and the amounts mentioned. The Group provided the bank guarantees demanded by the Tax Authorities in connection with these proceedings.

At end of year 2013 and taking advantage of the extraordinary settlement scheme of tax debts, the Group settled Euro 7.7 million.

As belief of the Board of Directors of the NOS Group, supported by our lawyers and tax advisors, the risk of loss of these proceedings is not likely and the outcome thereof will not affect materially the consolidated position.

6. Actions by MEO against NOS S.A., NOS Madeira and NOS Açores and by NOS S.A. against MEO

- In 2011, MEO (PT) brought an action in Lisbon Judicial Court against NOS SA, claiming payment of Euro 10.3 million, as compensation for alleged undue portability of NOS SA in the period between March 2009 and July 2011. NOS SA lodged a contest and reply, having started the expert evidence, that the Court however declared void. The hearing was held in late April and early May, having a ruling beendelivered last September, which judged the action partially founded, based not on the existence of undue portability, but on the mere delay of the documentation shipment. NOS was condemned to pay, approximately Euro 5.3 million, a decision which only NOS appealed and which is pending before the Lisbon Court of Appeal. This Court, in the first quarter of 2018, confirmed the decision of the Court of First Instance, except for interest, in which it was justified by NOS's claim that they should be counted from the quotation for the action and not from the due date of the the invoices. NOS filed an extraordinary appeal with the Supreme Court of Justice. In the first quarter of 2018, after a revaluation of the process, a provision of EUR 6.7 million (capital, costs and interest) was recorded.

- MEO (PT) made three court notices to NOS SA (April 2013, July 2015 and March 2016), three to NOS Açores (March and June 2013 and May 2016) and three to NOS Madeira (March and June 2013 and May 2016), in order to stop the prescription of alleged damages resulting from claims of undue portability, absence of response time to requests submitted to them by MEO and alleged illegal refusal of electronic portability requests.

  MEO doesn't indicate in all notifications the amounts in which it wants to be financially compensated, specifying only part of these, in the case of NOS SA, in the amount of Euro 26 million (from August 2011 and May 2014), in the case of NOS Açores, in the amount of Euro 195 thousand and NOS Madeira, amounting to Euro 817 thousand.

- In 2011, NOS SA brought an action in the Lisbon Judicial Court against MEO (PT), claiming payment of Euro 22.4 million, for damages suffered by NOS SA, arising from violations of the Portability Regulation by MEO, in particular, the large number of unjustified refusals of portability requests by MEO in the period between February 2008 and February 2011. The court declared the compulsory performance of expert evidence, which is currently underway, the expert report having been notified to the parties and the parties have submitted their requests for clarification to the experts. At the same time, it was requested by the NOS and accepted by the Court to carry out economic and financial expertise, which has already begun and must be completed in the first semester of 2018.

7. Action against NOS SA

In 2014, a NOS SGPS providers of marketing services has brought a civil lawsuit seeking a payment of about Euro 1,243 thousand, by the alleged early termination of contract and for compensation. This instance was acquitted due to passive illegitimacy of NOS SGPS, decision confirmed by superior Courts and that, meanwhile, was concluded. Afterwards, the same company brought a new civil lawsuit based on the same facts, but this time, against NOS Comunicações. An objection was filed in September 2016 and a preliminary hearing was held in May 2017, in which two objections raised by the NOS were dismissed, rejections of which NOS appealed. At the culmination of the final hearing scheduled for February 2018, the parties reached agreement on the termination of the litigation, due to the author's withdrawal, upon payment by the NOS of approximately 165 thousand euros. The agreement was final and unappealable.

8. Action brought by DECO

In March 2018, the NOS was notified of a lawsuit filed by DECO against NOS, MEO and NOWO, in which a declaration of nullity of the obligation to pay the price increases imposed on customers at the end of 2016 is requested. The deadline for filing a defense, which ends in May 2018. It is the belief of the Board of Directors of NOS that the arguments used by the author are not appropriate, reason why it is believed that the outcome of the process should not result in significant impacts for the Group's financial statements.

9. Contractual penalties

The general conditions that affect the agreement and termination of this contract between NOS and its clients, establish that if the products and services provided by the client can no longer be used prior to the end of the binding period, the client is obliged to immediately pay damages.

Until 31 December 2014, revenue from penalties, due to inherent uncertainties was recorded only at the moment when it was received, so at 31 December 2017, the receivables by NOS SA, NOS Madeira and NOS Açores amount to a total of Euro 71,799 thousand. During the year ended on 31 December 2017 Euro 1,540 thousand related to 2014 receivables were received and recorded in the income statement.

From 1 January 2015, revenue from penalties is recognised taking into account an estimated collectability rate taking into account the Group's collection history. The penalties invoiced are recorded as accounts receivable and amounts determined as uncollectible are recorded as impairment by deducting revenue recognized upon invoicing.

10. Interconnection tariffs

At 31 March 2018, accounts receivable and accounts payable include Euro 37,139,253 and Euro 29,913,608, respectively, resulting from a dispute between the subsidiary NOS SA and, essentially, the operator MEO – Serviços de Comunicação e Multimédia, S.A.

(previously named TMN – Telecomunicações Móveis Nacionais, S.A.), in relation to the indefinition of interconnection tariffs, recorded in the year ended at 31 December 2001. In the first and second instance, the decision was favorable to NOS SA.

b) Other commitments Zopt Group

In December 2015, NOS Group signed a contract with Sport Lisboa e Benfica - Futebol SAD and Benfica TV, S.A. of television rights of home football games of football NOS' league, broadcasting rights and distribution of Benfica TV Channel. The contract will begin in 2016/2017 sports season and has an initial duration of three years and may be renewed by decision of either party to a total of 10 sports seasons, with the overall financial consideration reaching the amount of Euro 400 million, divided into progressive annual amounts.

Also in December 2015, the NOS Group signed a contract with Sporting Clube de Portugal - Futebol SAD and Sporting Comunicação e Plataformas, S.A. for the assignment of the following rights:
1) Television and multimedia rights of home games of the Sporting SAD senior team;
2) Right to explore the static and virtual advertising of José Alvalade Stadium;
3) Right of Transmission and Distribution Sporting TV channel;
4) Right to be its main sponsor.

The contract will last 10 seasons as regards the rights indicated in 1) and 2) above, starting in July 2018, 12 seasons in the case of the rights mentioned in 3) starting in July 2017 and 12 and a half seasons in the case of the rights mentioned in 4) beginning in January 2016, amounting to overall financial contribution to the amount of 446 million euro, divided into progressive annual amounts.

Also in December 2015, the NOS Group signed contracts of assignment of television rights credits of Senior home football games with the following sports clubs:
1) Associação Académica de Coimbra – Organismo Autónomo de Futebol, SDUQ, Lda
2) Os Belenenses Sociedade Desportiva Futebol, SAD
3) Clube Desportivo Nacional Futebol, SAD
4) Futebol Clube de Arouca – Futebol, SDUQ, Lda
5) Futebol Clube de Paços de Ferreira, SDUQ, Lda
6) Marítimo da Madeira Futebol, SAD
7) Sporting Clube de Braga – Futebol, SAD
8) Vitória Futebol Clube, SAD

The contracts wil begin in the 2019/2020 sports season and last up to 7 seasons, with the exception of the contract with Sporting Clube de Braga - Futebol, SAD which lasts 9 seasons.

During the year of 2016, has signed contracts regarding the television rights of home senior team football games with the following sports clubs:

1) C. D. Tondela – Futebol, SDUQ, Lda
2) Clube Futebol União da Madeira, Futebol, SAD
3) Grupo Desportivo de Chaves – Futebol, SAD
4) Sporting Clube da Covilhã – Futebol, SDUQ, Lda
5) Clube Desportivo Feirense – Futebol, SAD
6) Sport Clube de Freamunde – Futebol, SAD
7) Sporting Clube Olhanense – Futebol, SAD
8) Futebol Clube de Penafiel, SDUQ, Lda
9) Portimonense Futebol, SAD

The contracts wil begin in the 2019/2020 sport season and last up to 3 seasons.

In May 2016, NOS and Vodafone have agreed on reciprocal availability, for several sports seasons, of sports content (national and international) owned by the companies, in order to assure to both companies the availability of broadcasting rights of the sports clubs home football games, as well as the broadcasting and distribution rights of sports and sports clubs channels, whose rights are owned by each of the companies in each moment. The agreement came into force from the beginning of the sports season 2016/2017, assuring access to Benfica's channel and Benfica's home football games to NOS' and Vodafone's clients, independent from the channel where these football games are broadcast.

Considering that the contract signed allowed for the possibility of extending the agreement to the other operators, in July 2016 MEO and Cabovisão joined the agreement, ending the lack of availability of Porto Canal in the NOS's channel grid, assuring that every pay-tv client can have access to every relevant sports content, regardless of which operator they use.

Following the agreement signed with the remaining operators, as a counterpart of the reciprocal provision of rights, the global costs are shared according with retailer telecommunications revenues and Pay TV market shares.

The estimated cash flows are estimated as follows:

Seasons	2017/18	following
Estimated cash flows with the contracts signed by NOS with the sports entities*	Euro 50.1 million	Euro 1,098 million
NOS estimated cash flows for the contracts signed by NOS (net of the amounts charged to the operators) and for the contracts signed by the remaining operators	Euro 22.5 million	Euro 624 million

*Includes games and channels broadcasting rights, advertising and others.

NOS and Vodafone Portugal celebrated on 29 September 2017 an agreement for the development and sharing of infrastructure with a national scope. This partnership allows the two Operators to make their commercial offers available under the shared network from the beginning of 2018.

The agreement covers the reciprocal sharing of dark fiber in about 2.6 million houses, in which each entity sharing with the other an equivalent amount of investment, that is, sharing similar goods, assuming that the two companies maintain full autonomy, independence and confidentiality in the design of commercial offers and management of the database of customers and in the choice of technological solutions that have no effect on the Group's financial statements (in accordance with IAS 16, this exchange of similar non-cash assets will be presented by the net).

The partnership was also extended to the sharing of mobile infrastructure, where it is agreed the minimum sharing of 200 mobile towers.

9. Investments at fair value through other comprehensive income

On 31 March 2018 and 2017, this caption included investments at fair value through other comprehensive income and was made up as follows:

	%	2018	2017
Lusa – Agência de Notícias e Portugal, S.A.	1.38%	197,344	197,344
VISAPRESS - Gestão de Conteúdos dos Média, CRL	10.00%	5,000	5,000
StyleSage	5.00%	448,834	448,835
Ometria	4.54%	854,165	-
Arctic wolf	4.68%	3,830,113	-
Continuum Security	6.66%	299,802	-
Jscrambler	10.00%	1,250,000	-
Food Orchestrator	7.98%	103,761	-
Binary Answer	2.68%	25,000	-
Advert.io	7.23%	150,000	-
Others		7,586	10,711
Impairment losses		(161,882)	(122,275)
		7,009,723	539,615

On 31 March 2018, these investments correspond to shareholdings of immaterial amount, in unlisted companies, in which the Group has no significant influence, and in which the acquisition cost of such investments is a reasonable estimation of their fair value.

Under IFRS 9, these investments are classified as 'Investments at fair value through other comprehensive income' because these investments are maintained as strategic long-term investments that are not expected to be sold in the short and medium term. Subsequent changes in fair value are presented through other comprehensive income.

Arctic Wolf

In November 2017, Sonae IM acquired a participation of 4.68% in Arctic Wolf for the amount of USD 4,499,999 (Euro 3,830,113). Arctic Wolf is a North American technology specialist in cybersecurity.

Ometria

In June 2017 Sonae IM acquire a participation of 4.54% on capital of the company Ometria for the amount of GPB 750,000 (Euro 854,165). The company is a cross-channel and customer disclosure platform that enables retailers to send personalized marketing messages along the customer's lifecycle.

Continuum Security

In November 2017, Sonae IM acquired a participation of 6.66% in Continuum Security for Euro 299,802. The main activity of the company is to build tools to manage the security of customers' software.

Food Orchestrator ('Eat Tasty')

On March 2017 Bright acquired a share of 0.17% in the capital of the company Food Orchestrator for a value of Euro 1, whose main activity is the provision of technological support services for the sale of meals at home. In addition, it made a loan to this company in the amount of 99,999 euros, recorded under "Other non current assets". The increase in the shareholding of Food Orchestrator in January 2018 results from the conversion of the convertible loan plus interest in the total amount of EUR 103,760, increasing the participation to 7.98%.

Jscrambler

In February 2018, Sonae IM acquired a 10% participation in Jscrambler for EUR 1,250,000.

Advert.io

In March 2018, Fundo Bright Vector I made an investment of EUR 150,000 in the capital of the company Adver.io, corresponding to a participation of 7.23%.

Binary Answer

In March 2018, Fundo Bright Vector I invested in the capital of Binary Answer with the value of EUR 25,000 euros corresponding to a participation of 2.68% .

10. Deferred taxes

Deferred tax assets on 31 March 2018 and 2017, amounted to Euro 6,973,588 and Euro 9,338,418 respectively, and arose, mainly, from tax losses carried forward, from tax benefits, from differences between the accounting and tax amount of some fixed assets and from others temporary differences.

The balance of deferred tax assets by nature at 31 March 2018 and 2017 is as follows:

	2018	2017
Tax losses	4,192,753	6,129,478
Tax provisions not accepted and other temporary differences	2,373,087	2,732,859
Tax benefits	407,748	476,081
Closing balance	6,973,588	9,338,418

The movements in deferred tax assets in the periods ended on 31 March 2018 and 2017 were as follows:

	2018	2017
Opening balance	7,324,057	9,314,972
Impact on results:		
Record of deferred tax assets related to tax losses of the period	41,429	308,946
Record / (reverse) of deferred tax assets related to tax losses from previous periods	4,253	(93,204)
Record / (reverse) / use of tax benefits	(360,780)	(27,992)
Record / (reverse) of tax provisions not accepted and other temporary differences for the period	(158,969)	(181,587)
Record / (reverse) of temporary differences fromthe previous periods	60,706	2,124
	(413,361)	8,287
Impact on reserves:		-
Exchange variations	(41,415)	15,159
Effect of application of IFRS 15	104,307	-
	(350,469)	23,446
Closing balance	6,973,588	9,338,418

On 31 March 2018 and 2017, assessments of the deferred tax assets to be recovered and recognised were made. Potential deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and deductible tax differences could be used. These assessments were made based on the most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated. The main criteria used in those business plans are described in note 7.

On 31 March 2018, the tax benefit caption includes essentially amounts related to the incentive associated with the Conventional Remuneration of Capital in the amount of 299,250 euros.

The rate used on 31 March 2018 and 2017, in Portuguese companies, to calculate the deferred tax assets relating to tax losses carried forward was 21%. The rate used in 2018 and 2017 to calculate the temporary differences in Portuguese companies, including provisions not accepted and impairment losses, was 22.5%. It wasn't considered the state surcharge, as it was understood to be unlikely the taxation of temporary differences during the estimated period when the referred rate will be applicable. Tax benefits, related to deductions from taxable income, are considered at 100%, and in some cases, their full acceptance is dependent on the approval of the authorities that concede such tax benefits. For foreign companies was used the rate in force in each country: Brazil 34%, Mexico 30%, USA 28.5%, Spain 25% and Egypt 22.5%.

In accordance with the tax returns and other information prepared by the companies that have registered deferred tax assets, the detail of such deferred tax assets, by nature, on 31 March 2018 was as follows:

											2018
Nature	Companies included in the tax group	Digitmarket	We Do Brasil	We Do USA	We Do Egipto	SSI Espanã	We Do Mexico	S21 Sec Gestion	S21 Sec Labs	Total	Total Sonaecom Group
Tax losses:											
To be used until 2018	125,646	-	-	-	-	-	-	-	-	-	125,646
To be used until 2021	-	-	-	-	-	-	26,499	-	-	26,499	26,499
To be used until 2022	-	-	-	-	-	-	26,517	-	-	26,517	26,517
To be used until 2023	-	-	-	-	-	-	183,770	-	-	183,770	183,770
To be used until 2025	-	-	-	-	-	-	71,135	-	-	71,135	71,135
To be used until 2026	-	-	-	-	-	-	334,525	-	-	334,525	334,525
To be used until 2027	-	-	-	-	-	-	112,112	-	45,833	157,945	157,945
To be used until 2028	-	-	-	-	-	-	23,675	612,877	12,017	648,569	648,569
To be used until 2029	-	-	-	-	-	-	-	253,352	-	253,352	253,352
To be used until 2030	-	-	-	125,598	-	-	-	-	54,052	179,650	179,650
To be used until 2033	-	-	-	96,635	-	-	-	-	-	96,635	96,635
To be used until 2034	-	-	-	532,766	-	-	-	-	-	532,766	532,766
To be used until 2035	-	-	-	649,416	-	-	-	-	-	649,416	649,416
To be used until 2036	-	-	18,271	1,132,816	-	-	-	-	-	1,151,087	1,151,087
Unlimited	-	-	-	-	-	185,787	-	-	-	185,787	185,787
Tax losses	125,646	-	18,271	2,537,231	-	185,787	778,233	866,229	111,902	4,497,653	4,623,299
Tax provisions not accepted and other temporary differences	1,608,289	15,855	382,397	270,281	11,342	-	147,127	-	-	827,002	2,435,291
Tax benefits	299,250	-	-	126,216	-	-	-	-	-	126,216	425,466
Others	-	-	(61,573)	(357,703)	-	-	(91,191)	-	-	(510,467)	(510,467)
Total	2,033,185	15,855	339,095	2,576,025	11,342	185,787	834,169	866,229	111,902	4,940,403	6,973,588

On 31 March 2018 and 201, the Group has other situations where potential deferred tax assets could be recognised, but since it is not expected that sufficient taxable profits will be generated in the future to cover those losses, such deferred tax assets were not recorded:

	2018	2017
Tax losses	9,523,708	6,897,978
Temporary differences (provisions not accepted for tax purposes and other temporary diferences)	23,420,818	27,840,084
Others	12,233,396	12,403,119
	45,177,922	47,141,181

On 31 March 2018 and 2017, tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2018
2018	51,699
2019	29,569
2020	121,946
2021	234,263
2022	398,320
2023	177,719
2024	78,923
2025	180,804
2026	807,075
2027	416,505
2028	50,169
2029	878,680
2030	50,704
2037	177,831
2038	693,439
Unlimited	5,176,062
	9,523,708

The years 2029 and following are applicable to the subsidiaries incorporated in countries in which the reporting period of tax losses is greater than twelve years.

The movement that occurred in deferred tax liabilities in the periods ended on 31 March 2018 and 2017 were as follows:

	2018	2017
Opening balance	(10,243,448)	(8,263,418)
Temporary differences between accounting and tax result	131,393	-
Sub-total effect on results (note 21)	131,393	-
Closing balance	(10,112,055)	(8,263,418)

The reconciliation between the earnings before taxes and the taxes recorded for the years ended on 31 March 2018 and 2017 is as follows:

	2018	2017
Earnings before tax	5,182,531	4,248,113
Income tax rate (21%)	(1,088,332)	(892,104)
Autonomous taxation and surchage	(97,717)	(98,594)
Tax provision	37,101	74,239
Accounting adjustments not accepted	103,886	(42,014)
Temporary differences and tax losses of the period without record of deferred tax assets	(433,357)	(424,548)
Use of tax losses and tax benefits without record of deferred tax assets in previous periods	(130,819)	75,515
Deffered tax assets of temporary differences of previous periods	60,706	2,124
Effect of the existence of different tax rates from those in force in Portugal	72,405	1,464,512
Effect of the untaxed equity method	1,668,829	1,079,949
Consolidation adjustments	52,899	75,195
Deffered tax assets from tax losses of previous periods	4,253	(93,204)
Record/(reverse)/use of deffered tax assets related to tax benefits	(360,780)	(27,992)
Income taxation recorded in the year (note 21)	(110,925)	259,123

The tax rate used to reconcile the tax expense and the accounting profit is 21% in 2018 and 2017 because it is the standard rate of the corporate income tax in Portugal, country where almost all of the income of Sonaecom group are taxed.

Portuguese Tax Authorities can review the income tax returns of the Company and of its subsidiaries with head office in Portugal for a period of four years (five years for Social Security), except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in course, in which circumstances, the periods are extended or suspended. The Board of Directors believes that any correction that may arise as a result of such review would not have a significant impact on the accompanying consolidated financial statements.

Supported by the Company's lawyers and Tax consultants, the Board of Directors believes that there are no liabilities not provisioned in the consolidated financial statements, associated to probable tax contingencies that should have been registered or disclosed in the accompanying financial statements, on 31 March 2018.

11. Cash and cash equivalents

On 31 March 2018 and 2017, this caption was made up as follows:

	2018	2017
Cash in hand	19,298	22,358
Bank deposits repayable on demand	100,546,958	101,226,143
Treasury applications	100,550,175	110,104,409
Cash and cash equivalents	201,116,431	211,352,910
Bank overdrafts (note 13)	(19,498)	(476)
	201,096,933	211,352,434

12. Share capital

On 31 March 2018 and 2017, the share capital of Sonaecom was comprised by 311,340,037 ordinary registered shares, of Euro 0.74 each.

At those dates, the Shareholder structure was as follows:

	2018		2017	
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	62.33%	194,063,119	62.33%
Sonae SGPS	81,022,964	26.02%	81,022,964	26.02%
Shares traded on the Portuguese Stock Exchange ('Free Float')	30,682,940	9.86%	30,682,940	9.86%
Own shares (note 13)	5,571,014	1.79%	5,571,014	1.79%
	311,340,037	100.00%	311,340,037	100.00%

All shares that comprise the share capital of Sonaecom, are authorized, subscribed and paid. All shares have the same rights and each share corresponds to one vote.

13. Own shares

During the period ended on 31 March 2018, Sonaecom did not acquire, sold or delivered own actions, whereby the amount held to date, is of 5,571,014 own shares representing 1.79% of its share capital, at an average price of Euro 1.380.

14. Loans

On 31 March 2018 and 2017, the caption loans had the following breakdown:

a) Medium and long-term loans

					Amount outstanding	
Company	Issue denomination	Limit	Maturity	Type of reimbursement	2018	2017
S21 Sec Labs	Reimbursable grants	-	Jun-24	Parcel	810,859	1,234,743
S21 Sec Gestion	Reimbursable grants	-	Jun-25	Parcel	1,006,910	1,710,275
Saphety	Minority Shareholder loans	-	-	-	152,122	412,322
	Interests incurred but not yet due	-	-	-	463	2,879
					1,970,354	3,360,219

b) Short-term loans

					Amount outstanding	
Company	Issue denomination	Limit	Maturity	Type of reimbursement	2018	2017
S21 Sec Labs	Reimbursable grants	-	Nov-18	-	461,889	451,842
S21 Sec Gestion	Reimbursable grants	-	Oct-18	-	714,668	727,704
Several	Bank overdrafts (note 11)	-	-	-	19,498	476
Several	Interests incurred but not yet due	-	-	-	10,965	15,144
					1,207,020	1,195,166

Grants

On 31 March 2018 the Group had grants obtained from dependent entities of the Government of Navarra, CDTI and 'Ministerio de Ciencia y Tecnología'. These subsidies are recorded at amortized cost in accordance with the method of effective interest rate and have the following repayment plan:

	2018
2018	673,209
2019	881,791
2020	636,112
2021	369,956
2022 and follows	433,259
	2,994,327

These subsidies bear interest at rates between 0% and 4%.

For debts of this nature, there are no financial covenants.

Bank credit lines of short-term portion

Sonaecom has also a short term bank credit line, in the form of current or overdraft account commitment, in the amount of Euro 1 million.

All these bank credit lines of short-term portion bear interest at market rates, indexed to the Euribor for the respective term, and were all contracted in Euro.

On 31 March 2018 and 2017, the available bank credit lines of the Group were as follows:

					Maturity	
Company	Credit	Limit	Amount outstanding	Amount available	Until 12 months	More than 12 months
2018						
Sonaecom	Authorised overdrafts	1,000,000	-	1,000,000	x	
		1,000,000	-	1,000,000		
2017						
Sonaecom	Authorised overdrafts	1,000,000	-	1,000,000	x	
		1,000,000	-	1,000,000		

On 31 March 2018 and 2017, there is no interest rate hedging instruments therefore the total gross debit is exposed to changes in market interest rates.

15. Other non-current financial liabilities

On 31 March 2018 and 2017, this caption was made up of accounts payable to tangible and intangible assets suppliers related to lease contracts which are due in more than one year in the amount of Euro 121,334 and Euro 384,884, respectively.

On 31 March 2018 and 2017, the payment of these amounts was due as follows:

	2018		2017	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
2017	-	-	417,814	395,879
2018	233,715	224,145	365,863	351,842
2019	159,436	155,915	153,602	150,875
2020	11,609	11,178	-	-
2021	3,002	2,969	-	-
	407,763	394,207	937,279	898,596
Interests	(13,556)	-	(38,683)	-
	394,207	394,207	898,596	898,596
Short-term liability (note 17)	-	(272,873)	-	(513,712)
	394,207	121,334	898,596	384,884

16. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the periods ended on 31 March 2018 and 2017 were as follows:

	Opening balance	Increases	Decreases	Utilisations and Transfers	Closing balance
2018					
Accumulated impairment losses on trade debtors	4,156,097	13,142	(21,345)	7,480	4,155,374
Accumulated impairment losses on other current debtors	131,419	-	-	-	131,419
Accumulated impairment losses on inventories	40,000	-	-	-	40,000
Provisions for other liabilities and charges	3,603,145	49,658	(21,680)	(64,171)	3,566,952
	7,930,661	62,800	(43,025)	(56,691)	7,893,745
2017					
Accumulated impairment losses on trade debtors	2,713,099	-	(20,000)	-	2,693,099
Accumulated impairment losses on other current debtors	130,356	-	-	-	130,356
Accumulated impairment losses on inventories	35,000	-	-	-	35,000
Provisions for other liabilities and charges	4,919,669	110,196	(22,280)	(526,440)	4,481,145
	7,798,124	110,196	(42,280)	(526,440)	7,339,600

Reinforcements and reductions values of the accumulated impairment losses on receivable accounts and provisions for liabilities and charges, on 31 March 2018 and 2017, are detailed as follows:

	2018		2017	
Accumulated impairment losses on accounts receivables	Increases	Decreases	Increases	Decreases
Registed in the line 'Provisions and accumulated impairment losses' (increases) and in 'Other operating costs' (decreases)	13,142	(21,345)	-	(20,000)
Total increases/(decreases) of accumulated impairment losses on accounts receivables	13,142	(21,345)	-	(20,000)
Provisions for other liabilities and charges	Increases	Decreases	Increases	Decreases
Recorded in the profit and loss statement, under the caption 'Income taxation' (note 21)	37,101	-	96,519	(22,280)
Recorded in balance sheet, under the caption 'Income tax' and 'Other curent debtors'	-	-	4,583	-
Recorded in 'Fixed Assets' regard to the provision for dismantling and abandonment of offices net of the value recorded in 'Other financial expenses' related to the financial actualization of the provision for dismantling as foreseen in IAS 16 - 'Fixed Assets' (note 1.c)	177	-	381	-
Recorded in the profit and loss statement in 'Gains and losses of associates and jointly controlled entities' related to the registration of the provision resulting from the application of the equity method (note 8)	1,431	-	5,043	-
Recorded in the profit and loss statement in 'Staff expenses' related to the provisions for redundancy paments	7,189	(21,680)	-	-
Other increses and decreases - recorded in 'Provisions and impairment losses' (increases) and in 'Other operating costs' (decreases)	3,760	-	3,670	-
Total increases/(decreases) of provisions for other liabilities and charges	49,658	(21,680)	110,196	(22,280)
Total recorded in the income statement in 'Provisions and impairment losses' (increases) and in 'Other operating revenue' (decreases)	16,902	(21,345)	3,670	(20,000)

On 31 March 2018 and 2017, the breakdown of the provisions for other liabilities and charges is as follows:

	2018	2017
Several contingencies	2,632,431	3,366,199
Legal processes in progress	85,562	17,350
Dismantling	53,646	52,325
Other responsibilities	795,313	1,045,271
	3,566,952	4,481,145

On 31 March 2018 and 2017, the value of provisions for the dismantling is recorded at its present value, accordingly with the dates of its utilization in accordance with IAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets'.

The heading 'Several contingencies' relates to contingent liabilities arising from transactions carried out in previous years and for which an outflow of funds is probable.

In relation to the provisions recorded for legal processes in progress and other responsabilities, given the uncertainty of such proceedings, the Board of Directors is unable to estimate, with reliability, the moment when such provisions will be used and therefore no financial actualisation was carried out.

In the caption 'Other liabilities' are included provisions for restructuring an amount of Euro 281,2017 associated with severance payment (Euro 292,390 in 2017).

17. Other financial liabilities

On 31 March 2018, this heading 'Other finantial liabilities' includes the amount of Euro 272,873 (Euro 512,712 in 2017) related to the short term portion of lease contracts (note 15).

18. External supplies and services

'External supplies and services' for the periods ended on 31 March 2018 and 2017 had the following composition:

	2018	2017
Subcontracts	3,538,230	3,572,919
Specialised works	1,384,119	1,211,159
Rents	1,254,695	1,334,221
Travelling costs	928,698	1,027,786
Advertising and promotion	885,523	900,842
Fees	297,580	280,512
Communications	275,842	307,620
Fuels	108,571	109,899
Maintenance and repairs	100,942	71,563
Energy	85,082	98,493
Others	388,527	386,899
	9,247,809	9,301,914

The commitments assumed by the Group on 31 March 2018 and 2017 related to operational leases are as follows:

	2018	2017
Minimum payments of operational lease:		
2018	-	3,031,034
2019	2,264,256	1,448,997
2020	1,608,069	759,987
2021	1,007,693	369,813
2022 e seguintes	721,520	51,959
Renewable by periods of one year	1,089,410	1,079,111
	6,690,948	6,740,901

During the periods ended on 31 March 2018, an amount of Euro 1,206,148 (Euro 1,225,483 on 31 March 2017) was recorded in the heading 'External supplies and services' related with operational leasing rents, recorded in 'Rents'. The operating leases essentially relate to vehicles, rental of buildings and equipment rentals.

19. Financial results

Net financial results for the periods ended on 31 March 2018 and 2017 were made up as follows ((costs) / gains):

	2018	2017
Financial expenses:		
Interest expenses:	(31,710)	(53,086)
Bank loans	(730)	(1,313)
Leasing	(1,059)	(10,859)
Other interests	(29,921)	(40,914)
Foreign exchange losses	(1,161,864)	(589,212)
Other financial expenses	(80,801)	(88,402)
	(1,274,375)	(730,700)
Financial income:		
Interest income	100,972	143,383
Foreign exchange gains	870,075	668,713
Others financial gains	440	12,136
	971,486	824,232

20. Gains and losses on Investments

Gains and losses on investments for the periods ended on 31 March 2018 and 2017 are as follows ((expenses) / revenues):

	2018	2017
Financial results of associates and jointly controlled companies:		
Gains and losses related with the aplication of the equity method (note 8)	7,384,589	6,959,588
	7,384,589	6,959,588

21. Income taxation

Income taxes recognised during the periods ended on 31 March 2018 and 2017 were made up as follows ((costs) / gains):

	2018	2017
Current tax	133,942	176,597
Tax provision net of reduction (note 16)	37,101	74,239
Deferred tax assets (note 10)	(413,361)	8,287
Deferred tax liabilities (note 10)	131,393	-
	(110,925)	259,123

22. Related parties

During the periods ended on 31 March 2018 and 2017, the balances and transactions maintained with related parties were mainly associated with the normal operational activity of the Group and to the concession and obtainment of loans.

The most significant balances and transactions with related parties, which are listed in the appendix to this report, during the periods ended on 31 March 2018 and 2017 as follows:

	Balances at 31 March 2018					
	Accounts receivable	Accounts payable	Other assets	Other as iabilities	Treasury applications	Loans Obtained
Parent company	592,461	124,303	-	43,581	-	-
Companies jointly controlled	423,490	612,063	11	23,518	3,700	-
Associated companies	-	-	2,918,027	-	-	-
Other related parties	4,142,101	453,983	378,009	3,729,044	-	244,686
	5,158,052	1,190,349	3,296,048	3,796,143	3,700	244,686

	Balances at 31 March 2017					
	Accounts receivable	Accounts payable	Other assets	Other as iabilities	Treasury applications	Loans Obtained
Parent company	18,854,139	181,851	-	58,182	-	-
Companies jointly controlled	1,007,122	575,846	135	13,774	2,700	-
Associated companies	-	622,996	2,778,027	-	-	-
Other related parties	6,456,291	451,130	440,003	5,213,115	-	413,575
	26,317,552	1,831,823	440,138	5,285,071	2,700	413,575

	Transactions at 31 March 2018				
	Sales and services rendered	Supplies and services received	Interest and similar income	Interest and similar expense	Supplementary income
Parent company	-	48,675	71,602	-	-
Companies jointly controlled	2,913	117,435	65	-	27,667
Other related parties	6,820,211	513,792	13,479	1,342	4,950
	6,823,123	679,902	85,146	1,342	32,617

	Transactions at 31 March 2017				
	Sales and services rendered	Supplies and services received	Interest and similar income	Interest and similar expense	Supplementary income
Parent company	2,826	62,500	127,935	-	-
Companies jointly controlled	2,844	68,403	135	-	49,506
Other related parties	7,248,197	1,012,784	-	3,638	-
	7,253,867	1,143,687	128,070	3,638	49,506

The transactions between Group companies were eliminated in consolidation, and therefore are not disclosed in this note.
All the above transactions were made at market prices.

Both income and outcome will be paid in cash and have no guaranties attached.

During the periods ended on 31 March 2018 and 2017, no imparity losses have been recognized on the income to be made by other entities.

23. Guarantees provided to third parties

Guarantees provided to third parties on 31 March 2018 and 2017 were as follows:

Company	Beneficiary	Description	2018	2017
Saphety, S21 Sec Gestion; WeDo and WeDo Egypt	Administrador de Infraestructuras Ferroviarias; Arrow Ecs Internet Security, S.L.; Barcelona Serveis Municipals; Comunidade Intermunicipal do Médio Tejo; CTT Correios de Portugal, S.A.; Digi Tecommunications; Emirates Telecom. Corp.; Empresa de Telecommunicaciones Nuevatel; Etihad Etisalat Company; GOBIERNO VASCO; Instituto Nacional de Ciberseguridad de España; Instituto Nacional de Ciberseguridad de España, SA; Oficina de Control Económico del Departamento de Hacienda y Finanzas;Red Nacional de Ferrocarriles Españoles; Renfe Operadora; REPSOL; Tunisie Telecom; U Mobile and Zain Jordan	Completion of work to be done	**506,827**	972,074
Inovretail, S21 Sec Gestion and S21 Sec Labs	Agencia para o Desenvolvimento e Coesao, I.P.; Centro para Desarrollo Tecnológico Industrial; ICT; Ingenieria de Sistemas para la Defensa de España and Ministerio de Indústria	Grants	**656,057**	791,869
Sonaecom and Público	Direção de Contribuições e Impostos and Autoridade Tributária e Aduaneira (Portuguese tax authorities)	IRC, IS, IVA – Tax assessment	**2,311,861**	220,863
Several	Others		**698,783**	634,992
			4,173,528	2,619,798

In addition to these guarantees were set up sureties for the current fiscal processes. The Sonae SGPS consisted of Sonaecom SGPS surety to the amount of Euro 27,546,999 and Sonaecom SGPS consisted of Público for the amount of Euro 564,900.

On 31 March 2018, the Board of Directors of the Group believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the consolidated financial statements.

24. Information by business segment

During the periods ended on 31 March 2018 and 2017 were identified the following business segments:

– Multimedia;

– Information systems; and

– Holding activities.

These segments were identified taking into consideration the following criteria/conditions: the fact of being group units that develop activities where we can separately identify revenues and expenses, for which financial information is separately developed and their operating results are regularly reviewed by management and over which decisions are made. For example, decisions about allocation of resources, for having similar products/services and also taking into consideration the quantitative threshold (in accordance with IFRS 8).

Excluding the ones mentioned above, the remaining activities of the Group have been classified as unallocated.

Inter-segment transactions during the periods ended on 31 March 2018 and 2017 were eliminated in the consolidation process. All these transactions were made at market prices.

Inter-segment transfers or transactions were entered under the normal commercial terms and conditions that would also be available to unrelated third parties and were mainly related to interest on treasury applications and management fees.

Overall information by business segment on 31 March 2018 and 2017, prepared in accordance with the same accounting policies and measurement criteria adopted in the preparation of the consolidated financial statements, can be summarised as follows:

	Media		Tecnologias		Holding Activities		Subtotal		Eliminations and others		Total	
	March 2018	March 2017	March 2018	March 2017	March 2018	March 2017	March 2018	March 2017	March 2018	March 2017	March 2018	March 2017
Revenues:												
Sales and services rendered	3,469,982	3,355,777	33,254,627	32,922,350	142,048	122,520	36,866,657	36,400,647	(257,831)	(270,302)	36,608,826	36,130,345
Reversal of provisions	-	-	21,345	20,000	-	-	21,345	20,000	-	-	21,345	20,000
Other operating revenues	161,373	119,857	215,907	245,662	6,066	53,324	383,346	418,843	554	1,105	383,900	419,948
Total revenues	3,631,355	3,475,634	33,491,879	33,188,012	148,114	175,844	37,271,348	36,839,490	(257,277)	(269,197)	37,014,071	36,570,293
Depreciation and amortisation	(221,817)	(25,805)	(2,075,066)	(2,379,048)	(1,336)	(3,411)	(2,298,219)	(2,408,264)	385,709	2,295,195	(1,912,510)	(2,466,312)
Provisions and impairment losses	-	(83)	(16,902)	(3,587)	-	-	(16,902)	(3,670)	-	-	(16,902)	(3,670)
Net operating income / (loss) for the segment	(911,592)	(811,346)	(1,125,300)	(1,685,058)	(349,869)	(337,977)	(2,386,761)	(2,834,381)	487,592	29,375	(1,899,169)	(2,805,007)
Interest income	997	1,056	23,240	5,224	242,284	363,895	266,521	370,175	(165,549)	(226,792)	100,972	143,383
Interest expenses	(618)	(28,087)	(194,604)	(249,320)	-	(1,235)	(195,222)	(278,642)	163,512	225,557	(31,710)	(53,085)
Gains and losses in associated companies	63,470	(2,136)	-	(171,854)	7,321,119	7,133,578	7,384,589	6,959,588	-	-	7,384,589	6,959,588
Other financial results	(2,414)	(4,570)	(347,911)	28,629	(21,655)	(229,473)	(371,980)	(205,414)	(171)	208,647	(372,151)	3,234
Income taxation	(9,182)	143,954	(118,085)	133,410	8,171	(10,102)	(119,096)	267,262	8,171	(8,139)	(110,925)	259,123
Consolidated net income/(loss) for the period	(859,339)	(701,129)	(1,762,660)	(1,938,969)	7,200,050	6,918,686	4,578,051	4,278,588	493,555	228,648	5,071,606	4,507,236
Attributable to:												
Shareholders of parent company	(859,339)	(701,129)	(1,856,811)	(1,973,769)	7,200,050	6,918,686	4,483,900	4,243,788	493,555	228,648	4,977,455	4,472,436
Non-controlling interests	-	-	94,151	34,800	-	-	94,151	34,800	-	-	94,151	34,800
Assets:												
Tangible and intangible assets and goodwill	1,574,579	459,023	61,538,764	64,691,933	10,742	15,566	63,124,085	65,166,522	(11,986,714)	(11,958,023)	51,137,371	53,208,499
Inventories	126,314	283,411	270,856	178,375	-	-	397,170	461,786	-	-	397,170	461,786
Investiments in associated companies and companies jointly controlled	818,157	736,838	82,734,401	68,926,792	693,557,608	684,047,240	777,110,166	753,710,870	52,944	52,944	777,163,110	753,763,814
Other investments	47,947	90,679	6,682,915	448,934	47,744,663	46,241,587	54,475,525	46,781,200	(47,465,802)	(46,241,587)	7,009,723	539,615
Other non-current assets	16,242	245,824	10,964,557	12,240,960	122,898,978	103,404,191	133,879,777	115,890,975	(122,827,384)	(103,112,614)	11,052,393	12,778,360
Other current assets of the segment	5,975,310	7,171,261	56,364,920	55,059,796	200,783,677	229,965,768	263,123,907	292,196,825	(5,526,418)	(4,465,376)	257,597,489	287,731,449
Liabilities:												
Liabilities of the segment	8,130,399	12,422,507	91,826,721	98,707,695	2,359,968	1,319,643	102,317,088	112,449,845	(32,359,812)	(41,357,169)	69,957,276	71,092,676
CAPEX	83,871	209,261	3,278,081	2,436,356	1,377	696	3,363,329	2,646,313	(4,910)	27,428	3,358,419	2,673,741

During the periods ended on 31 March 2018 and 2017, the inter-segments sales and services were as follows:

	Multimedia	Information Systems	Holding Activities
2018			
Multimedia	-	47,566	-
Information Systems	-	-	118,965
Holding Activities	-	532	-
External trade debtors	3,469,982	33,206,529	23,083
	3,469,982	33,254,627	142,048
2017			
Multimedia	-	92,970	-
Information Systems	260	-	106,250
Holding Activities	-	3,361	-
External trade debtors	3,355,517	32,826,019	16,270
	3,355,777	32,922,350	122,520

During the periods ended on 31 March 2018 and 2017 sales and services rendered of the segments of Multimedia and Activities Holding were obtained predominantly in the Portuguese market, this market represents respectively about 100% and 92% of revenue.

For the Information Systems segment, also the Portuguese market is dominant, accounting for 55.2% of revenue (52.6% in 2017) followed by the Spanish market, representing 11.97% of revenue (10.32% in 2017).

The consolidated financial statements of NOS on 31 March 2018 and 2017 incorporated in the consolidated financial statements of Sonaecom through ZOPT by the equity method (note 8), can be summarized as follows:

Condensed consolidated balance sheets

(Amounts expressed in thousands of Euro)	March 2018	March 2017 (Reexpress)
Assets		
Tangible assets	1,039,819	1,055,854
Intangible assets	1,237,934	1,267,077
Deferred tax assets	94,065	126,453
Other non-current assets	29,889	8,293
Non-current assets	2,401,707	2,470,807
Trade debtors	491,971	381,923
Cash and cash equivalents	2,330	1,801
Other current assets	93,539	116,279
Current assets	587,840	500,003
Total assets	2,989,547	2,970,810
Liabilities		
Loans	1,000,395	968,032
Provisions	141,572	149,623
Other non-current liabilities	34,965	65,683
Non-current liabilities	1,176,932	1,183,338
Loans	126,739	167,356
Trade creditors	228,649	208,906
Other current liabilities	322,216	296,252
Current liabilities	677,604	672,514
Total liabilities	1,854,536	1,855,853
Shareholders' funds excluding non-controlling interests	1,127,461	1,107,213
Non-controlling interests	7,551	7,744
Total Shareholders' funds	1,135,011	1,114,957
Total Shareholders' funds and liabilities	2,989,547	2,970,810

Condensed consolidated statements of income by nature

(Amounts expressed in thousands of Euro)	March 2018	March 2017 (Reexpress)
Total revenue	383,002	380,336
Costs and losses		
Direct costs and External supplies and services	(161,391)	(155,924)
Depreciation, amortisation and impairment losses	(107,101)	(100,215)
Other operating costs	(62,757)	(85,362)
	(331,249)	(341,501)
Gains/ (losses) in associated companies	(6,314)	5,349
Financial results	(6,244)	(6,609)
Income taxation	(5,681)	(4,826)
Consolidated net income/(loss) for the period	33,515	32,749
Consolidated net income/(loss) for the period attributed to non-controlling interests	(263)	(33)
Attributed to shareholders of parent company	33,778	32,782

25. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 4,977,455 in 2018 and Euro 4,472,436 in 2017) by the average number of shares outstanding during the period ended 31 March 2018 and 2017, net of own shares.

26. Staff expenses

For the periods ended on 31 March 2018 and 2017, the caption 'Staff expenses' was composed as follows:

	2018	2017
Remuneration	(12,725,471)	(11,942,382)
Remuneration Charges	(2,437,667)	(2,304,266)
Medium Term Incentive Plan	(197,058)	(536,562)
Works for the Company	1,165,938	1,387,074
Others	(767,581)	(956,657)
	(14,961,838)	(14,352,792)

27. Medium Term Incentive Plans

In June 2000, Sonaecom Group created a discretionary Medium Term Incentive Plan, for more senior employees, based on Sonaecom options and shares and Sonae-SGPS, S.A. shares, being on 10 March 2014, Sonaecom shares plans were fully converted into Sonae SGPS shares. The exercise of the rights occurs three years after their attribution, provided that the employee stays in the company during that period.

The 2013 plan was delivered in April 2017 to all companies except for Sonaecom that was delivered in March 2017.

Accordingly, the plans outstanding on 31 March 2018 are as follows:

		Vesting period			
	Share price 29 March 2018	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2014 Plan	1.095	10-Mar-15	10-Mar-18	163	1,404,343
2015 Plan	1.095	10-Mar-16	10-Mar-19	173	1,703,616
2016 Plan	1.095	10-Mar-17	10-Mar-20	5	370,017

During the period ended on 31 March 2018, the movements that occurred in the plans can be summarised as follows:

	Sonae SGPS shares	
	Number of participants	Number of shares
Outstanding at 31 December 2017:		
Unvested	348	3,504,244
Total	348	3,504,244
Movements in the period:		
Cancelled / corrected / transfers (1)	(7)	(26,268)
Outstanding at 31 March 2018:		
Unvested	341	3,477,976
Total	341	3,477,976

(1) Corrections are made based on the dividend paid and by the exit of the employees during the plan period.

The responsibility of the plans was recognized under the caption 'Other current liabilities' and 'Other non-current liabilities'.

Share plans costs are recognised in the accounts over the period between the award and the vesting date of those shares. The costs recognised for the open plans and for the plans vested in previous years and in the period ended on 31 March 2018, were as follows:

	Value
Costs recognised in previous years	2,714,163
Costs recognised in the period	197,058
Costs of plans vested in the year	-
Total cost of the plans	**2,911,221**
Recorded in 'Other current liabilities'	1,548,812
Recorded in 'Other non-current liabilities'	1,362,409

These financial consolidated presentations have been approved by the Executive Board and authorized to be issued on 14 May 2018, being subject to approval by the Shareholders' General Meeting.

4.3. Sonaecom separate financial statements

Statement of financial position

For the periods ended on 31 March 2018 and 2017 and for the year ended on 31 December 2017

(Amounts expressed in Euro)	Notes	March 2018 (not audited)	March 2017 (not audited)	December 2017
Assets				
Non-current assets				
Tangible assets	1.a, 1.f, 1.t and 2	7,734	13,210	8,891
Intangible assets	1.b, 1.t and 3	3,008	2,356	3,187
Investments in Group companies	1.c and 5	56,721,658	52,291,587	58,271,587
Companies jointly controlled	1.d and 6	597,666,944	597,666,944	597,666,944
Other non-current assets	1.c, 1.n, 4, 7 and 20	228,797,381	212,304,434	236,890,820
Deferred tax assets	1.m and 8	124,604	50,194	114,706
Total non-current assets		883,321,329	862,328,725	892,956,135
Current assets				
Income tax receivable	1 m and 4	739,001	809,669	737,633
Other current debtors	1.e, 1.g, 4, 9 and 20	524,866	17,507,326	709,433
Other current assets	1.e, 1.n, 4, and 20	454,210	463,392	441,565
Cash and cash equivalents	1.e, 1.h, 4, 10 and 20	199,011,870	211,131,651	190,901,170
Total current assets		200,729,947	229,912,038	192,789,801
Total assets		1,084,051,276	1,092,240,763	1,085,745,936
Shareholder' funds and liabilities				
Shareholders' funds				
Share capital	11	230,391,627	230,391,627	230,391,627
Own shares	1.r and 12	(8,441,804)	(8,441,804)	(8,441,804)
Reserves	1.q	861,466,212	869,239,919	845,695,705
Net income / (loss) for the period		(1,670,998)	(214,891)	15,770,507
Total Shareholders' funds		1,081,745,037	1,090,974,851	1,083,416,035
Liabilities				
Non-current liabilities				
Provisions for other liabilities and charges	1.l and 14	269,665	214,777	269,665
Other non-current liabilities	1.n, 1.u, 4 and 23	261,213	76,400	224,758
Total non-current liabilities		530,878	291,177	494,423
Current liabilities				
Other creditors	1.g, 4, 15 and 20	1,138,599	533,608	1,122,256
Other current liabilities	1.n, 1.u, 4 and 23	636,762	441,127	713,222
Total current liabilities		1,775,361	974,735	1,835,478
Total liabilities		2,306,239	1,265,912	2,329,901
Total Shareholders' funds and liabilities		1,084,051,276	1,092,240,763	1,085,745,936

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Profit and Loss account by nature

For the periods ended on 31 March 2018 and 2017 and for de year ended on 31 December 2017

(Amounts expressed in Euro)	Notes	March 2018 (not audited)	March 2017 (not audited)	December 2017
Services rendered	1.o and 20	142,048	122,520	514,483
Other operating revenues	1.o and 20	6,066	68,907	92,873
		148,114	191,427	607,356
External supplies and services	1.f, 16 and 20	(162,646)	(182,874)	(541,225)
Staff expenses	1.u and 23	(322,463)	(333,448)	(1,285,953)
Depreciation and amortisation	1.a, 1.b, 2 and 3	(1,336)	(3,411)	(10,456)
Provisions and impairment losses	1.l, 1.t and 14	-	-	(54,888)
Other operating costs		(11,538)	(9,671)	(46,165)
		(497,983)	(529,404)	(1,938,687)
Gains and losses on Group companies and companies jointly controlled	1.d, 1.o, 5, 7 and 17	(1,549,929)	(208,915)	15,667,446
Other financial expenses	1.c, 1.i, 1.j, 1.s, 1.t, 13, 18 and 20	(21,759)	(21,962)	(82,495)
Other financial income	1.s, 18 and 20	242,388	364,064	1,585,101
Earnings before taxes		(1,679,169)	(204,789)	15,838,722
Income taxation	1.m, 8 and 19	8,171	(10,102)	(68,215)
Net income / (loss) for the period		(1,670,998)	(214,891)	15,770,507
Earnings per share	22			
Excluding discontinued operations:				
Basic		(0.01)	(0.00)	0.05
Diluted		(0.01)	(0.00)	0.05

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Statement of comprehensive income

For the periods ended on 31 March 2018 and 2017 and for the year ended on 31 December 2017

(Amounts expressed in Euro)	Notes	March 2018 (not audited)	March 2017 (not audited)	December 2017
Net income / (loss) for the period		(1,670,998)	(214,891)	15,770,507
Components of other comprehensive income, net of tax		-	-	-
Comprehensive income for the period		(1,670,998)	(214,891)	15,770,507

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Movements in Shareholders' funds

For the periods ended on 31 March 2018 and 2017

(Amounts expressed in Euro)							Reserves		
	Share capital (note 11)	Own shares (note 12)	Share premium	Legal reserves	Own shares reserves	Other reserves	Total reserves	Net income / (loss)	Total
2018									
Balance at 31 December 2017	230,391,627	(8,441,804)	775,290,377	16,913,362	8,441,804	45,050,162	845,695,705	15,770,507	1,083,416,035
Appropriation of result of 2017									
Transfer to legal reserves and other reserves	-	-	-	-	-	15,770,507	15,770,507	(15,770,507)	-
Comprehensive income for the period ended at 31 March 2018	-	-	-	-	-	-	-	(1,670,998)	(1,670,998)
Balance at 31 March 2018	**230,391,627**	**(8,441,804)**	**775,290,377**	**16,913,362**	**8,441,804**	**60,820,669**	**861,466,212**	**(1,670,998)**	**1,081,745,037**
	-	-			-		-	-	-

(Amounts expressed in Euro)							Reserves		
	Share capital (note 11)	Own shares (note 12)	Share premium	Legal reserves	Own shares reserves	Other reserves	Total reserves	Net income / (loss)	Total
2017									
Balance at 31 December 2016	230,391,627	(8,441,804)	775,290,377	15,163,177	8,441,804	35,340,861	834,236,219	35,003,700	1,091,189,742
Appropriation of result of 2016									
Transfer to legal reserves and other reserves	-	-	-	-	-	35,003,700	35,003,700	(35,003,700)	-
Comprehensive income for the period ended at 31 March 2017	-	-	-	-	-	-	-	(214,891)	(214,891)
Balance at 31 March 2017	230,391,627	(8,441,804)	775,290,377	15,163,177	8,441,804	70,344,561	869,239,919	(214,891)	1,090,974,851

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Cash Flow statements

For the periods ended on 31 March 2018 and 2017

(Amounts expresses in Euro)	Notes		March 2018 (not audited)		March 2017 (not audited)
Operating activities					
Receipts from trade debtors		127,744		440,047	
Payments to trade creditors		(223,374)		(507,919)	
Payments to employees		(219,811)		(452,681)	
Cash flows from operating activities		(315,441)		(520,553)	
Payments / receipts relating to income taxes		(2,072)		(4,192)	
Other payments / receipts relating to operating activities		99,650		67,192	
Cash flows from operating activities (1)			(217,863)		(457,553)
Investing activities					
Receipts from:					
Financial Investments	7	-		300,000	
Interest and similar income		343,323		621,425	
Loans granted	7	9,470,000		165,000	
Payments for:					
Tangible assets		(2,616)		-	
Intangible assets		-		(696)	
Financial Investments	7	(1,376,476)		-	
Loans granted	7	-		(295,000)	
Cash flows from investing activities (2)			8,434,231		790,729
Financing activities					
Payments for:					
Interest and similar expenses		(105,668)		(135,248)	
Cash flows from financing activities (3)			(105,668)		(135,248)
Net cash flows (4)=(1)+(2)+(3)			8,110,700		197,928
Cash and cash equivalents at the beginning of the period	4 and 10		190,901,170		210,933,723
Cash and cash equivalents at period end	4 and 10		199,011,870		211,131,651

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Notes to the cash flow statements

For the periods ended on 31 March 2018 and 2017.

	Notes	March 2018 (not audited)	March 2017 (not audited)
1. Acquisition or sale of subsidiaries or other businesses activities			
a) Receipts from other business activities			
Loan repayment from Sonae Investment Management - Software and Technology, SGPS, S.A.	7	9,470,000	-
Reimbursement of supplementary capital from PCJ - Público, Comunicação e Jornalismo, S.A.	7	-	300,000
Loan repayment from Público - Comunicação Social, S.A.	7	-	165,000
		9,470,000	465,000
b) Payments from other business activities			
Supplementary capital to Sonae Investment Management - Software and Technology, SGPS, S.A.	7	1,376,475	-
Loan granted to Sonae Investment Management - Software and Technology, SGPS, S.A.	7	-	(295,000)
		1,376,475	(295,000)

	Notes	March 2018 (not audited)	March 2017 (not audited)
2. Description of non-monetary financing activities			
a) Bank credit obtained and not used		1,000,000	1,000,000
b) Purchase of company through the issue of shares		Not applicable	Not applicable
c) Conversion of loans into shares		Not applicable	Not applicable

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

4.4. Notes to the separate financial statements of Sonaecom

SONAECOM, SGPS, S.A., (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal.

Sonaecom is owned directly by Sontel BV and Sonae SGPS, SA, being Efanor Investimentos SGPS, S.A. the ultimate controlling company.

Pargeste, SGPS, S.A.'s subsidiaries in the communications and information technology area were transferred to the Company through a demerger - merger process, executed by public deed dated 30 September 1997.

On 3 November 1999, the Company's share capital was increased, its Articles of Association were modified and its name was changed to Sonae.com, SGPS, S.A.. Since then the Company's corporate object has been the management of investments in other companies. Also on 3 November 1999, the Company's share capital was re-denominated to euro, being represented by one hundred and fifty million shares with a nominal value of 1 Euro each.

On 1 June 2000, the Company carried out a Combined Share Offer, involving the following:

- A Retail Share Offer of 5,430,000 shares, representing 3.62% of the share capital, made in the domestic market and aimed at: (i) employees of the Sonae Group; (ii) customers of the companies controlled by Sonaecom; and (iii) the general public;
- An Institutional Offering for sale of 26,048,261 shares, representing 17.37% of the share capital, aimed at domestic and foreign institutional investors.

In addition to the Combined Share Offer, the Company's share capital was increased under the terms explained below. The new shares were fully subscribed for and paid up by Sonae-, SGPS, S.A. (a Shareholder of Sonaecom, hereinafter referred to as 'Sonae'). The capital increase was subscribed for and paid up on the date the price of the Combined Share Offer was determined, and paid up in cash, 31,000,000 new ordinary shares of 1 Euro each being issued. The subscription price for the new shares was the same as that fixed for the sale of shares in the aforementioned Combined Share Offer, which was Euro 10.

In addition, in this year, Sonae sold 4,721,739 Sonaecom shares under an option granted to the banks leading the Institutional Offer for Sale and 1,507,865 shares to Sonae Group managers and to the former owners of the companies acquired by Sonaecom.

By decision of the Shareholders' General Meeting held on 17 June 2002, Sonaecom's share capital was increased from Euro 181,000,000 to Euro 226,250,000 by public subscription reserved for the existing Shareholders, 45,250,000 new shares of 1 Euro each having been fully subscribed for and paid up at the price of Euro 2.25 per share.

On 30 April 2003, the company's name was changed by public deed to Sonaecom, SGPS, S.A..

By decision of the Shareholders' General Meeting held on 12 September 2005, Sonaecom's share capital was increased by Euro 70,276,868, from Euro 226,250,000 to Euro 296,526,868, by the issuance of 70,276,868 new shares of 1 Euro each and with a share premium of Euro 242,455,195, fully subscribed by France Telecom. The corresponding public deed was executed on 15 November 2005.

By decision of the Shareholders' General Meeting held on 18 September 2006, Sonaecom's share capital was increased by Euro 69,720,000, to Euro 366,246,868, by the issuance of 69,720,000 new shares of 1 Euro each and with a share premium of Euro 275,657,217, subscribed by 093X – Telecomunicações Celulares, S.A. (EDP) and Parpública – Participações Públicas, SGPS, S.A. (Parpública). The corresponding public deed was executed on 18 October 2006.

By decision of the Shareholders General Meeting held on 16 April 2008, bearer shares were converted into registered shares.

On 5 February 2014, Sonaecom made public the decision to launch a general and voluntary tender offer for the acquisition of shares representing the share capital.
The offer was general and voluntary, with the offered obliged to acquire all the shares that were the object of the offer and were, until the end of the respective period, subject to valid acceptance by the recipients.

The period of the offer, during which sales orders were received, ran for two weeks, beginning on 6 February and ending on 19 February 2014. On 20 February 2014, the results of the offer were released. The level of acceptance reached 62%, corresponding to 54,906,831 Sonaecom shares.

In 2014 Sonaecom reduced its share capital to Euro 230,391,627.

Euronext Lisbon announced Sonaecom exclusion from the PSI-20 from 24 February 2014 forward.

The financial statements are presented in euro, rounded at unit.

1. Basis of presentation

The accompanying financial statements have been prepared on a going concern basis, based on the Company's accounting records in accordance with International Financial Reporting Standards (IFRS), as adopted and effective in the European Union on 1 January 2018. These financial statements were prepared based on historical cost, except for the revaluation of certain financial instruments.

Sonaecom adopted IFRS for the first time according to SIC 8 (First-time adoption of IAS) on 1 January 2003.

The following standards, interpretations, amendments and endorsed revisions by the European Union were enforced in the economic period beginning on or after 1 January 2018 and were first adopted in the period ending 31 March 2018:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 15 - Revenue from Contracts with Customers IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.	1-Jan-18
Amendments to IFRS 15 - Revenue from contracts with customers Review of accounting treatment for license revenue, definition of agency and transitory regime.	1-Jan-18
IFRS 9 Financial instruments This standard introduces new requirements for classifying and measuring financial assets.	1-Jan-18
Amendments to IFRS 4 - Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard, allowing an exemption regime in the recognition of changes in the fair value of financial investments.	1-Jan-18
Amendments to IFRS 2 - Share-based payment The objective of clarifications to IFRS 2 Share-based Payment was to clarify the classification and measurement of share-based payment transactions.	1-Jan-18
Annual Improvements to IFRS Standards 2014-2016 Cycle Annual Improvements to IFRSs 2014–2016 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2014–2016 cycle for annual improvements to IFRSs.	1-Jan-18
IFRIC Interpretation 22 - Foreign currency transactions and advance consideration IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	1-Jan-18
Amendments to IAS 40 - Transfers of investmenty property Amendments to IAS 40 clarifies the application of paragraph 57 of IAS 40 Investment Property, which provides guidance on transfers to, or from, investment properties.	1-Jan-18

Impacts of IFRS 15 and IFRS 9

With respect to the new standards that became effective in the period beginning on 1 January 2018, the impacts were as follows.

I – IFRS 15 – Revenue from contracts with customers

IFRS 15 is based on the principle that revenue is recognized on the date of transfer of control to the customer, with the transaction value being allocated to the different performance obligations assumed to the client and subject to adjustment in the measurement whenever the consideration is variable or subject to a significant financial effect.

In adopting IFRS 15, the company decided to adopt the transitional regime of the retrospective application with the initial cumulative effect recognised in retained earnings as of 1 January 2018, with the use of the following practical records:

a) Application only for contracts not completed on 01/01/2018

b) Non-restatement of modified contracts before 01/01/2017

IFRS 15 did not have an impact on Sonaecom's financial statements when it was applied on 1 January 2018.

II – IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial instruments, introducing changes at the level of: i) classification of financial assets; ii) calculation of the impairment of financial assets; and iii) designation of hedging relationships.

In assessing the impacts of adopting IFRS 9, Sonaecom assessed the nature of the financial assets recorded in order to identify the measurement impacts. The company's financial assets refer mainly to accounts receivable and treasury applications.

With regard to the calculation of impairment, the new model requires the recognition of impairment losses based on expected credit losses rather than credit losses incurred as in IAS 39.

In adopting IFRS 9, the Company decided to adopt the transitional regime of the retrospective application with the initial cumulative effect recognised in retained earnings as of January 1, 2018.

The company had no material impacts from the application of IFRS 9, so no effect was recorded in Shareholders' Equity.

The following standards, interpretations, amendments and revisions have not yet been approved (endorsed) by the European Union, at the date of approval of these financial statements:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 16 - Leases IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases, replacing IAS 17. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17.	1-Jan-19
Amendments to IFRS 9 - Prepayment features with negative compensation The objective of the amendments to IFRS 9 is examine whether amortized cost measurement would provide relevant and useful information for instruments that contain symmetric prepayment options and otherwise have contractual cash flows that are solely payments of principal and interest.	1-Jan-19

The effect of applying IFRS16 - Leases identified above is under analysis.

The Company did not apply any of these standards in advance in the financial statements for the period ended March 31, 2018.

The following standards, interpretations, amendments and revisions have not been endorsed by the European Union until the date of approval of these financial statements:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRIC 23 - Uncertainty over income tax treatments The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.	1-Jan-19
Amendments to IAS 28 - Long-term interests in associates and joint ventures The objective of the amendments is clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1-Jan-19
Annual Improvements to IFRS Standards 2015-2017 Cycle Annual Improvements to IFRSs 2015–2017 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2015–2017 cycle for annual improvements to IFRSs.	1-Jan-19
IFRS 17 - Insurance contracts IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.	1-Jan-21
Amendments to IAS 19 - Plan amendment, curtailment or settlement IAS 19 establishes the principles for accounting and disclosure of employee benefits.	1-Jan-19

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the company for the period ended on 31 March 2018.

The accounting policies and measurement criteria adopted by the company on 31 March 2018 are comparable with those used in the preparation of 31 March 2017 financial statements.

Main accounting policies

The main accounting policies used in the preparation of the accompanying financial statements are as follows:

a) Tangible assets

Tangible assets are recorded at their acquisition cost less accumulated depreciation and less estimated accumulated impairment losses.

Depreciations are calculated on a straight-line monthly basis as from the date the assets are available for use in the necessary conditions to operate as intended by the management, by a corresponding charge to the profit and loss statement caption 'Depreciation and amortisation'.

Impairment losses detected in the realisation value of tangible assets are recorded in the period in which they arise, by a corresponding charge to the caption 'Depreciation and amortisation' of the profit and loss statement.

The annual depreciation rates used correspond to the estimated useful life of the assets, which are as follows:

	Years of useful life
Buildings and others constructions	10-20
Fixtures and fittings	4

Current maintenance and repair costs of tangible assets are recorded as costs in the period in which they occur. Improvements of significant amount, which increase the estimated useful life of the assets, are capitalised and depreciated in accordance with the estimated useful life of the corresponding assets.

b) Intangible assets

Intangible assets are recorded at their acquisition cost less accumulated amortisation and less estimated accumulated impairment losses. Intangible assets are only recognised, if they were identifiable and if it is likely that they will bring future economic benefits to the Company, if the Company controls them and if their cost can be reliably measured.

Intangible assets correspond, essentially, to software and industrial property.

Amortisations are calculated on a straight-line monthly basis, over the estimated useful life of the assets (three to five years) as from the month in which the corresponding expenses are incurred.

Amortisation for the period is recorded in the profit and loss statement under the caption 'Depreciation and amortisation'.

Impairment losses detected in the realisation value of intangible assets are recorded in the year in which they arise, by a corresponding charge under the caption 'Depreciation and amortisation' in the profit and loss statement.

c) Investments in Group companies and other non-current assets

Sonaecom has control of subsidiaries in situations that cumulatively fulfils the following conditions: i) has power over the subsidiary; ii) is exposed to, or has rights to, variable results via its relationship with the subsidiary; and iii) is able to use its power over the investee to affect the amount of your results. Financial investments in equity investments in group companies, are recorded under "Investments in group companies', at cost of acquisition.

The acquisition cost is the amount of cash and cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of acquisition or establishment or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of IFRS 3.

The consideration transferred may include assets or liabilities of the acquirer that have carrying amounts that differ from their fair value at the acquisition date (for example, non-monetary assets or a business of the acquirer). If so, the acquirer must re-measure the assets and liabilities transferred at their fair value at the acquisition date and recognize the resulting gains or losses, if any, in the income statement. However, sometimes the transferred assets or liabilities remain in the entity acquired after the completion of the business and therefore the buyer retains control over them. In this situation, the acquirer shall measure those assets and liabilities at their carrying amounts immediately before the acquisition date and shall not recognize any gain or loss in the income statement for assets or liabilities it controls both before and after the completion of the deal.

Loans and supplementary capital granted to affiliated companies with maturities, estimated or defined contractually, greater than one year, are recorded, at their nominal value, under the caption 'Other non-current assets'.

Investments and loans granted to Group companies are evaluated whenever an event or change of circumstances indicates that the recorded amount may not be recoverable or impairment losses recorded in previous years no longer exist.

Impairment losses estimated for investments and loans granted to Group companies are recorded, in the period that they are estimated, under the caption 'Other financial expenses' in the profit and loss statement.

The expenses incurred with the acquisition of investments in Group companies are recorded as cost when they are incurred.

d) Investments in companies jointly controlled

Investments in companies jointly controlled (companies in which the Company has, direct or indirect, 50% of the voting rights in the Shareholders' General Meeting of or in which it has the control over the financial and operating policies), are recorded under the caption 'Investments in companies jointly controlled, at acquisition cost in accordance with IAS 27, as such, Sonaecom presents, separately, consolidated financial statements in accordance with IAS / IFRS.

Loans and supplementary capital granted to companies jointly controlled, with maturities, estimated or defined contractually, greater than one year, are recorded, at their nominal value, under the caption 'Other non-current assets'.

Investments and loans granted to companies jointly controlled are evaluated whenever an event or change of circumstances indicates that the recorded amount may not be recoverable or impairment losses recorded in previous years no longer exist.

Impairment losses estimated for investments and loans granted to companies jointly controlled are recorded, in the period that they are estimated, under the caption 'Other financial expenses' in the profit and loss statement.

The expenses incurred with the acquisition of investments in companies jointly controlled are recorded as cost when they are incurred.

e) Financial instruments

Financial Assets

Financial assets are recognised in the Company's statement of financial position on the trade or contracting date, which is the date that the Company undertakes to acquire or dispose of the asset. At the initial moment, except for trade accounts receivable, financial assets are recognised at fair value plus directly attributable transaction costs, except for assets at fair value through profit or loss in which transaction costs are recognised immediately in profit or loss. Trade accounts receivable, at the initial time, are recognised at their transaction price, as defined in IFRS 15.

Financial assets are derecognised when: (i) the contractual rights of the Company to the receipt of their cash flows expire; (ii) the Company has substantially transferred all the risks and benefits associated with its detention; or (iii) notwithstanding that it retains a portion, but not substantially all the risks and rewards associated with its detention, the Company has transferred control over the assets.

Financial assets and liabilities are offset and presented at net value, when and only when the Company is entitled to offset the amounts recognized and intends to settle at the net value.

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, financial assets measured at amortized cost, financial assets at fair value through other comprehensive income. Its classification depends on the entity's business model to manage the financial assets and the contractual characteristics in terms of the cash flows of the financial asset.

(i) 'Financial assets at fair value through profit or loss'

This category includes derivative financial instruments and equity instruments that the Company did not classify as financial assets through other comprehensive income at the time of initial recognition. This category also includes all financial instruments whose contractual cash flows are not exclusively capital and interest.

Gains and losses resulting from the change in the fair value of assets measured at fair value through profit or loss are recognised in the income statement for the year in which they occur in the respective caption 'Losses / (gains) on financial assets', which includes the amounts of income interest and dividends.

(ii) 'Financial assets at fair value through other comprehensive income'

Financial assets measured at fair value through other comprehensive income are those that are part of a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets, these contractual cash flows being only capital repayment and interest on the outstanding capital.

(iii) 'Financial assets measured at amortized cost'

Financial assets measured at amortized cost are those that are included in a business model whose purpose is to hold financial assets in order to receive the contractual cashflows, and these contractual cash flows are only capital repayment and interest payments on capital in debt.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the contractual substance regardless of their legal form. Equity instruments are contracts that show a residual interest in the Company's assets after deducting liabilities. The equity instruments issued by the company are recorded at the amount received, net of the costs incurred with their issuance. Financial liabilities are derecognised only when they are extinguished, that is, when the obligation is settled, canceled or expired.

In accordance with IFRS 9, financial liabilities are classified as subsequently measured at amortized cost, except for:

a) Financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, should subsequently be measured at fair value;

b) Financial liabilities that arise when a transfer of a financial asset does not meet the conditions for derecognition or when the continued involvement approach is applied;

c) Financial guarantee contracts;

d) Commitments to grant a loan at a lower interest rate than the market;

e) The contingent consideration recognized by a buyer in a business combination to which IFRS 3 applies. Such contingent consideration shall be subsequently measured at fair value, with changes recognized in profit or loss.

The Company's financial liabilities include: loans obtained (note i), accounts payable and derivative financial instruments (note k).

f) Financial and operational leases

Lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the detention of the leased asset are transferred by the lease contract or as operational leases, if, in substance, there is no transfer of risks and rewards associated with the detention of the leased assets.

The lease contracts are classified as financial or operational in accordance with the substance and not with the form of the respective contracts.

Tangible assets acquired under finance lease contracts and the related liabilities are recorded in accordance with the financial method. Under this method the tangible assets, the corresponding accumulated depreciation and the related liability are recorded in accordance with the contractual financial plan at fair value or, if less, at the present value of payments. In addition, interest included in lease payments and depreciation of the tangible assets are recognised as expenses in the profit and loss statement for the period to which they relate.

Assets under long-term rental contracts are recorded in accordance with the operational lease method. In accordance with this method, the rents paid are recognised as an expense, over the rental period.

g) Other current debtors

Other current debtors are recorded at their net realisable value and do not include interests, since the discount effect is not significant.

These financial investments arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.

The amount relating to this caption is presented net of any impairment losses and are registered in profit and loss statement in heading 'Provisions and impairment losses'. Future reversals of impairment losses are recorded in the profit and loss statement under the caption in other operating revenue.

h) Cash and cash equivalents

Amounts included under the caption 'Cash and cash equivalents' correspond to amounts held in cash and term bank deposits and other treasury applications with a maturity of less than 3 months, where the risk of any change in value is insignificant.

The cash flow statement has been prepared in accordance with IAS 7 –'Statement of Cash Flow', using the direct method. The Company classifies, under the caption 'Cash and cash equivalents', investments that mature in less than three months, for which the risk of change in value is insignificant. The caption 'Cash and cash equivalents' in the cash flow statement also includes bank overdrafts, which are reflected in the statement of financial position caption 'Short-term loans and other loans'.

The cash flow statement is classified by operating, financing and investing activities. Operating activities include collections from customers, payments to suppliers, payments to personnel and other flows related to operating activities. Cash flows from investing activities include the acquisition and sale of investments in associated, subsidiary companies and companies jointly controlled as well as receipts and payments resulting from the purchase and sale of fixed assets. Cash flows from financing activities include payments and receipts relating to loans obtained and finance lease contracts, as well as cash flows from the shareholders' transactions in quality of shareholders.

All amounts included under this caption are likely to be realised in the short term and there are no amounts given or pledged as guarantee.

i) Loans

Loans are recorded as liabilities by the 'amortised cost'. Any expenses incurred in setting up loans are recorded as a deduction to the nominal debt and recognised during the period of the financing, based on the effective interest rate method. The interests incurred but not yet due are added to the loans caption until their payment.

j) Financial expenses relating to loans obtained

Financial expenses relating to loans obtained are generally recognised as expenses at the time they are incurred. Financial expenses related to loans obtained for the acquisition, construction or production of assets are capitalised as part of the cost of the assets. These expenses are capitalised starting from the time of preparation for the construction or development of the asset and are interrupted when the assets are ready to operate, at the end of the production or construction phases or when the associated project is suspended.

k) Derivatives

The Company only uses derivatives in the management of its financial risks to hedge against such risks. The Company does not use derivatives for trading purposes.

The cash flow hedges used by the Company are related to:

(i) Interest rate swaps operations to hedge against interest rate risks on loans obtained. The amounts, interest payment dates and repayment dates of the underlying interest rate swaps are similar in all respects to the conditions established for the contracted loans. Changes in the fair value of cash flow hedges are recorded in assets or liabilities, against a corresponding entry under the caption 'Hedging reserves' in Shareholders' funds.
(ii) Forward's exchange rate for hedging foreign exchange risk. The values and times periods involved are identical to the amounts invoiced and their maturities.

In cases where the hedge instrument is not effective, the amounts that arise from the adjustments to fair value are recorded directly in the profit and loss statement.

On 31 March 2018 and 2017, the Company did not have any derivative.

l) Provisions and contingencies

Provisions are recognised when, and only when, the Company has a present obligation (either legal or implicit) resulting from a past event, the resolution of which is likely to involve the disbursement of funds by an amount that can be reasonably estimated.

Provisions are reviewed at the statement of financial position date and adjusted to reflect the best estimate at that date.

Provisions for restructurings are only registered if the Company has a detailed plan and if that plan has already been communicated to the parties involved.

Contingent liabilities are not recognised in the financial statements but are disclosed in the notes, except if the possibility of a cash outflow affecting future economic benefits is remote.

Contingent assets are not recognised in the financial statements but are disclosed in the notes when future economic benefits are likely to occur.

m) Income Tax

'Income tax' expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in accordance with IAS 12 – 'Income Taxes'.

Sonaecom has adopted, since January 2008, the special regime for the taxation of groups of companies, under which, the provision for income tax is determined on the basis of the estimated taxable income of all the companies covered by that regime, in accordance with such rules. However, for the year ended on 31 December 2015, the Sonaecom Group, stopped having an independent group of companies covered by the special regime for taxation due to of having passed to integrate the special regime for taxation of groups of Sonae companies.

In this way, Sonaecom is under the special regime for the taxation of groups of companies, from which Sonae, SGPS is the dominant company since 1 January 2015. Each company records the income tax on their individual accounts and the tax calculated is record under the caption of group companies.
The tax losses generated by the companies controlled in the tax group (RETGS) determine their allocation to the tax losses of the group, so that, since 2017, only the parent company has recognised the amounts corresponding to such tax losses, without giving rise to any financial, and until fiscal year 2016 these tax losses generated by the companies controlled within the group were compensated by the dominant entity of the group.

The special regime for the taxation of groups of companies covers all direct or indirect subsidiaries, and even through companies resident in another Member State of the European Union or the European Economic Area, only if, in the last case, there is an obligation of administrative cooperation, on which the Group holds at least 75% of their share capital, where such participation confers more than 50% of voting rights, if meet certain requirements. The subsidiary Digitmarket is not part of the special tax regime for groups of companies, as Sonae SGPS's indirect stake in Digitmarket is less than 75%.

Deferred taxes are calculated using the liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the respective amounts for tax purposes.
Deferred tax assets are only recognised when there is reasonable expectation that sufficient taxable profits shall arise in the future to allow such deferred tax assets to be used. At the end of each period, the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are likely enabling the recovery of such assets (note 8).

Deferred taxes are calculated with the tax rate that is expected to be in effect at the time the asset or liability is realized, based on the rates that have been enacted or substantially enacted at the statement of financial position date.

Whenever deferred taxes derive from assets or liabilities directly registered in Shareholders' funds, its recording is also made under the Shareholders' funds caption. In all other situations, deferred taxes are always registered in the profit and loss statement.

n) Accrual basis

Expenses and income are recorded in the period to which they relate, regardless of their date of payment or receipt. Estimated amounts are used when actual amounts are not known.
The captions 'Other non-current assets', 'Other current assets', 'Other non-current liabilities' and 'Other current liabilities' include expenses and income relating to the current period, where payment and receipt will occur in future periods, as well as payments and receipts in the current period but which relate to future periods. The latter shall be included by the corresponding amount in the results of the periods to which they relate to.

The costs attributable to current period and whose expenses will only occur in future periods are estimated and recorded under the caption 'Other current liabilities' and 'Other non-current liabilities', when it is possible to estimate reliably the amount and the timing of occurrence of the expense. If there is uncertainty regarding both the date of disbursement of funds, and the amount of the obligation, the value is classified as Provisions (note 1.l).

o) Revenue

Revenue should be measured at the fair value of the consideration received or receivable for the sale or rendering of services resulting from the normal activity of the company. The revenue is recognized net from taxes and taking into account the amount of any trade discounts and volume rebates allowed by the company.

Dividends
Dividends are recognised when the Shareholders' rights to receive such amounts are appropriately established and communicated.

p) Fair value

The measurement of fair value presumes that an asset or liability is changed in an orderly transaction between market participants to see the asset or transfer the liability at the measurement date, under current market conditions.
The measurement of fair value is based on the assumption that the transaction of sell the asset or transfer the liability may occur:

(i) In the main asset and liability market, or
(ii) The principal (or most advantageous) market in which an orderly transaction would take place for the asset or liability

The Company use valuation techniques appropriate to the circumstances and for which there is sufficient data to measure fair value, maximizing the use of observable relevant data and minimizing the use of unobservable data.

All assets and liabilities measured at fair value or for which disclosure is mandatory are classified according to a fair value hierarchy, which classifies into three levels the data to be used in the fair value measurement, detailed below:
Level 1 - unadjusted quoted prices for identical assets and liabilities in active markets, which the entity can access at the measurement date;
Level 2 - Valuation techniques that use inputs that are not quoted are directly or indirectly observable;
Level 3 - Valuation techniques that use inputs not based on observable market data, ie, based on unobservable data;
The measurement of fair value is classified fully at the lowest level of the input that is significant for the measurement as a whole.

q) Reserves

Legal reserve
Portuguese commercial legislation requires that at least 5% of the annual net profit must be appropriated to a legal reserve, until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in case of liquidation of the Company, but may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

Own shares reserve
The own shares reserve reflects the acquisition value of the own shares and follows the same requirements of legal reserve.

Other reserves
This caption includes retained earnings from previous years that are available for distribution.

Additionally, the increments resulting from the application of fair value through equity components, including its implementation through net results, shall be distributed only when the elements that gave rise to them are sold, liquidated or exercised or when they finish their use, in the case of tangible or intangible assets. Therefore, on 31 March 2018, Sonaecom, have free reserves distributable amounting approximately Euro 59,5 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the period ended 31 March 2018.

r) Own shares

Own shares are recorded as a deduction of Shareholders' funds. Gains or losses related to the sale of own shares are recorded under the caption 'Other reserves'.

s) Balances and transactions in foreign currency

The euro is the functional currency of presentation. All transactions in foreign currency are translated for the functional currency at the exchange rate of the transaction date. At each closing date, the exchange restatement of outstanding balances is carried out, applying the exchange rate in effect at that date.

Favourable and unfavourable foreign exchange differences resulting from changes in the rates in force at transaction date and those in force at the date of collection, payment or at the statement financial position date are recorded as income and expenses in the profit and loss statement in financial results.

The following rates were used for the translation into Euro:

	2018		2017	
	31 March	Average	31 March	Average
Pounds Sterling	1.1430	1.1323	1.1689	1.1628
Swiss franc	0.8490	0.8581	0.9349	0.9351
Swedish krona	0.0972	0.1003	0.9532	0.9506
American Dollar	0.8116	0.8136	0.9354	0.9354

t) Assets impairment

Whenever the book value of an asset is greater than the amount recoverable, an impairment loss is recognised and recorded in the profit and loss statement under the caption 'Depreciation and amortisation' in the case of tangible assets and intangible assets for the other assets under the caption 'Provisions and impairment losses', in relation to the other assets.

Non-financial assets impairment
Impairment tests are performed for assets with undefined useful life at the date of each statement of financial position

and whenever an event or change of circumstances indicates that the recorded amount of an asset may not be recoverable.

Impairment tests are performed for assets with defined useful lives and investments in associates whenever there is evidence that their book value is higher than the recoverable value.

The amount recoverable is the greater of the net selling price and the value of use. Net selling price is the amount obtained upon the sale of an asset in a transaction within the capability of the parties involved, less the costs directly related to the sale. The value of use is the present amount of the estimated future cash flows expected to result from the continued use of the asset and of its sale at the end of its useful life.

The recoverable amount is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

For investments in associated companies of the group and for assets with defined useful lives, the recoverable amount, calculated in terms of value in use, is determined based on the most recent business plans duly approved by the Company's Board of Directors. For Investments in companies jointly controlled, the recoverable amount is determined taking into account various information such as the most recent business plans duly approved by the Company's Board of Directors and the average of evaluations made by external analysts (researches).

Non-financial assets, for which impairment losses have been recorded, are reviewed at each reporting date for reversal of these losses.

Financial assets impairment

The group evaluate at each reporting date the existence of impairment in financial assets at amortized cost.

The expected loss results from the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate.

The objective of this impairment policy is to recognise expected credit losses over the respective duration of financial instruments that have undergone significant increases in credit risk since initial recognition, assessed on an individual or collective basis, taking into account all reasonable and sustainable information, including prospects. If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since the initial recognition, the Group measures the provision for losses relating to that financial instrument by an amount equivalent to the expected credit losses within a period of 12 months .

The application of IFRS 9 impairment requirements did not generate material impacts and therefore there was no impact on balance sheet or equity.

u) Medium-term incentive plans

The accounting treatment of Medium Term Incentive Plans is based on IFRS 2 – 'Share-based Payments'.

Under IFRS 2, when the settlement of plans established by the Company involves the delivery of Sonaecom's own shares, the estimated responsibility is recorded, as a credit entry, under the caption 'Reserves – Medium Term Incentive Plans', within the caption 'Shareholders' funds' and is charged as an expense under the caption 'Staff expenses' in the profit and loss statement.

The quantification of this responsibility is based on its fair value at the attribution date and is recognised over the vesting period of each plan (from the award date of the plan until its vesting or settlement date). The total responsibility, at any point in time, is calculated based on the proportion of the vesting period that has 'elapsed' up to the respective accounting date.

When the responsibilities associated with any plan are covered by a hedging contract, i.e., when those responsibilities are replaced by a fixed amount payable to a third party and when Sonaecom is no longer the party that will deliver the Sonaecom shares, at the settlement date of each plan, the above accounting treatment is subject to the following changes:

(i) The total gross fixed amount payable to third parties is recorded in the balance sheet as either 'Other non-current liabilities' or 'Other current liabilities';

(ii) The part of this responsibility that has not yet been recognised in the profit and loss statement (the 'unelapsed' proportion of the cost of each plan) is deferred and is recorded, in the statement of financial position as either 'Other non-current assets' or 'Other current assets';

(iii) The net effect of the entries in (i) and (ii) above eliminate the original entry to 'Shareholders' funds'; and

(iv) In the profit and loss statement, the 'elapsed' proportion continues to be charged as an expense under the caption 'Staff expenses'.

As of 31 March 2018 there are no outstanding hedge agreements.

For plans settled in cash, the estimated liability is recorded under the statement of financial position captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the vesting period that has 'elapsed' up to the respective accounting date.

The liability is quantified based on the fair value of the shares as of each statement of financial position date.

When the liability is covered by a hedging contract, recognition is made in the same way as described above, but with the liability being quantified based on the contractually fixed amount.

Equity-settled plans to be liquidated through the delivery of shares of Sonae SGPS are recorded as if they were settled in cash, which means that the estimated liability is recorded under the statement of financial position captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

On 31 March 2018, the plans granted during the year 2015, 2016 and 2017 are not covered, and the liability is recorded at fair value. The liability of all plans is recorded under the captions 'Other non-current liabilities' and 'Other current liabilities'. The cost is recognized on the income statement under the caption 'Staff expenses'.

v) Subsequent events

Events occurring after the date of the statement of financial position which provide additional information about conditions prevailing at the time of the statement of financial position (adjusting events) are reflected in the financial statements. Events occurring after the statement of financial position date that provide information on post- statement of financial position conditions (non-adjusting events), when material, are disclosed in the notes to the financial statements.

w) Judgements and estimates

The most significant accounting estimates reflected in the consolidated financial statements of the periods ended on 31 March 2018 and 2017 are as follows:

(i) Useful lives of tangible and intangible assets (note 1a and 1b);

(ii) Impairment analysis of investments in group companies and joint ventures and of other tangible and intangible assets;

(iii) Recognition of impairment losses on assets (Trade debtors and inventories), provisions and analysis of contingent liabilities; and

(iv) Recoverability of deferred tax assets (note 8).

Estimates used are based on the best information available during the preparation of the financial statements and are based on the best knowledge of past and present events. Although future events are neither foreseeable nor controlled by the Group, some could occur and have impact on such estimates. Changes to the estimates used by the management that occur after the approval date of these consolidated financial statements, will be recognised in net income, in accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors', using a prospective methodology.

The main estimates and assumptions in relation to future events included in the preparation of these consolidated financial statements are disclosed in the corresponding notes.

x) Financial risk management

The Company's activities expose it to a variety of financial risks such as market risk, liquidity risk and credit risk.

These risks arise from the unpredictability of financial markets, which affect the capacity to project cash flows and profits. The Company's financial risk management, subject to a long-term ongoing perspective, seeks to minimise potential adverse effects that derive from that uncertainty, using, every time it is possible and advisable, derivative financial instruments to hedge the exposure to such risks (note 1.k).

The Company is also exposed to equity price risks arising from equity investments, although they are usually maintained for strategic purposes.

Market risk

a) Foreign exchange risk

Foreign exchange risk management seeks to minimise the volatility of investments and transactions made in foreign currency and contributes to reduce the sensitivity of results to changes in foreign exchange rates.
Whenever possible, the Company uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such procedure is not possible, the Company adopts derivative financial hedging instruments (note 1. k).

Considering the reduced values of assets and liabilities in foreign currency, the impact of a change in exchange rate will not have significant impacts on the financial statements.

b) Interest rate risk

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility in the Company results or in its Shareholders' funds is mitigated by the effect of the following factors: (i) relatively low level of financial leverage; (ii) possibility to use derivative instruments that hedge the interest rate risk, as mentioned below; (iii) possible correlation between the level of market interest rates and economic growth the latter having a positive effect in other lines of the Company's results, and in this way partially offsetting the increase of financial costs ('natural hedge'); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate.

The Company only uses derivatives or similar transactions to hedge interest rate risks considered significant. Three main principles are followed in all instruments selected and used to hedge interest rate risk:

(i) For each derivative or instrument used to hedge a specific loan, the interest payment dates on the loans subject to hedging must equalise the settlement dates defined under the hedging instrument;

(ii) Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the facility / transaction which is being hedged;

(iii) As from the start of the transaction, the maximum cost of the debt, resulting from the hedging operation is known and limited, even in scenarios of extreme changes in market interest rates, so that the resulting rates are within the cost of the funds considered in the Company's business plan.

In the period ended on 31 March 2018, Sonaecom has no indebtedness. However, as all Sonaecom's borrowings (note 13) are at variable rates, interest rate swaps and other derivatives are used to hedge future changes in cash flow relating to interest payments, when it is considered necessary. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, being the Company's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions.
In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

In determining the fair value of hedging operations, the Company uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates prevailing at the statement of financial position date. Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the valuation.

The fair value of the derivatives contracted, that are not considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions established in IAS 39), are recognised under statement financial position and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the period.

Sonaecom's Board of Directors approves the terms and conditions of the financing with significant impact in the Company, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed / variable). Under the policy defined above, the Executive Committee is responsible for the decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

On 31 March 2018, are not contracted any derivatives instruments of hedging of the interest rate changes.

Liquidity risk

The existence of liquidity in the Company requires the definition of some policies for an efficient and secure management of the liquidity, allowing us to maximise the profitability and to minimise the opportunity costs related with that liquidity.

The liquidity risk management has a threefold objective: (i) Liquidity, i.e., to ensure the permanent access in the most efficient way to obtain sufficient funds to settle current payments in the respective dates of maturity as well as any eventual not forecasted requests for funds, in the deadlines set for this; (ii) Safety, i.e., to minimise the probability of default in any reimbursement of application of funds; and (iii) Financial efficiency, i.e., to ensure that the Company maximises the value / minimise the opportunity cost of holding excess liquidity in the short term.

The main underlying policies correspond to the variety of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparty and the maximum periods for investments.

The existing liquidity should be applied to the alternatives and by the order described below:

(i) Amortisation of short-term debt – after comparing the opportunity cost of amortisation and the opportunity cost related to alternative investments;

(ii) Consolidated management of liquidity – the existing liquidity in Group companies, should mainly be applied in Group companies, to reduce the use of bank debt at a consolidated level; and

(iii) Applications in the market.

The applications in the market are limited to eligible counterparties, with ratings previously established by the Board of Directors and limited to certain maximum amounts by counterparty.

The definition of maximum amounts intends to assure that the application of liquidity in excess is made in a prudent way and taking into consideration the best practices in terms of bank relationships.

The maturity of applications should equalise the forecasted payments (or the applications should be easily convertible, in case of asset investments, to allow urgent and not estimated payments), considering a threshold for eventual deviations on the estimates. The threshold depends on the accuracy level of treasury estimates and would be determined by the business. The accuracy of the treasury estimates is an important variable to quantify the amounts and the maturity of the applications in the market.

Taking into account the low value of the liabilities of the Company is understood that the liquidity risk is very low.

Credit risk

The Companys's exposure to credit risk is mainly associated with the accounts receivable related to current operational activities, cash investments and other non-current assets supplies.

The management of this risk seeks to guarantee that the amounts owing are effectively collected within the periods negotiated without affecting the financial health of the Group. The Group uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, as well as credit insurances, which all contribute to the mitigation of credit risk.

The amounts included in the financial statements related to cash and equivalents and other non-current assets (supplies) and other current debtors, represent the maximum exposure of the Company to credit risk.

Sonaecom holds financial assets resulting from its relationship with its subsidiaries (Note 5) and with financial institutions (Note 10). There is a credit risk associated with the potential pecuniary default of the Financial Institutions that are counterparts in these relationships, however, in general, the exposure related to this type of financial assets is widely diversified and of limited duration in time.

The credit risk associated to financial institutions is limited by the management of risks concentration and a rigorous selection of counterparties that presents a high prestige and international recognition and based on their ratings, taking into account the nature, maturity and size of operations.

Taking into account the above mentioned policies, the Administration does not anticipate the possibility of any occurrence of any immaterial non-compliance with contractual obligations.

Capital risk

Sonaecom's capital structure, determined by the ratio of equity and net debt, is managed in a way that ensures the continuity and development of its operating activities, maximizes shareholder returns and optimizes the cost of financing.

Sonaecom periodically monitors its capital structure, identifying risks, opportunities and necessary adjustment measures in order to achieve the referred objectives.

In 2018, Sonaecom reported an negative average gearing (accounting) of 18.2%. The average gearing in market values in 2018 was negative in 26.1%.

2. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the periods ended on 31 March 2018 and 2017 was as follows:

							2018
	Buildings and other constructions	Plant and machinery	Vehicles	Tools	Fixtures and fittings	Other tangible assets	Total
Gross assets							
Balance at 31 December 2017	347,208	43,858	22,060	171	247,788	104	661,189
Balance at 31 March 2018	347,208	43,858	22,060	171	247,788	104	661,189
Accumulated depreciation and impairment losses							
Balance at 31 December 2017	341,953	43,858	22,060	171	244,152	104	652,298
Depreciation for the year	840	-	-	-	317	-	1,157
Balance at 31 March 2018	342,793	43,858	22,060	171	244,469	104	653,455
Net value	4,415	-	-	-	3,319	-	7,734

							2017
	Buildings and other constructions	Plant and machinery	Vehicles	Tools	Fixtures and fittings	Other tangible assets	Total
Gross assets							
Balance at 31 December 2016	347,208	43,858	22,060	171	243,696	104	657,097
Additions	-	-	-	-	2,661	-	2,661
Balance at 31 March 2017	347,208	43,858	22,060	171	246,357	104	659,758
Accumulated depreciation and impairment losses							
Balance at 31 December 2016	338,235	43,858	18,844	171	242,469	104	643,681
Depreciation for the year	1,053	-	1,379	-	435	-	2,867
Balance at 31 March 2017	339,288	43,858	20,223	171	242,904	104	646,548
Net value	7,920	-	1,837	-	3,453	-	13,210

3. Intangible assets

The movement in intangible assets and in the corresponding accumulated amortisation and impairment losses in the periods ended on 31 March 2018 and 2017 was as follows:

				2018
	Brands patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2017	9,859	195,879	-	205,738
Balance at 31 March 2018	9,859	195,879	-	205,738
Accumulated amortisation and impairment losses				
Balance at 31 December 2017	9,812	192,739	-	202,551
Amortisation for the year	6	173	-	179
Balance at 31 March 2018	9,818	192,912	-	202,730
Net value	41	2,967	-	3,008

				2017
	Brands patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2016	9,789	193,127	-	202,916
Adictions	70	-	626	696
Balance at 31 March 2017	9,859	193,127	626	203,612
Accumulated amortisation and impairment losses				
Balance at 31 December 2016	9,783	190,929	-	200,712
Amortisation for the year	12	532	-	544
Balance at 31 March 2017	9,795	191,461	-	201,256
Net value	64	1,666	626	2,356

4. Breakdown of financial instruments

On 31 March 2018 and 2017, the breakdown of financial instruments was as follows:

2018	Financial assets measured at amortised cost	Total financial assets	Others not covered by IFRS9	Total
Non-current assets				
Other non-current assets (note 7)	13,794,287	13,794,287	215,003,094	228,797,381
	13,794,287	13,794,287	215,003,094	228,797,381
Current assets				
Income tax receivable	-	-	739,001	739,001
Other trade debtors (note 9)	439,375	439,375	85,491	524,866
Other current assets	391,860	391,860	62,350	454,210
Cash and cash equivalents (note 10)	199,011,870	199,011,870	-	199,011,870
	199,843,105	199,843,105	886,842	200,729,947

2017	Financial assets measured at amortised cost	Total financial assets	Others not covered by IFRS9	Total
Non-current assets				
Other non-current assets (note 8)	212,304,434	212,304,434	-	212,304,434
	212,304,434	212,304,434	-	212,304,434
Current assets				
Income tax receivable	-	-	809,669	809,669
Other trade debtors (note 9)	17,339,646	17,339,646	167,680	17,507,326
Other current assets	388,716	388,716	74,676	463,392
Cash and cash equivalents (note 10)	211,131,651	211,131,651	-	211,131,651
	228,860,013	228,860,013	1,052,025	229,912,038

2018	Liabilities recorded at amortized cost	Total financial liabilities	Others not covered by IAS 39	Total
Non-current liabilities				
Other non-current liabilities	-	-	261,213	261,213
	-	-	261,213	261,213
Current liabilities				
Other creditors (note 15)	1,081,695	1,081,695	56,904	1,138,599
Other current liabilities	438,072	438,072	198,690	636,762
	1,519,767	1,519,767	255,594	1,775,361

2017	Liabilities recorded at amortized cost	Total financial liabilities	Others not covered by IAS 39	Total
Non-current liabilities				
Other non-current liabilities	-	-	76,400	76,400
	-	-	76,400	76,400
Current liabilities				
Other creditors (note 15)	497,028	497,028	36,580	533,608
Other current liabilities	333,446	333,446	107,681	441,127
	830,474	830,474	144,261	974,735

The receivable and payable balances from the State and other public entities, as well as the specialized costs with the action plan, given its nature, were considered as financial instruments not covered by IFRS 9. In turn, deferred costs and income, recorded under other current and non-current assets and liabilities, were considered as non-financial instruments.

The Sonaecom's Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument.

5. Investments in Group companies

On 31 March 2018 and 2017, this caption included the following investments in Group companies was as follows:

Company	2018	2017
Sonae Investment Management - Software and Technology, SGPS, S.A. ("Sonae IM")	52,241,587	52,241,587
Público - Comunicação Social S.A. ('Público')	23,305,000	21,305,000
PCJ - Público Comunicação e Jornalismo S.A. ('PCJ')	15,690,000	13,690,000
Sonaecom - Serviços Partilhados S.A. ('Sonaecom SP')	2,050,000	50,000
	93,286,587	87,286,587
Impairment losses (note 14)	(36,564,929)	(34,995,000)
Total investments in Group companies	56,721,658	52,291,587

The movements that occurred in investments in this caption during the periods ended on 31 March 2018 and 2017 were as follows:

Company	Balance at 31 December 2017	Additions	Balance at 31 March 2018
Sonae IM	52,241,587	-	52,241,587
PCJ	15,690,000	-	15,690,000
Público	23,305,000	-	23,305,000
Sonaecom Sp	2,050,000	-	2,050,000
	87,286,587	-	93,286,587
Impairment losses (note 14)	(35,015,000)	(1,549,929)	(36,564,929)
Total investments in Group companies	52,291,587	(1,549,929)	56,721,658

Company	Balance at 31 December 2016	Additions	Balance at 31 March 2017
Sonae IM	52,241,587	-	52,241,587
PCJ	13,690,000	-	13,690,000
Público	21,305,000	-	21,305,000
Sonaecom Sp	50,000	-	50,000
	87,286,587	-	87,286,587
Impairment losses (note 14)	(34,995,000)	-	(34,995,000)
Total investments in Group companies	52,291,587	-	52,291,587

In the period ended March 31, 2018, the amount of 1,549,929 euros of increases corresponds to the impairment of financial investments in Público (Note 14).

On 31 March 2018 and 2017, the main financial information regarding the subsidiaries and jointly controlled directly owned by the company is as follows (values in accordance with IFRS):

(Amounts expressed in thounsand Euro)		2018			2017		
Company	Head office	% holding	Shareholders' funds	Net profit / (loss)	% holding	Shareholders' funds	Net profit / (loss)
ZOPT (a) (note 6)*	Matosinhos	50%	2,412,514	31,849	50%	2,361,610	27,899
Sonae IM (a)	Maia	100%	124,895	(1,975)	100%	102,931	(1,974)
PCJ	Maia	100%	1,815	35	100%	(125)	149
Sonaecom SP	Maia	100%	2,316	40	100%	229	19
Público	Maia	100%	1,174	(894)	100%	(780)	(850)

(a) Consolidated Financial Statements

* At 31 March 2018, the market capitalization of NOS amounted to 2,468 million euros.

The evaluation of the existence of impairment losses in Goodwill is made by taking into account the cash-generating units, based on the most recent business plans duly approved by the Group's Board of Directors, which are made on an annual basis unless there is evidence of impairment and prepared according to cash flow projections for periods of five years.

At March 31, 2018 and 2017, the assumptions used are based on the group's various businesses and the growth in the various geographic areas where the group operates:

	Technologies				Media
Assumptions	Telecomunications	Retail	Cybersecurity	Others	
Basis of recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use
Discount rate	6.75%-16.75%	10.5%	7.5%- 10.75%	9%-13.5%	8.5%
Growth rate in perpetuity	1.0%	3.0%	3.0%	1%-2%	0.01%

The average growth rate considered for the 5-year turnover was 9.2% for the Technology sector. For the Media sector, the average growth rate of the considered volume was about 2.4%. The discount rates used are based on the weighted average capital costs estimated based on the segments and geographies where the companies are included. In Europe, discount rates are used between 6.8% and 9%, in Asia between 9% and 10.3%, in Latin America rates are used between 11% and 13.5% and in Africa 16.75%.

The analyses of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the periods ended on 31 March 2018, beyond registered in the income statement.

6. Investments in companies jointly controlled

On 31 March 2018 and 2017, this caption included the following investments in companies jointly controlled:

Company	2018	2017
ZOPT SGPS S.A. ('ZOPT')	**597,666,944**	597,666,944

The movements that occurred in this caption during the periods ended on 31 March 2018 and 2017 were as follows:

Company	Balance at 31 December 2017	Additions	Disposals	Transfers	Balance at 31 March 2018
ZOPT	597,666,944	-	-	-	**597,666,944**

Company	Balance at 31 December 2016	Additions	Disposals	Transfers	Balance at 31 March 2017
ZOPT	597,666,944	-	-	-	597,666,944

ZOPT is a joint venture of Sonaecom, Kento Holding Limited and Unitel International Holdings BV, created for detention of the participation in NOS SGPS, SA ("NOS"). At the period ended on 31 March 2018 and 2017 ZOPT held 52.15% of participation in NOS.

The recoverable amount of this asset and its associates and the average valuation made by external analysts (researches) was about 1% above its book value, and the measurement of the existence or not of impairment was determined taking into account various information such as the business plan approved by the Board of Directors of NOS, whose implicit average growth rate of the operating margin is 3.4%.

	NOS SGPS
Assumptions	
Basis of recoverable amount	Value in use
Discount rate	7.4%
Growth rate in perpetuity	1.4%

7. Other non-current assets

On 31 March 2018 and 2017, this caption was made up as follows:

	2018	2017
Financial assets		
Medium and long-term loans granted to group companies and joint-ventures:		
Sonae IM	22,555,000	32,710,000
PCJ	70,000	-
Público	-	2,170,000
	22,625,000	34,880,000
Supplementary capital:		
Zopt	115,000,000	115,000,000
Sonae IM	89,913,093	64,049,791
Público	7,240,000	3,740,000
PCJ	2,850,000	2,850,000
	215,003,093	185,639,791
	237,628,093	220,519,791
Accumulated impairment losses (note 14)	(9,046,994)	(8,431,351)
Others	216,282	215,994
	228,797,381	212,304,434

During the periods ended on 31 March 2018 and 2017, the movements that occurred in 'Medium and long-term loans granted' to Group companies and companies jointly controlled were as follows:

				2018
Company	Opening balance	Increases	Decreases	Closing balance
Sonae IM	32,025,000	-	(9,470,000)	22,555,000
PCJ	70,000	-	-	70,000
	32,095,000	-	(9,470,000)	22,625,000

				2017
Company	Opening balance	Increases	Decreases	Closing balance
Sonae IM	32,415,000	295,000	-	32,710,000
Público	2,335,000	-	(165,000)	2,170,000
	34,750,000	295,000	(165,000)	34,880,000

During the periods ended on 31 March 2018 and 2017, the movements in 'Supplementary capital' were as follows:

				2018
Company	Opening balance	Increases	Decreases	Closing balance
ZOPT	115,000,000	-	-	115,000,000
Sonae IM	88,536,618	1,376,475	-	89,913,093
Público	7,240,000	-	-	7,240,000
PCJ	2,850,000	-	-	2,850,000
	213,626,618	1,376,475	-	215,003,093

				2017
Company	Opening balance	Increases	Decreases	Closing balance
ZOPT	115,000,000	-	-	115,000,000
Sonae IM	64,049,791	-	-	64,049,791
Público	3,740,000	-	-	3,740,000
PCJ	3,150,000	-	(300,000)	2,850,000
	185,939,791	-	(300,000)	185,639,791

Supplies have a repayment term of more than one year, and the repayment period is not defined after one year, so no information is presented on their maturity.

During the periods ended on 31 March 2018 and 2017, the loans granted to Group companies and companies jointly controlled earned interest at market rates with an average interest rate of 2.23% and 2.31%, respectively. Supplementary capital is non-interest bearing and have no reimbursement turn.

In the period ended at 31 March 2018, the amount of 9,470,000 euros of decreases in Sonae IM corresponds to the loan repayment.

In the period ended at 31 March 2018, the value of 1,376,475 euros of increases in Sonae IM corresponds to the granting of ancillary services by Sonaecom.

In the period ended on 31 March 2017 the amount of Euro 300.000 of decreases in PCJ correspond to the reimbursement of supplementary capital.

The evaluation of the existence of impairment losses for the loans made to Group companies was based on the most up-to-date business plans duly approved by the Group's Board of Directors, which include projected cash flows for periods of five years. The discount rates used and the perpetuity growth considered are presented in the notes 5 and 6. .

8. Deferred taxes

The changes in deferred tax assets for the periods ended on 31 March 2018 and 2017 were as follows:

	2018	2017
Opening balance	114,706	94,475
Record of deferred tax assets	9,898	(44,281)
Closing balance	124,604	50,194

On 31 March 2018 and 2017, assessments of the deferred tax assets to be recovered and recognised were made. Potential deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and deductible tax differences could be used. These assessments were made based on the most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated.

On 31 March 2018 and 2017, the values of deferred taxes assets not recorded were Euro 1,989,007 and Euro 72,294, respectively - generated in 2014 and 2018, and available for use up to 2026 and 2023, respectively. In addition there are impairment losses in amount of Euro 45,611,923 (Euro 43,636,306 in 2017) that did not give rise to the registration of deferred tax assets, but which could be used in the case of liquidation of the companies.

On 31 March 2018 and 2017 the tax rate used to calculate deferred tax assets related to tax losses was 21%. In the case of temporary differences, in particular of provisions not accepted and impairment losses, the rate used in 2018 and 2017 was 22.5%.

Tax benefits, related to deductions from taxable income, are considered at 100%, and in some cases, their full acceptance is dependent on the approval of the authorities that concede such tax benefits.

It wasn't considered the state surcharge, as it was understood to be unlikely the taxation of temporary differences during the estimated period when the referred rate will be applicable.

The reconciliation between the earnings before tax and the tax recorded for the periods ended on 31 March 2018 and 2017 is as follows:

	2018	2017
Earnings before tax	(1,679,169)	(204,789)
Tax (21%)	352,625	43,006
Autonomous taxation surcharge and correction of the tax of the previous year	(1,727)	(3,404)
Tax losses of the year without record	(15,182)	-
Temporary differences from the exercise without record deferred tax assets	(334,723)	41,115
Adjustments of results not tax deductible	(2,720)	(46,538)
Recorded of deferred tax assets	9,898	(44,281)
Income taxation recorded in the year (note 20)	8,171	(10,102)

The tax rate used to reconcile the tax expense and the accounting profit was 21% in the year of 2018 and 2017 because it are the standards rates of the corporate income tax in Portugal in 2018 and 2017.

The adjustments of results not tax deductible referring to 2018 and 2017 also includes adjustments that do not contribute to the formation of taxable income for the period.

Tax administration can review the income tax returns of the Company for a period of four years (five years for Social Security), except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in progress, in which circumstances, the periods are extended or suspended. The Board of Directors believes that any correction that may arise as a result of such review would not produce a significant impact in the accompanying financial statements.

Supported by the Company's lawyers and tax consultants, the Board of Directors believes that there are no liabilities not provisioned in the financial statements, associated to probable tax contingencies that should have been recorded or disclosed in the accompanying financial statements, on 31 March 2018.

9. Other current debtors

On 31 March 2018 and 2017, this caption was made up as follows:

	2018	2017
State and other public entities	85,491	167,680
Trade debtors	439,375	17,339,646
	524,866	17,507,326

On 31 March 2017, the caption "Other debtors" includes the amount of Euro 17,315,245 to be received from Sonae SGPS, in relation to tax rate from companies that include in the special regime for the taxation of groups of companies, whose this company is leader. The amount receivable for 2017 is associated to the tax effect of Sonaecom BV and Sonaetelecom BV liquidation's (Euro 17,547,730).

On 31 March 2018 and 2017, the caption 'Tarde debtors' included amounts to be received from Group companies related to interests receivable from subsidiaries on Shareholders' loans, interest on treasury applications and services rendered (notes 18 and 20).

On 31 March 2018 and 2017, the caption 'State and other public entities' corresponds to value added tax in the amount of Euro 85,491 and Euro 167,680, respectively.

10. Cash and cash equivalents

On 31 March 2018 and 2017, the breakdown of cash and cash equivalents was as follows:

	2018	2017
Cash	520	423
Bank deposits repayable on demand	97,201,350	97,061,228
Treasury applications	101,810,000	114,070,000
	199,011,870	211,131,651

On 31 March 2018 and 2017, the caption 'Treasury applications' had the following breakdown:

	2018	2017
Bank applications	100,000,000	110,000,000
Sonae IM	1,810,000	2,145,000
Público	-	1,925,000
	101,810,000	114,070,000

In the period ended at 31 March 2018 and 2017, Sonaecom entered into financial transaction agreements with Sonae, Sonae IM and Público.

The treasury applications immediately available, mentioned above, are remunerated during the period ended on 31 March 2018, with an interest average rate of 0.16% (0.32% in 2017).

12. Share capital

On 31 March 2018 and 2017, the share capital of Sonaecom was comprised by 311,340,037 ordinary shares registered of Euro 0.74 each. At those dates, the Shareholder structure was as follows:

	2018		2017	
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	62.33%	194,063,119	62.33%
Sonae SGPS	81,022,964	26.02%	81,022,964	26.02%
Shares traded on the Portuguese Stock Exchange ('Free Float')	30,682,940	9.86%	30,682,940	9.86%
Own shares (note 13)	5,571,014	1.79%	5,571,014	1.79%
	311,340,037	100.00%	311,340,037	100.00%

All shares that comprise the share capital of Sonaecom, are authorised, subscribed and paid. All shares have the same rights and each share corresponds to one vote.

12. Own shares

During the period ended on 31 March 2018 and 2017, Sonaecom did not acquire, sold or delivered own shares, whereby the amount held to date, is of 5,571,014 own shares representing 1.79% of its share capital, at an average price of Euro 1.515.

13. Loans

Short-term loans and other loans

In period ended on 31 March 2018, Sonaecom is not using a short-term credit line, although it has a bank credit line in the form of current or overdraft account commitments, in the amount of Euro 1 million. This credit line has maturities up to one year, automatically renewable, except in case of termination by either party, with some periods of notice.

The credit line bear interest at market rates, indexed to the EURIBOR of the respective term.

On 31 March 2018 and 2017, the available credit lines are as follows:

					Maturity
Credit	Limit	Amount outstanding	Amount available	Until 12 months	More than 12 months
2018					
Authorised overdrafts	1,000,000	-	1,000,000	x	
	1,000,000	-	1,000,000		
2017					
Authorised overdrafts	1,000,000	-	1,000,000	x	
	1,000,000	-	1,000,000		

On 31 March 2018 and 2017, there are no financial instruments of interest rate hedging.

14. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the periods ended on 31 March 2018 and 2017 were as follows:

	Opening balance	Increases	Closing balance
2018			
Accumulated impairment losses on investments in Group companies (notes 5 and 17)	35,015,000	1,549,929	36,564,929
Accumulated impairment losses on other non-current assets (notes 7 and 17)	9,046,994	-	9,046,994
Provisions for other liabilities and charges	269,665	-	269,665
	44,331,659	1,549,929	45,881,588
2017			
Accumulated impairment losses on investments in Group companies (notes 5 and 17)	34,995,000	-	34,995,000
Accumulated impairment losses on other non-current assets (notes 7 and 17)	8,222,436	208,915	8,431,351
Provisions for other liabilities and charges	214,777	-	214,777
	43,432,213	208,915	43,641,128

The increases in provisions and impairment losses are recorded under the caption "Provisions and impairment losses" in the profit and loss statement with the exception of the impairment losses in investments in Group companies and other non-current assets, which, due to their nature, are recorded under the caption "Gains and losses on Group companies" (note 17).

At 31 March 2018, the amount of Euro 1,549,929 in the caption 'Accumulated impairment losses on investments in group companies' corresponds to the impairment of financial investments in Público.

On 31 March 2017, the increase in the caption 'Accumulated impairment losses on other non-current assets' includes amounts related to impairment and adjustments of financial investments in Público.

15. Other creditors

On 31 March 2018 and 2017, this caption was made up as follows:

	2018	2017
Other creditors	1,081,695	497,028
State and other public entities	56,904	36,580
	1,138,599	533,608

16. External supplies and services

On 31 March 2018 and 2017, this caption was made up as follows:

	2018	2017
Specialised work	77,416	126,169
Travel and accommodation	31,110	19,196
Insurance	12,514	12,551
Communications	11,269	4,345
Rents	6,247	7,917
Other external supplies and services	24,090	12,696
	162,646	182,874

17. Gains and losses on investments

On 31 March 2018 and 2017, these captions 'Gains and losses on investments in group companies and joint ventures' and 'Gains and losses on investments recorded at fair value through profit or loss' were made up as follows:

	2018	2017
Gains and losses on investments in Group companies and companies jointey controlled		
Losses related to Group companies (notes 5 and 14)	(1,549,929)	(208,915)
	(1,549,929)	(208,915)

On 31 March 2018 and 2017, losses on the Group companies include the reinforcement of impairment losses on investments in companies group in the amount of Euro 1,549,929 (Euro 208,915 in 2017).

18. Financial results

Net financial results for the periods ended on 31 March 2018 and 2017 are made up as follows ((costs)/gains):

	2018	2017
Other financial expenses		
Interest expenses:		
Other loans (note 20)	-	(1,235)
	-	(1,235)
Foreign currency exchange losses	(223)	-
Other financial expenses	(21,536)	(20,727)
	(21,759)	(21,962)
Other financial income		
Interest income (note 20)	242,283	363,895
Foreign currency exchange gains	105	169
	242,388	364,064

19. Income Taxation

Income taxes recognized during the periods ended on 31 March 2018 and 2017 were made up as follows ((costs) / gains):

	2018	2017
Current tax (note 8)	(116,433)	(60,296)
Deferred tax assets	124,604	50,194
Closing balance (note 8)	8,171	(10,102)

20. Related parties

During the periods ended on 31 March 2018 and 2017, the most significant balances and transactions with related parties were as follows:

						Balances on 31 March 2018
	Accounts receivable (note 9)	Accounts payable (note 15)	Treasury applications (note 10)	Other assets	Other liabilities	Loans granted (note 7)
Parent Company	-	87,530	-	215,557	23,262	-
Companies jointly controlled	13,869	8,333	-	-	-	-
Others related parties	23,575	27,362	-	332,775	-	-
Subsidiaries	396,988	900,013	1,810,000	55,408	1,926	22,625,000
	434,432	1,023,239	1,810,000	603,739	25,188	22,625,000

						Balances on 31 March 2017
	Accounts receivable (note 9)	Accounts payable (note 15)	Treasury applications (note 10)	Outros assets	Other liabilities	Loans granted (note 7)
Parent Company	17,315,245	-	-	215,557	45,303	-
Companies jointly controlled	657,869	-	-	-	-	-
Others related parties	(14,210)	19,761	-	262,172	1,005	-
Subsidiaries	(645,435)	5,389	4,070,000	222,767	-	34,880,000
	17,313,469	25,150	4,070,000	700,496	46,308	34,880,000

					Transactions on 31 March 2018
	Sales and services rendered	Supplies and services received (note 16)	Interest and similar income (note 18)	Interest and similar expense (note 18)	Supplementary income
Parent Company	-	-	70,881	-	-
Companies jointly controlled	-	6,775	-	-	-
Others related parties	-	20,993	-	-	4,950
Subsidiaries	142,048	35,425	165,336	-	565
	142,048	63,193	236,218	-	5,515

					Transactions on 31 March 2017
	Sales and services rendered	Supplies and services received (note 16)	Interest and similar income (note 18)	Interest and similar expense (note 18)	Supplementary income
Parent Company	-	62,500	127,935	-	-
Others related parties	-	24,608	-	-	-
Subsidiaries	122,520	56,640	226,792	1,221	777
	122,520	143,748	354,727	1,221	777

All the above transactions were made at market prices.

Accounts receivable and payable to related companies will be settled in cash and are not covered by guarantees.

21. Guarantees provided to third parties

Guarantees provided to third parties on 31 March 2018 and 2017 were as follows:

Beneficiary	Description	2018	2017
Direção de Contribuições e Impostos (Portuguese tax authorities)	Additional tax assessments (Stamp and Income tax)	2,311,861	202,863
		2,311,861	202,863

In addition to these guarantees were set up sureties for the current fiscal processes. The Sonae SGPS consisted of Sonaecom surety to the amount of Euro 27,546,999 and Sonaecom of Público surety for the amount of Euro 564,900.

On 31 March 2018, the Board of Directors of the Company believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the financial statements.

As of 31 March 2018 and 2017, the contingencies for which guarantees and sureties were considered as remote.

22. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the net income of the period (negative Euro 1,670,998 in 2018 and negative Euro 214,892 in 2017) by the average number of shares outstanding during the periods ended on 31 March 2018 and 2017, net of own shares (305,769,023 in 2018 and 2017).

23. Medium Term Incentive Plans

In June 2000, the Company created a discretionary Medium Term Incentive Plan for more senior employees, based on Sonaecom options and shares and Sonae, SGPS, S.A. shares which on 10 March 2014 Sonaecom plans been converted to Sonae shares. The vesting occurs three years after the award of each plan, assuming that the employees are still employed in the Company.

The 2013 plan was delivered in March 2017 only to the Directors of Sonaecom and in April 2017 for the remaining employees.

Therefore, the outstanding plans on 31 March 2018 are as follows:

		Vesting period		31 March 2018	
	Share price 29.03.2018	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2014 Plan	1.095	10-Mar-15	10-Mar-18	4	186,501
2015 Plan	1.095	10-Mar-16	10-Mar-19	4	248,608
2016 Plan	1.095	10-Mar-17	10-Mar-20	2	236,029

During the period ended on 31 March 2018, the movements that occurred in the plans can be summarized as follows:

	Sonae SGPS shares	
	Aggregate number of participations	Number of shares
Outstanding at 31 December 2017:		
Unvested	10	671,138
Total	10	671,138
Movements in year:		
Awarded	-	-
Vested	-	-
Cancelled / lapsed / corrected*	-	-
Outstanding at 31 March 2018:		
Unvested	10	671,138
Total	10	671,138

* The adjustments are made on the basis of the dividend paid and the employees' withdrawals and transfers during the plan period.

The responsibility for all plans was recognized under 'Other current liabilities' and 'Other non-current liabilities'.

Share plan costs are recognised in the accounts over the period between the award and the vesting date of those plans. The costs recognized for the outstanding plans and for the plan delivered in the period ended 31 March 2018 are as follows:

	Value
Costs recognised in previous years	415,911
Costs recognised in the year	43,992
Costs of plans vested in the year	-
Total cost of the plans	459,903
Recorded in 'Other current liabilities'	198,690
Recorded in 'Other non-current liabilities'	261,213

These financial statements were approved by the Board of Directors on 14 May 2018, being its conviction that these will be approved at Shareholders General Meeting.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

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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