

MANAGEMENT REPORT AND ACCOUNTS

9M18



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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I – MANAGEMENT REPORT



1. Main Highlights

Consolidated turnover of 122.7 million euros increasing 16.7% y.o.y, or 14.3% on a comparable basis

NOS continued to present a solid EBITDA performance and significant increases at Free Cash Flow

Technology revenues reaching 111.9 million euros, growing 18.1% y.o.y, or 15.4%, on a comparable basis, and with International markets weighting almost 50%

Free Cash Flow of 54.1 million euros, including the 57.8 million of capital distribution received from Armillar Ventue Partners, related with Outsystms financing round

Net income of 70.6 million euros, significantly above 9M17

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 a solid EBITDA performance, driven by operating leverage and focus on efficiency. The anticipated slowdown in telco revenues growth is successfully being compensated by improved operating efficiency, a trend that is set to continue with the acceleration of the transformation programme. Free Cash Flow, despite the strategic investments that have been made in technological and operational transformation projects to secure long term competitiveness, continued to present a strong performance. During the 3Q18, Free Cash Flow was also positively impacted by a non-recurrent inflow related with a legal settlement.

Technology area, continued to pursue its active portfolio strategy, with twelve new investments closed since the beginning of the year and reinforcement in some portfolio companies while commanding a strong pipeline with multiple active processes, across all investment stages. As Limited Partner of the "Fundo FCR - Armillar Venture Partners II" and as a result of the last Outsystms financing round, the Technology area received a capital distribution of 57.8 million euros in June.

Turnover

Consolidated turnover in 9M18 reached 122.7 million euros, increasing 16.7%, when compared to 9M17. Excluding the contribution of Nextel, the cybersecurity company acquired at the end of 2Q18, the turnover increased by 14.3%.

This positive evolution was driven by both Media and Technology area, the last presenting a growth of 18.1% y.o.y.,

Operating costs

Operating costs amounted to 122.7 million euros, 15.0% above 9M17. Personnel costs grew 7.8% reflecting the increase in the average number of employees. Commercial costs increased 25.1% to 48.3 million euros, mainly driven by the higher cost of goods sold, aligned with the higher level of sales. Other operating costs increased 11.8%, mainly explained by a new accounting procedure regarding distribution costs at Media and increase in Outsourcing costs.

EBITDA

Total EBITDA stood at 30.2 million euros, essentially on the back of equity results that are mostly driven by ZOPT contribution which, in turn, depends on NOS net income evolution. Underlying EBITDA reached 1.5 million euros, significantly above the 0.2 million euros presented in 9M17.

Net results

Sonaecom's EBIT increased to 22.9 million euros, from 16.6 million in 9M17, mainly explained by the higher level of EBITDA.

Net financial results reached 0.3 million euros in 9M18 that compares with negative 0.5 million in the previous year.

Sonaecom's earnings before tax (EBT) increased from 16.1 million to 23.2 million euros, driven by the higher EBIT and financial results.

Indirect results reached 47.8 million euros, that compare with 6.9 million euros in 9M17, impacted by Armillar Venture Funds' potfolio fair value adjustments and capital gain generated by the AVP II Fund capital distribution.

Net results group share stood at 70.5 million euros, significantly above the 24.9 million euros presented in 9M17.

Operating CAPEX

Sonaecom's operating CAPEX decreased to 5.4 million euros, reaching 4.4% of turnover, 1.9 p.p. below 9M17.

Capital structure

The cash position stood at 237.3 million euros, increasing 39.4 million euros since December 2017, driven namely by the 19.8 million euros of dividends from ZOPT, the €55.2 million received from AVP II Fund (net of taxes), the positive operating cash flow of 3.9 million euros and despite the 14.9 million of investment cash out and the 11.3 million euros of dividends distribution.

2.1 Telecommunications

NOS operating revenues were 1167.3million euros in 9M18, growing 0.7% y.o.y..

EBITDA reached 461.7 million euros, increasing 2.9% when compared to 9M17 and representing a 39.6% EBITDA margin.

CAPEX amounted to 280.4 million euros in 9M18, an increase of 6.5% y.o.y. As a consequence of EBITDA and CAPEX evolution, EBITDA-CAPEX decreased 2.3%.

At the end of 9M18, net financial debt totalled 1,064.5 million euros, equal to 1.8X EBITDA, and with an average maturity of 3.2 years.

NOS published its 9M18 results on 8th November 2018, which are available at www.nos.pt.

During 9M18, NOS share price decreased 5.9% from €5.481 to €5.160, whilst PSI20 decreased by 0.5%.

Operational Indicators

Million euros

Operational Indicators ('000)	3Q17	3Q18	Δ 18/17	2Q18	q.o.q.	9M17	9M18	Δ 18/17
Total RGUs	9 365.8	9 569.9	2.2%	9 498.8	0.7%	9 365.8	9 569.9	2.2%
Convergent RGUs	3 631.5	3 842.7	5.8%	3 786.8	1.5%	3 631.5	3 842.7	5.8%

Financial indicators

Million euros

NOS HIGHLIGHTS	3Q17	3Q18	Δ 18/17	2Q18	q.o.q.	9M17	9M18	Δ 18/17
Operating Revenues	392.1	395.0	0.7%	389.3	1.5%	1159.7	1167.3	0.7%
EBITDA	150.9	156.2	3.5%	158.8	-1.6%	448.8	461.7	2.9%
EBITDA margin (%)	38.5%	39.5%	1.1pp	40.8%	-1.2pp	38.7%	39.6%	0.9pp
Net Income	32.9	44.1	34.1%	45.1	-2.2%	105.1	123.0	17.0%
CAPEX	91.3	101.0	10.7%	91.7	10.2%	263.2	280.4	6.5%
EBITDA-CAPEX	59.7	55.2	-7.5%	67.1	-17.7%	185.6	181.3	-2.3%



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 46.5% of its revenues outside the Portuguese market with 43.7% out of the total 1,201 employees based abroad.

Controlled Companies:

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 79.5% of its turnover.

WeDo Technologies' market leadership was recognized by Stratcast (Frost & Sullivan's Stratcast 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 9M18, WeDo among the "10 to Watch Company" by Stratcast.

During this period WeDo Technologies marked its presence at the Mobile World Congress in Barcelona and acquired eight new telecom customers based in South Korea, Indonesia, USA, Brazil, Nigeria, Kazakhstan and Saudi Arabia.

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 9M18, the company continued to focus its positioning as an MSSP (Managed Security Services Provider), reinforcing the team with new business development and sales VP.

In June, **Nextel** acquisition was announced as well as the plan to merge these two landmark companies in the cybersecurity sector in Spain, S21sec and Nextel. The resulting company is the most important "pure player" (company specializing exclusively in the cybersecurity sector) in Spain and Portugal in terms of turnover and number of cybersecurity experts.

Nextel is a Spanish company with 30 years of experience and considered a benchmark in auditing and consulting services and also in the integration of the most demanding cybersecurity solutions.

Nextel was consolidated at the end of June which means that 3Q18 Sonae IM results were impacted by this new acquisition.

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).

Saphety's customer base has now over 8,500 customers and 160,000 users in 34 countries with international market already representing more than 30.7% 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 9M18, 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, with a relevant contribute to the international revenues that already represent 9.0% 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 program. 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.



Minority Stakes (non-exhaustive):

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. During 1H18, Sonae IM recorded a significant capital gain with the AVP II Fund capital distribution subsequent to the partial sale of Outsystems.

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 IM totally subscribed the multi million Series B financing round.

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

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

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

Nextail is a Spanish company that has developed a cloud-based platform that combines artificial intelligence and prescriptive analytics to upgrade retailers' inventory management processes and store operations. The company raised a \$10.0 million Series A round led by London and Amsterdam based venture capital firm KEEN Venture Partners LLP ("KEEN"), together with Sonae IM and existing investor Nauta Capital. The new financing is being used to accelerate product development and double the size of the team, as it grows internationally.

Case on IT is a Spanish company that has developed Medux, a machine learning solution for the measurement, prediction and analysis of landline, mobile and television services quality. Medux measures the customer experience in markets that collectively serve over 600 million users worldwide. The company raised a Series B round of international fund with Sonae IM.

Reblaze is an Israeli company that provides proprietary security technologies in a unified platform, shielding assets from threats found on the Internet. The company raised a Series A round in which Sonae IM participated jointly with JAL Ventures and Data Point Capital.

CiValue is an Israeli company with offices in New York, Paris, and Tel Aviv, is a disruptive provider of cloud-based Precision Marketing and Supplier Advertising Platforms for Retailers. Sonae IM, coupled with Nielsen led a \$6M Series A investment.

Financial indicators

Million euros

TECHNOLOGY AREA	3Q17	3Q18	Δ 18/17	2Q18	q.o.q.	9M17	9M18	Δ 18/17
Turnover	25.3	36.4	43.9%	42.2	-13.6%	94.7	111.9	18.1%
Service Revenues	18.9	23.7	25.5%	22.1	7.2%	60.0	65.8	9.7%
Sales	6.4	12.7	97.8%	20.1	-36.6%	34.8	46.1	32.5%
Other Revenues	0.5	0.5	-6.9%	0.3	68.6%	1.1	1.0	-11.4%
Operating Costs	25.8	35.6	38.1%	40.3	-11.7%	93.3	108.4	16.2%
Personnel Costs	11.8	14.1	19.0%	11.9	18.9%	35.3	38.5	9.2%
Commercial Costs ⁽¹⁾	6.6	12.3	87.8%	20.4	-39.7%	35.2	45.5	29.4%
Other Operating Costs ⁽²⁾	7.3	9.2	24.7%	8.0	14.3%	22.9	24.4	6.6%
EBITDA	0.1	1.1	-	2.1	-49.1%	2.5	3.7	44.8%
Underlying EBITDA ⁽³⁾	0.1	1.3	-	2.2	-38.2%	2.5	4.5	75.9%
Equity method ⁽⁴⁾	0.0	-0.3	-	-0.1	-	0.0	-0.8	-
Underlying EBITDA Margin (%)	0.3%	3.7%	3.3pp	5.1%	-1.5pp	2.7%	4.0%	1.3pp
Operating CAPEX ⁽⁵⁾	1.8	1.3	-26.7%	2.1	-36.2%	5.7	4.9	-13.2%
Operating CAPEX as % of Turnover	7.1%	3.6%	-3.5pp	4.9%	-1.3pp	6.0%	4.4%	-1.6pp
Underlying EBITDA - Operating CAPEX	-1.7	0.0	-	0.1	-82.7%	-3.1	-0.5	85.3%
Total CAPEX	3.2	6.5	99.9%	10.0	-35.4%	8.7	19.8	127.7%

(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 22.88% holding in Probe.ly; (5) Operating CAPEX excludes Financial Investments;

Turnover

Turnover increased 18.1% y.o.y., or 15.4% on a comparable basis (excluding the contribution of Nextel).

This performance was supported on a strong performance of the commercial activity across all companies.

When compared to last quarter, and despite the Nextel contribution, it decreased 13.6%, fully driven by the lower transactional revenues at Bizdirect.

Operating costs

Operating costs increased 16.2% to 108.4 million euros. Staff costs increased 9.2% driven by the growth in the number of employees. Commercial costs increased 29.4% mainly driven by cost of goods sold, aligned with the higher level of sales. Other operating costs increased 6.6%, mainly explained by the higher level of Outsourcing Costs.

EBITDA

EBITDA reached 3.7 million euros, 44.8% above 9M17. Underlying EBITDA reached 4.5 million euros increasing 75.9%, when compared to 9M17, and reaching a margin of 4.0%.

Underlying EBITDA-operating CAPEX

Underlying EBITDA-operating CAPEX stood at negative 0.5 million euros, but significantly higher than 9M17, explained by the lower level of Operating CAPEX but mainly driven by the higher EBITDA.



2.3 Media

During 9M18, 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 Ipsilon Front Pages, and by *Design – Meios & Publicidade* with an Honor Award.

Throughout 3Q18, and with a new Editorial Direction, 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 subscriptions and contents coupled with the impact of a new accounting procedure regarding distribution costs, translated into an overall 1.5% revenue growth, when compared to 9M17.

2.4 Appendix

Consolidated income statement

Million euros

CONSOLIDATED INCOME STATEMENT	3Q17	3Q18	Δ 18/17	2Q18	q.o.q.	9M17	9M18	Δ 18/17
Turnover	28.7	40.0	39.4%	46.1	-13.2%	105.1	122.7	16.7%
Service Revenues	20.1	24.8	23.2%	23.9	3.7%	64.1	69.9	9.0%
Sales	8.5	15.2	77.7%	22.2	-31.5%	41.0	52.8	28.9%
Other Revenues	0.8	0.7	-14.9%	0.5	30.7%	1.8	1.6	-13.8%
Operating Costs	30.3	40.4	33.3%	45.3	-10.9%	106.7	122.7	15.0%
Personnel Costs	14.3	16.7	16.2%	14.2	17.2%	42.5	45.8	7.8%
Commercial Costs ⁽¹⁾	7.8	13.3	71.0%	21.3	-37.8%	38.6	48.3	25.1%
Other Operating Costs ⁽²⁾	8.2	10.4	27.5%	9.8	6.8%	25.6	28.6	11.8%
EBITDA	6.6	10.3	56.7%	11.8	-12.7%	23.9	30.2	26.1%
Underlying EBITDA ⁽³⁾	-0.8	0.3	-	1.2	-79.6%	0.2	1.5	-
Equity method ⁽⁴⁾	7.4	10.1	35.4%	10.6	-4.9%	23.7	28.7	21.0%
Underlying EBITDA Margin (%)	-3.0%	0.6%	3.6pp	2.7%	-2.1pp	0.2%	1.2%	1.0pp
Depreciation & Amortization	2.4	2.9	20.0%	2.5	13.5%	7.3	7.3	0.2%
EBIT	4.2	7.5	77.4%	9.3	-19.9%	16.6	22.9	37.5%
Net Financial Results	-0.2	0.2	-	0.4	-55.4%	-0.5	0.3	-
Financial Income	0.5	0.8	59.8%	1.4	-38.7%	2.8	3.2	11.8%
Financial Expenses	0.7	0.6	-13.1%	0.9	-31.0%	3.3	2.9	-14.0%
EBT	4.0	7.7	91.9%	9.7	-21.4%	16.1	23.2	43.6%
Tax results	0.2	0.0	-84.7%	-0.2	-	2.0	-0.4	-
Direct Results	4.2	7.7	83.7%	9.6	-19.7%	18.1	22.8	25.9%
Indirect Results⁽⁵⁾	7.1	-0.1	-	48.4	-	6.9	47.8	-
Net Income	11.3	7.6	-	58.0	-	25.0	70.6	183.0%
Group Share	11.3	7.6	-32.9%	57.9	-86.9%	24.9	70.5	183.3%
Attributable to Non-Controlling Interests	0.0	-0.1	-	0.0	-	0.1	0.0	-70.2%

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

(3) Includes the businesses fully consolidated by Sonaecom;

(4) Includes the 50% holding in Unipress, the 50% holding in SIRS, the 50% holding in BigData, the 50% holding in ZOPT, the 27.45% holding in Secudcloud and the 22.88% holding in Probe.ly

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

Consolidated balance sheet

Million euros

CONSOLIDATED BALANCE SHEET	3Q17	3Q18	Δ18/17	2Q18	q.o.q.	9M17	9M18	Δ18/17
Total Net Assets	1 098.4	1 165.4	6.1%	1 175.4	-0.8%	1 098.4	1 165.4	6.1%
Non Current Assets	829.8	854.2	2.9%	847.8	0.8%	829.8	854.2	2.9%
Tangible and Intangible Assets	28.4	26.5	-6.7%	28.0	-5.1%	28.4	26.5	-6.7%
Goodwill	23.4	25.6	9.5%	25.1	2.0%	23.4	25.6	9.5%
Investments	766.4	788.6	2.9%	781.6	0.9%	766.4	788.6	2.9%
Deferred Tax Assets	8.5	10.8	26.4%	10.8	-0.1%	8.5	10.8	26.4%
Others	3.0	2.7	-11.9%	2.3	18.5%	3.0	2.7	-11.9%
Current Assets	268.6	311.2	15.8%	327.6	-5.0%	268.6	311.2	15.8%
Trade Debtors	37.6	33.7	-10.5%	45.1	-25.3%	37.6	33.7	-10.5%
Liquidity	190.3	245.2	28.8%	251.0	-2.3%	190.3	245.2	28.8%
Others	40.7	32.3	-20.6%	31.5	2.5%	40.7	32.3	-20.6%
Shareholders' Funds	1 032.7	1 075.9	4.2%	1 073.6	0.2%	1 032.7	1 075.9	4.2%
Group Share	1 032.8	1 077.2	4.3%	1 074.7	0.2%	1 032.8	1 077.2	4.3%
Non-Controlling Interests	-0.2	-1.4	-	-1.2	-17.7%	-0.2	-1.4	-
Total Liabilities	65.8	89.5	36.1%	101.8	-12.1%	65.8	89.5	36.1%
Non Current Liabilities	19.4	23.1	19.0%	23.4	-1.2%	19.4	23.1	19.0%
Bank Loans	3.2	3.7	16.6%	4.0	-7.7%	3.2	3.7	16.6%
Provisions for Other Liabilities and Charges	3.6	3.3	-10.2%	3.1	4.3%	3.6	3.3	-10.2%
Others	12.5	16.1	28.2%	16.2	-0.7%	12.5	16.1	28.2%
Current Liabilities	46.4	66.5	43.2%	78.5	-15.3%	46.4	66.5	43.2%
Loans	1.2	3.9	-	3.6	8.2%	1.2	3.9	-
Trade Creditors	12.5	13.5	7.6%	24.7	-45.4%	12.5	13.5	7.6%
Others	32.6	49.0	50.3%	50.1	-2.1%	32.6	49.0	50.3%
Operating CAPEX ⁽¹⁾	2.1	1.4	-32.6%	2.4	-40.6%	6.6	5.4	-18.2%
Operating CAPEX as % of Turnover	7.3%	3.5%	-3.7pp	5.1%	-1.6pp	6.2%	4.4%	-1.9pp
Total CAPEX	3.5	6.6	86.6%	10.3	-36.5%	9.6	20.3	111.2%
Underlying EBITDA - Operating CAPEX	-2.9	-1.1	60.8%	-1.1	-2.5%	-6.3	-3.9	39.0%
Gross Debt	5.1	7.9	56.7%	8.0	-1.0%	5.1	7.9	56.7%
Net Debt	-185.3	-237.3	-28.1%	-243.0	2.4%	-185.3	-237.3	-28.1%

(1) Operating CAPEX excludes Financial Investments.

Consolidated levered FCF

Million euros

LEVERED FREE CASH FLOW	3Q17	3Q18	Δ18/17	2Q18	q.o.q.	9M17	9M18	Δ18/17
Underlying EBITDA-Operating CAPEX	-2.9	-1.1	60.8%	-1.1	-2.5%	-6.3	-3.9	39.0%
Change in WC	-1.4	9.0	-	-8.5	-	-1.0	3.6	-
Non Cash Items & Other	1.0	-0.2	-	4.2	-	0.6	4.1	-
Operating Cash Flow	-3.3	7.7	-	-5.5	-	-6.7	3.9	-
Investments	-1.4	-5.1	-	47.2	-	-3.4	40.3	-
Dividends	7.5	2.5	-66.7%	17.3	-85.5%	16.5	19.8	19.6%
Financial results	-0.9	0.4	-	1.1	-63.4%	-2.8	1.1	-
Income taxes	-0.3	-11.1	-	-0.1	-	1.1	-11.0	-
FCF⁽¹⁾	1.5	-5.6	-	60.1	-	4.7	54.1	-

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

I – FINANCIAL STATEMENTS

3. Financial Information

3.1. Sonaecom consolidated financial statements

Consolidated statement of financial position

For the periods ended on 30 September 2018 and 2017 and for the year ended on 31 December 2017

(Amounts expressed in Euro)	Notes	September 2018 (not audited)	September 2017 (not audited)	December 2017
Assets				
Non-current assets				
Tangible assets	1c, 1h and 5	3,074,866	3,107,086	3,211,795
Intangible assets	1d, 1e, 1x and 6	23,450,556	25,329,143	25,019,894
Goodwill	1f, 1x and 7	25,595,895	23,383,451	23,351,829
Investments in associated companies and companies jointly controlled	1b and 8	771,064,386	764,305,874	771,735,367
Financial assets at fair value through profit or loss	1g and 4	81,748	-	-
Investments at fair value through other comprehensive income	1g, 4 and 9	17,569,002	1,765,655	5,480,963
Other non-current assets	1g, 1r, 4 and 22	2,673,804	3,372,458	3,812,536
Deferred tax assets	1p, 1t and 10	10,791,267	8,539,791	7,324,057
Total non-current assets		854,301,524	829,803,458	839,936,441
Current assets				
Inventories	1i	289,542	184,977	232,706
Trade debtors	1g, 1j, 4 and 22	33,664,724	37,598,414	47,170,847
Other current debtors	1g, 1j, 4 and 22	7,097,083	24,547,029	2,942,113
Income tax receivable	1p and 4	7,118,903	3,087,052	3,315,918
Other current assets	1g, 1r, 1x, 4 and 22	17,734,896	12,870,678	9,985,136
Cash and cash equivalents	1g, 1k, 4 and 11	245,197,816	190,342,573	202,025,688
Total current assets		311,102,964	268,630,723	265,672,408
Total assets		1,165,404,488	1,098,434,181	1,105,608,849
Shareholders' funds and liabilities				
Shareholders' funds				
Share capital	12	230,391,627	230,391,627	230,391,627
Own shares	1v and 13	(7,686,952)	(7,686,952)	(7,686,952)
Reserves	1u	783,927,444	785,220,901	784,781,832
Consolidated net income/(loss) for the period		70,606,429	24,884,744	22,765,966
		1,077,238,548	1,032,810,320	1,030,252,473
Non-controlling interests		(1,367,347)	(153,547)	1,625,044
Total Shareholders' funds		1,075,871,201	1,032,656,773	1,031,877,517
Liabilities				
Non-current liabilities				
Non-current loans net of current position	1g, 1l, 1m, 1q, 4 and 14.a	3,692,542	3,203,540	2,389,738
Other non-current financial liabilities	1h, 4 and 15	44,065	248,369	173,478
Provisions for other liabilities and charges	1o, 1t and 16	3,274,708	3,644,664	3,603,145
Deferred tax liabilities	1p, 1t and 10	15,423,068	10,254,899	10,243,448
Other non-current liabilities	1g, 1r, 1q, 4, 22 and 27	636,993	2,029,796	2,093,069
Total non-current liabilities		23,071,376	19,381,268	18,502,878
Current liabilities				
Current loans and other loans	1g, 1l, 1m, 1q, 4 and 14.b	3,925,694	1,211,072	1,203,639
Trade creditors	1g, 4, and 22	13,494,683	12,546,364	16,019,197
Other current financial liabilities	1g, 1h, 4 and 17	212,683	390,769	341,479
Other creditors	1g, 4 and 22	15,548,262	3,626,506	5,293,896
Income tax payable	1p and 4	245,089	201,255	112,690
Other current liabilities	1g, 1r, 1q, 4, 22 and 27	33,035,500	28,420,174	32,257,553
Total current liabilities		66,461,911	46,396,140	55,228,454
Total liabilities		89,533,287	65,777,408	73,731,332
Total Shareholders' funds and liabilities		1,165,404,488	1,098,434,181	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 on 30 September 2018 and 2017 and for the year ended on 31 December 2017

(Amounts expressed in Euro)	Notes	September 2018 (not audited)	July to September 2018 (not audited)	September 2017 (not audited)	July to September 2017 (not audited)	December 2017
Sales	1s and 22	52,785,663	15,189,433	40,966,309	8,546,276	52,044,191
Services rendered	1s and 22	69,880,385	24,794,891	64,136,688	20,133,886	87,515,371
Other operating revenues	1q and 22	1,560,680	654,643	1,809,851	768,932	2,661,389
		124,226,728	40,638,967	106,912,848	29,449,094	142,220,951
Cost of sales	1i	(45,276,778)	(12,626,148)	(35,306,593)	(6,662,587)	(44,493,096)
External supplies and services	1h, 18 and 22	(30,892,424)	(10,777,177)	(27,949,167)	(8,882,452)	(37,524,704)
Staff expenses	1y and 26, 27	(45,847,854)	(16,668,609)	(42,521,505)	(14,347,292)	(57,279,014)
Depreciation and amortisation	1c, 1d, 1f, 1x, 5, 6 and 7	(7,293,897)	(2,861,257)	(7,279,931)	(2,383,887)	(9,407,071)
Provisions and impairment losses	1j, 1o, 1x and 16	(459,997)	(236,518)	(493,575)	(206,833)	(1,977,534)
Other operating costs		(244,986)	(78,143)	(413,845)	(198,069)	(630,639)
		(130,015,936)	(43,247,852)	(113,964,616)	(32,681,120)	(151,312,058)
Gains and losses in associated companies and companies jointly controlled	1b, 8 and 20	93,023,627	9,934,878	32,536,495	16,563,762	35,779,065
Gains and losses on financial assets at fair value through profit or loss	1g and 20	(6,301)	(6,301)	-	-	-
Other financial expenses	1h, 1m, 1w, 1x and 19	(2,852,656)	(644,684)	(3,315,959)	(741,003)	(5,665,134)
Other financial income	1w and 19	3,170,153	840,284	2,828,842	521,292	4,624,204
Current income / (loss)		87,545,615	7,515,292	24,997,610	13,112,025	25,647,028
Income taxation	1p, 10 and 21	(16,917,063)	62,591	(38,589)	(1,797,141)	(2,742,817)
Consolidated net income/(loss) for the period		70,628,552	7,577,883	24,959,021	11,314,884	22,904,211
Attributed to:						
Shareholders of parent company	25	70,606,429	7,686,047	24,884,744	11,301,534	22,765,966
Non-controlling interests		22,123	(108,164)	74,277	13,350	138,245
Earnings per share	25					
Basic		0.23	0.03	0.08	0.04	0.07
Diluted		0.23	0.03	0.08	0.04	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 on 30 September 2018 and 2017 and for the year ended on 31 December 2017

(Amounts expressed in Euro)	Notes	September 2018 (not audited)	July to September 2018 (not audited)	September 2017 (not audited)	July to September 2017 (not audited)	December 2017
Consolidated net income / (loss) for the period		70.628.552	7.577.883	24.959.021	24.959.021	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	(15.291.356)	(5.104.382)	172.460	172.460	653.663
Changes in currency translation reserve and other	1v	(471.600)	(40.781)	(2.173.290)	(2.173.290)	(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)	-	185.393	-	19.899
Consolidated comprehensive income for the period		54.079.956	2.432.720	23.143.584	22.958.191	21.157.279
Attributed to:						
Shareholders of parent company		54.057.833	2.540.884	23.069.307	23.069.307	21.019.034
Non-controlling interests		22.123	(107.877)	74.277	74.277	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 on 30 September 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 interests	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	-	-	-	788,525	-	21,977,441	22,765,966	-	(22,765,966)	-
Dividend Distribution	-	-	-	-	-	(11,313,454)	(11,313,454)	(585,000)	-	(11,898,454)
Percentage change in subsidiaries	-	-	-	-	-	4,584,072	4,584,072	(4,584,072)	-	-
Consolidated comprehensive income for the period ended on 30 September 2018	-	-	-	-	-	(16,548,596)	(16,548,596)	22,123	70,606,429	54,079,956
Capital increase in subsidiaries	-	-	-	-	-	-	-	2,053,149	-	2,053,149
Impact of application of IFRS 15	-	-	-	-	-	(359,278)	(359,278)	-	-	(359,278)
Other changes	-	-	-	-	-	16,902	16,902	101,409	-	118,311
Balance on 30 September 2018	230,391,627	(7,686,952)	775,290,377	17,701,887	7,686,952	(16,751,772)	783,927,444	(1,367,347)	70,606,429	1,075,871,201
	Share capital	Own shares (note 13)	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non- -controlling interests	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	-	-	-	1,750,185	-	46,381,356	48,131,541	-	(48,131,541)	-
Dividend Distribution	-	-	-	-	-	(23,544,215)	(23,544,215)	(79,680)	-	(23,623,895)
Consolidated comprehensive income for the year ended on 30 September 2017	-	-	-	-	-	(1,815,437)	(1,815,437)	74,277	24,884,744	23,143,584
Other changes	-	-	-	-	-	-	-	6,910	-	6,910
Balance on 30 September 2017	230,391,627	(7,686,952)	775,290,377	16,913,362	7,686,952	(14,669,790)	785,220,901	(153,547)	24,884,744	1,032,656,773

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

The Chief Accountant

The Board of Director

Consolidated cash flow statement

For the periods ended on 30 September 2018 and 2017

(Amounts expressed in Euro)	Notes	September 2018 (not audited)	September 2017 (not audited)
Operating activities			
Receipts from trade debtors		130,458,494	108,431,859
Payments to trade creditors		(80,906,583)	(66,888,334)
Payments to employees		(50,011,325)	(46,042,509)
Cash flows generated by operations		(459,414)	(4,498,984)
Payments / receipts relating to income taxes		(4,844,721)	(1,477,848)
Other receipts / payments relating to operating activities		(2,807,175)	(1,304,980)
Cash flows from operating activities (1)		(8,111,310)	(7,281,812)
Investing activities			
Receipts from:			
Financial investments		16,480,788	-
Tangible assets		2,762	15,812
Intangible assets		18,660	351,406
Dividends	23	19,756,031	16,512,143
Interest and similar income		13,677	715,098
Others	8	41,343,720	-
Payments for:			
Financial investments		(15,023,701)	(3,117,760)
Tangible assets		(524,712)	(968,313)
Intangible assets		(928,515)	(628,123)
Variation in loans granted		-	(239,999)
Cash flows from investing activities (2)		61,138,710	12,640,264
Financing activities			
Receipts from:			
Capital increases, supplementary capital and share premium		2,053,149	-
Others		1,503,670	-
Payments for:			
Leasing	11	(359,686)	(414,032)
Interest and similar expenses		(416,331)	(439,772)
Dividends		(11,898,454)	(23,623,895)
Loans obtained		(623,972)	(688,867)
Cash flows from financing activities (3)		(9,741,624)	(25,166,566)
Net cash flows (4)=(1)+(2)+(3)		43,285,776	(19,808,114)
Effect of the foreign exchanges		(113,647)	(105,309)
Cash and cash equivalents at the beginning of the period	11	202,025,377	210,255,686
Cash and cash equivalents at the end of the period	11	245,197,506	190,342,263

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

The Chief Accountant

The Board of Director

Notes to the consolidated cash flow statement

For the periods ended on 30 September 2018 and 2017

1. Description of non-monetary financing activities

	Notes	September 2018	September 2017
a) Bank credit obtained and not used	14	1,500,000	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	September 2018	September 2017
a) Amounts received of acquisitions			
Sold of 0,10% of participation on Digitmarket	3.b	3,422	-
Return of capital invested on Fundo Armilar II	8	16,477,366	-
		16,480,788	-
b) Amounts paid of acquisitions and others			
Reblaze	3.a	2,352,437	-
Nextel	3.a	2,682,238	-
Nextail	3.a	2,300,000	-
Case on IT	3.a	2,280,000	-
ciValue	3.a	1,970,097	-
Jscrambler	3.a	1,250,000	-
Style Sage	3.a	812,414	-
Convertivel Loan Secucloud		551,475	-
RKAI	3.a	200,000	-
Convertivel Loan Sensei		200,000	-
Beamly	3.a	150,040	-
Advert.io	3.a	150,000	-
EGI Factory	3.a	50,000	-
Binary answer	3.a	25,000	-
Supplementary capital Probely		25,000	-
Ometria LTD	3.a	-	854,165
Fundo de Capital de Risco Armilar Venture Partners III	3.c and 8	-	925,594
Probely	3.c and 8	-	375,000
Rádio Nova	3.c and 8	-	10,000
Eat Tasty	3.a	-	1
Bright Vector I - Fundo de Capital de Risco	3.c and 8	-	953,000
Others		25,000	-
		15,023,701	3,117,760
c) Amounts received of dividends			
ZOPT	22	19,755,883	16,512,005
Caixa Bank		148	138
		19,756,031	16,512,143
d) Amounts paid of dividends			
Sontel BV, Sonae SGPS and others minority interests	22	11,313,454	23,544,215
AITEC		351,000	48,000
BPI		234,000	31,680
		11,898,454	23,623,895

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				
Media	(2,196,401)	(281,552)	(3,673)	(2,481,626)
Technologies	(1,892,799)	41,870,548	1,936,245	41,913,994
Holding	(4,022,109)	19,549,714	(11,674,196)	3,853,409
	(8,111,309)	61,138,710	(9,741,624)	43,285,777

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
2017				
Media	(1,515,555)	(225,750)	(14,137)	(1,755,442)
Technologies	(2,145,328)	(4,199,354)	(1,321,447)	(7,666,129)
Holding	(3,620,929)	17,065,368	(23,830,982)	(10,386,543)
	(7,281,812)	12,640,264	(25,166,566)	(19,808,114)

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

The Chief Accountant

The Board of Director

3.2. 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:

- Media;
- Technologies.

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 with some subsidiaries (from the technologies area) 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 endorsed in the economic period beginning on or after 1 January 2018 and were first adopted in the period ending 30 September 2018:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 15 - Revenue from Contracts with Customers	1-Jan-18
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.	
Amendments to IFRS 15 - Revenue from contracts with customers	1-Jan-18
Review of accounting treatment for license revenue, definition of agency and transitory regime.	
IFRS 9 Financial instruments and subsequent changes	1-Jan-18
This standard introduces new requirements for classifying and measuring financial assets.	
Amendments to IFRS 4 - Applying IFRS 9 Financial	1-Jan-18
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.	
Amendments to IFRS 2 - Share-based payment	1-Jan-18
The objective of clarifications to IFRS 2 Share-based Payment was to clarify the classification and measurement of share-based payment transactions.	
Annual Improvements to IFRS Standards 2014-2016 Cycle	1-Jan-18
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.	
IFRIC Interpretation 22 - Foreign currency transactions and advance consideration	1-Jan-18
IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	
Amendments to IAS 40 - Transfers of investment property	1-Jan-18
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.	

Impacts of adoption IFRS 15 and IFRS 9

In the period ended on 30 September 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 client 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

From this analysis it is conclude that de adoption of IFRS 15 in the Group's Financial Statements will have an net impact of Euri 359,278 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 30 September, 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 Group 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	1-Jan-19
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.	
Amendments to IFRS 9 - Prepayment features with negative compensation	1-Jan-19
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.	

The Group has not yet implemented any of these standards in the financial statements for the period ended on 30 September 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.	
Amendments to references to the conceptual framework in IFRS standards	1-Jan-20
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.	

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 30 September 2018. Their application is not yet mandatory.

The accounting policies and measurement criteria adopted by the Group on 30 September 2018 are comparable with those used in the preparation of 30 September 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'. These equity variations, excluding the cost to NOS's own share plans, are recorded under the caption 'Other comprehensive income'. 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	5
Fixtures and fittings	1 - 10
Tools and utensils	4-5
Others	4

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.

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
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 30 September 2018, the Group had foreign exchange forwards in amount to USD 460,000 (USD 500,000 on 30 September 2017), fixing the exchange rate for EUR, which have an average maturity of 3 months on 30 September 2018 (2 months on September 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, in 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 companies.

In this way, since 1 January 2015, Sonaecom is under the special regime for the taxation of groups of companies, from which Sonae is the dominant company. 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 the year ended in 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%. The subsidiary Inovretail became part of the special tax regime for groups of companies on 1 January 2018. The subsidiary S21sec Portugal left the

special tax regime for groups due the entrance of the company Nexthold, S.L. (Note 2).

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 company.

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 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 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 negative amount of Euro 124,577 (in 2017 was negative in Euro 2,461,959).

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 30 September 2018, Sonaecom have free reserves distributable amounting approximately Euro 63.2 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 30 September 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	
	30 September	Average	30 September	Average
Pounds Sterling	1.1270	1.1314	1.1341	1.1462
Brazilian Real	0.2149	0.2338	0.2657	0.2839
American Dollar	0.8639	0.8377	0.8470	0.8999
Australian Dollar	0.6231	0.6345	0.6634	0.6889
Mexican Peso	0.0459	0.0440	0.0466	0.0477
Egyptian Pound	0.0483	0.0472	0.0480	0.0504
Malaysian Ringgit	0.2088	0.2099	0.2007	0.2069
Swiss Franc	0.8837	0.8613	0.8728	0.9140
South African Rand	0.0608	0.0652	0.0627	0.0682
Canadian Dollar	0.6638	0.6505	0.6809	0.6884
Turkish Lira	0.1436	0.1864	0.2380	0.2500
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 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 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 30 September 2018, the plans allowances during the years 2016, 2017 and 2018 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 30 September 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 contingent 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 period.

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 30 September 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 Group 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 monitored by Sonaecom.

In September 2018, Sonaecom reported a negative average gearing (accounting) of 20.8%. The average gearing in market values in 2018 was negative in 29.5%.

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 30 September 2018 and 2017, are as follows:

				2018		2017	
Company (Commercial brand)	Head office	Main activity	Shareholder	Direct	Effective*	Direct	Effective*
Parent company							
SONAECON, SGPS, S.A. ('Sonaecom')	Maia	Management of shareholdings	-	-	-	-	-
Subsidiaries							
Bright Development 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') (c)	Maia	Development of management platforms and commercialisation of products, services and information, with the internet as its main support.	Sonae IM	75,00%	75,00%	75,10%	75,10%
Inovretail, S.A.	OPorto	Industry and comércio 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%	50,13%	50,13%
Nextel, S.A. (Nextel) (b)	Bilbao	Rendering of engineering and IT consulting services specializing in information security and management of telecommunications services.	S21 Sec Gestion	100%	80,90%	-	-
Mxtel, S.A. de CV (Mxtel) (b)	Mexico City	Rendering of engineering and IT consulting services specializing in information security and management of telecommunications services.	Nextel	100%	80,90%	-	-
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%	80,90%	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 S21 Sec Labs	99,99% 0,01%	80,90%	99,99% 0,01%	100%
S21 Sec Gestion, S.A. ('S21 Sec Gestion') (d)	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	80,90%	80,90%	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%	80,90%	100%	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%	80,90%	99,9999% 0,0001%	100%
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 – 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 effective participation

Company (Commercial brand)	Head office	Main activity	Shareholder	2018		2017	
				Direct	Effective*	Direct	Effective*
Taikai, LTDA ('Taikai') (f)	Oporto	Research, design and development of products and services in the field of information technologies, as well as investment and training related to the development of new business information systems.	Bright	99,01%	99,01%	-	-
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 Technologies España - Sistemas de Informação, S.L. ('WeDo Espanã') (e)	Madrid	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	100%	100%
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 Australia')	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%

* Sonaeom 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) Company acquired in June 2018.

(c) In May 2018, Sonae IM sold 0,10% participation in Digitmarket to Banco BPI, S.A.

(d) In period ended on 30 June 2018, Nexthold, S.L. acquired 19,10% of the capital S21sec Gestion S.A. Group. This way Sonaeom Cyber Security and Intelligence started to hold 80,90% of the capital S21 Sec Gestion.

(e) In April 2018, Sonaeom - Sistemas de Informação Espana, S.L. changed its corporate name to We Do Technologies España - Sistemas de Informação, S.L.

(f) Company build in September 2018.

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 30 September 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 ('Eat Tasty') (note 9)	Jan-18	7.81%	7.81%
Sonae IM	Jscrambler, S.A. ('Jscrambler') (note 9)	Feb-18	10.00%	10.00%
Fundo Bright Vector I	Advert.io, Lda ('Advert.io') (note 9)	Mar-18	7.23%	3.62%
Fundo Bright Vector I	Binary Answer, Lda ('Binary Answer') (note 9)	Mar-18	2.68%	1.34%
Sonae IM	Style Sage, Inc. ('Style Sage') (note 9)	Apr-18	10.70%	10.70%
Sonae IM	Nextail Labs, Inc. ('Nextail') (note 9)	May-18	7.43%	7.43%
Sonae IM	Case on IT, S.L. ('Case on IT') (Nota 9)	Jun-18	12.01%	12.01%
Bright	EGI Factory, S.L. ('EGI Factory') (note 9)	Jun-18	7.78%	7.78%
S21 Sec Gestión	Nextel	Jun-18	100%	80.90%
S21 Sec Gestión	Mxtel	Jun-18	100%	80.90%
Sonae IM	Reblaze Technologies, Ltd. ('Reblaze') (note 9)	Jul-18	11.81%	11.81%
Fundo Bright Vector I	RKAI - Serviços de processamento de imagens e análise de dados, Lda ('RKAI') (note 9)	Jul-18	12.00%	12.00%
Sonae IM	ciValue Systems, Ltd. ('ciValue') (note 9)	Aug-18	12.00%	12.00%
Bright	Beamly, S.A.S. ('Beamly') (note 9)	Aug-18	6.60%	6.60%

Shareholder	Subsidiary	Date	% Direct Participation	% Effective Participation
2017				
Bright	Food Orchestrator, Lda ('Eat Tasty') (note 9)	Mar-17	0.17%	0.17%
Sonae IM	Fundo de Capital de Risco Armilar Venture Partners III ('Armilar III') (note 8)	Mar-17	0.41%	0.41%
Sonae IM	Ometria, Ltd. (note 9)	Jun-17	4.76%	4.76%
Publico	Radio Nova (note 8)	Jun-17	5.00%	5.00%
Sonae IM	Fundo de Capital de Risco Armilar Venture Partners III ('Armilar III') (note 8)	Jul-17	0.20%	0.20%

Effects of the acquisition of subsidiaries in the consolidated financial statements

Nextel Group

The companies that make up the Nextel Group were acquired by the Sonaecom group in June 2018 and have as main activity the provision of engineering and information systems consulting services, specialized in information security and management of telecommunications services.

Following these acquisitions, the group initially recognized a Goodwill amount of 2,172,157 euros (Note 7), which can be broken down as follows:

(Amounts expressed in Euro)	Notes	Nextel Group		
		Balance value before acquisition	Adjustments to fair value	Fair value 'Preliminar and pro-form'
Acquired assets				
Tangible assets	5	130,152	-	130,152
Intangible assets	6	57,459	-	57,459
Deferred tax assets	10	3,930,008	-	3,930,008
Other non-current assets		133,726	-	133,726
Trade debtors		2,383,770	(25,955)	2,357,815
Other current debtors		1,480,925	(47,987)	1,432,938
Other current assets		1,660,937	36,076	1,697,013
Cash and cash equivalents		1,371,559	2,011	1,373,570
		11,148,536	(35,855)	11,112,681
Acquired liabilities				
Loans obtained		4,639,541	(61,400)	4,578,141
Trade creditors		1,498,781	(54,392)	1,444,389
Other current creditors		1,483,864	37,348	1,521,212
Other current liabilities		1,169,531	518,416	1,687,947
		8,791,717	439,972	9,231,689
Total net assets acquired		2,356,819		1,880,992
Acquisition price		4,053,149		4,053,149
Goodwill	7	1,696,330		2,172,157

Following the acquisition of this Group, an assessment was made of the fair value of assets acquired and liabilities assumed, resulting in a decrease in total assets and an increase in total liabilities of 35,855 euros and 439,972 euros respectively.

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

As is usual in business combinations, also in the case of the acquisition of these two subsidiaries, it was not yet possible to allocate, in accounting terms, the fair value of identified assets and liabilities assumed, a portion of the acquisition cost, being recognized as Goodwill. Goodwill will be related to elements that can not be reliably isolated and quantified and include synergies, skilled workforce, technological capabilities and market reputation.

In the period on ended 30 September 2018, the contribution of Nextel Group to the net profit attributable to shareholders of Sonaecom was negative on EUR 60,203. The respective contributions in Sonaecom's consolidated balance as of 30 September 2018 is as follows:

	Nextel Group
(Amounts expressed in Euro)	Contribution on 30 September 2018
Total Revenues	2.671.196
Costs and losses	-
Cost of sales	(1.092.468)
External supplies and services	(210.871)
Staff expenses	(1.384.289)
Depreciations and amortisations	(19.914)
Other operating costs	(6.994)
	(43.340)
Financial results	(31.077)
Income tax	-
Net income for the period before non-controlling interests	(74.417)
Net income attributed to non-controlling interests	14.214
Net income attributed to shareholders of parent company	(60.203)

The respective contributions to Sonaecom's consolidated balance sheet on 30 September 2018, excluding the goodwill generated as a result of the acquisition of investments in these companies, is as follows:

	Nextel Group
(Amounts expressed in Euro)	Contribution on 30 September 2018
Assets	
Tangible assets	133.462
Intangible assets	53.717
Deferred tax assets	3.930.008
Trade debtors	1.474.369
Other current debtors	1.362.354
Cash and cash equivalents	548.317
Other assets	1.923.042
Total assets	9.425.269
Liabilities	
Non-current liabilities	1.891.306
Current liabilities	5.726.500
Total liabilities	7.617.806
Net assets	1.807.463

b) Disposals

Shareholder	Subsidiary	Date	% Direct Participation	% Effective Participation
2018				
Sonae IM	Digitmarket	May-18	0.10%	0.10%
Sonae IM	Amilar Venture Partners - Sociedade de Capital de Risco, SA ('Amilar') (note 8)	Jun-18	35.00%	35.00%

c) Constitutions

Buyer	Subsidiary	Date	% Direct Participation	% Effective Participation
2018				
Bright	Taikai, Lda ('Taikai')	Aug-18	99.01%	99.01%

Buyer	Subsidiary	Date	% Direct Participation	% Effective Participation
2017				
Sonae IM	Probe.ly - Soluções de cibersegurança, Lda. (Probe.ly) (note 9)	Jun-17	22.88%	22.88%
Sonae IM	Bright Vector I	Sep-17	50.13%	50.13%

4. Breakdown of financial instruments

On 30 September 2018 and 2017, the breakdown of financial instruments according to IFRS 9 was as follows:

						2018
	Financial assets measured at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total financial assets	Others not covered by IFRS 9	Total
Non-current assets						
Financial assets at fair value through profit or loss	-	81,748	-	81,748	-	81,748
Investments at fair value through other comprehensive income (note 9)	-	-	17,569,002	17,569,002	-	17,569,002
Other non-current assets	2,673,804	-	-	2,673,804	-	2,673,804
	2,673,804	81,748	17,569,002	20,324,554	-	20,324,554
Current assets						
Trade debtors	33,664,724	-	-	33,664,724	-	33,664,724
Other current debtors	5,966,475	-	-	5,966,475	1,130,608	7,097,083
Income tax receivable	-	-	-	-	7,118,903	7,118,903
Other current assets	14,194,838	-	-	14,194,838	3,540,058	17,734,896
Cash and cash equivalents (note 11)	245,197,816	-	-	245,197,816	-	245,197,816
	299,023,853	-	-	299,023,853	11,789,569	310,813,422

						2017
	Financial assets measured at amortized cost	Financial assets at fair value through profit or loss	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)	-	-	1,765,655	1,765,655	-	1,765,655
Other non-current assets	3,372,458	-	-	3,372,458	-	3,372,458
	3,372,458	-	1,765,655	5,138,113	-	5,138,113
Current assets						
Trade debtors	37,598,414	-	-	37,598,414	-	37,598,414
Other current debtors	23,620,764	-	-	23,620,764	926,265	24,547,029
Income tax receivable	-	-	-	-	3,087,052	3,087,052
Other current assets	10,808,562	-	-	10,808,562	2,062,116	12,870,678
Cash and cash equivalents (note 11)	190,342,573	-	-	190,342,573	-	190,342,573
	262,370,313	-	-	262,370,313	6,075,433	268,445,746

				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)	3,692,542	3,692,542	-	3,692,542
Other non-current financial liabilities (note 15)	44,065	44,065	-	44,065
Other non-current liabilities	436,962	436,962	200,031	636,993
	4,173,569	4,173,569	200,031	4,373,600
Current liabilities				
Current loans and other loans (note 14)	3,925,694	3,925,694	-	3,925,694
Trade creditors	13,494,683	13,494,683	-	13,494,683
Other current financial liabilities (note 17)	212,683	212,683	-	212,683
Other creditors	12,214,604	12,214,604	3,333,658	15,548,262
Income tax payable	-	-	245,089	245,089
Other current liabilities	20,154,472	20,154,472	12,881,028	33,035,500
	50,002,136	50,002,136	16,459,775	66,461,911

				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)	3,203,540	3,203,540	-	3,203,540
Other non-current financial liabilities (note 15)	248,369	248,369	-	248,369
Other non-current liabilities	833,308	833,308	1,196,488	2,029,796
	4,285,217	4,285,217	1,196,488	5,481,705
Current liabilities				
Current loans and other loans (note 14)	1,211,072	1,211,072	-	1,211,072
Trade creditors	12,546,364	12,546,364	-	12,546,364
Other current financial liabilities (note 17)	390,769	390,769	-	390,769
Other creditors	969,791	969,791	2,656,715	3,626,506
Income tax payable	-	-	201,255	201,255
Other current liabilities	17,400,544	17,400,544	11,019,630	28,420,174
	32,518,540	32,518,540	13,877,600	46,396,140

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 IFRS 9. On the other hand, the deferred costs/profits recorded in the captions other current and non-current assets/liabilities 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 30 September 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
Changes in consolidation perimeter (3.a)	-	600,161	342,353	287,671	-	-	1,230,185
Additions	18,433	36,840	-	156,225	5,810	134,143	351,451
Disposals	-	-	-	(57,345)	-	-	(57,345)
Effect of currency translation	(30,321)	4,661	1,818	(5,276)	(51)	-	(29,169)
Transfers and write-offs	4,082	53,683	-	226,336	1,986	(286,057)	30
Balance at 30 September 2018	4,253,561	10,832,023	371,569	10,371,053	461,566	75,551	26,365,322
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
Changes in consolidation perimeter (3.a)	-	538,196	20,176	258,737	282,924	-	1,100,033
Depreciation for the period	183,078	82,372	4,283	350,645	4,693	-	625,071
Disposals	-	-	-	(56,800)	-	-	(56,800)
Effect of currency translation	(39,246)	4,087	1,782	(3,329)	(83)	-	(36,789)
Transfers and write-offs	(28)	565	-	29	-	-	566
Balance at 30 September 2018	2,750,691	10,513,798	53,639	9,311,924	660,405	-	23,290,456
Net value	1,502,870	318,225	317,930	1,059,129	(198,839)	75,551	3,074,866



							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	165,547	62,956	-	203,321	5,469	162,986	600,279
Disposals	-	-	(39,669)	(27,402)	-	-	(67,071)
Effect of currency translation	(38,627)	(25,859)	-	(224,750)	-	-	(289,236)
Transfers and write-offs	40,994	54,561	-	89,234	(64)	(197,600)	(12,875)
Balance at 30 September 2017	4,227,325	10,145,693	32,447	9,745,804	453,164	33,774	24,638,207
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 period	167,992	103,584	5,761	458,402	4,448	-	740,187
Disposals	-	-	(30,767)	(24,181)	-	-	(54,948)
Effect of currency translation	(28,940)	(15,244)	-	(198,869)	-	-	(243,053)
Transfers and write-offs	(3,171)	291	-	(25,483)	(54)	-	(28,417)
Balance at 30 September 2017	2,574,571	9,866,405	32,447	8,686,051	371,647	-	21,531,121
Net value	1,652,754	279,288	-	1,059,753	81,517	33,774	3,107,086

Depreciation and amortization for the period ended on 30 September 2018 and 2017 can be detailed as follows:

	2018	2017
Tangible assets	625,071	740,187
Intangible assets (note 6)	6,668,826	6,539,744
	7,293,897	7,279,931

On 30 September 2018 and 2017, the heading 'Tangible assets' does not include any asset pledged or given as a guarantee for loans obtained or liabilities.

The 'Work in progress' on 30 September 2018 are composed as follows:

	2018	2017
Information systems / IT equipment	72,237	33,774
Other projects in progress	3,314	-
	75,551	33,774

During the periods ended on 30 September 2018 and 2017, there are no commitments to third parties relating to investments to be made.

6. Intangible assets

In the periods ended on 30 September 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	Other intangible assets	Intangible assets in progress	Total
Gross assets					
Balance at 31 December 2017	11,433,736	87,522,642	-	5,455,195	104,411,573
Changes in consolidation perimeter (3.a)	-	1,065,136	-	-	1,065,136
Additions	17,745	356,917	96,437	4,540,879	5,011,978
Disposals	-	(23,696)	-	-	(23,696)
Effect of currency translation	241,590	24,707	-	1,316	267,613
Transfers and write-offs	(58,017)	4,413,054	-	(4,432,538)	(77,501)
Balance at 30 September 2018	11,635,054	93,358,760	96,437	5,564,852	110,655,103
Accumulated amortisation and impairment losses					
Balance at 31 December 2017	11,130,078	68,261,601	-	-	79,391,679
Changes in consolidation perimeter (3.a)	-	1,007,677	-	-	1,007,677
Amortisation and impairment for the period (note 5)	190,097	6,451,385	27,344	-	6,668,826
Effect of currency translation	230,540	(47,469)	-	-	183,071
Disposals	-	(6,366)	-	-	(6,366)
Transfers and write-offs	(47,431)	7,091	-	-	(40,340)
Balance at 30 September 2018	11,503,284	75,673,919	27,344	-	87,204,547
Net value	131,770	17,684,841	69,093	5,564,852	23,450,556

					2017
	Brands and patents and other rights	Software	Other intangible assets	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	12,763	764,789	-	5,178,659	5,956,211
Disposals	-	(9,585)	-	(341,821)	(351,406)
Effect of currency translation	(708,025)	(1,022,982)	-	-	(1,731,007)
Transfers and write-offs	17,007	3,539,332	-	(3,602,539)	(46,200)
Balance at 30 September 2017	11,494,214	86,057,042	-	5,458,939	103,010,195
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)	311,807	6,227,937	-	-	6,539,744
Effect of currency translation	(669,211)	(610,490)	-	-	(1,279,701)
Transfers and write-offs	60,928	(29,059)	-	-	31,869
Balance at 30 September 2017	11,117,086	66,563,966	-	-	77,681,052
Net value	377,128	19,493,076	-	5,458,939	25,329,143

The 'Intangible assets in progress' on 30 September 2018 are composed as follows:

	2018
Internally generated assets	5,382,434
Software and Others	182,418
	5,564,852

On 30 September 2018 and 2017, 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, RAID cloud 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 30 September 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 30 September 2018 and 2017, the movements occurred in Goodwill were as follows:

	2018	2017
Opening balance	23,351,829	23,683,622
Acquisition of Nextel (note 3.a)	2,172,157	-
Other movements of the period	71,909	(300,171)
Closing balance	25,595,895	23,383,451

For the periods ended on 30 September 2018 and 2017, the caption 'Other movements of the year' includes the effect of the exchange rate update of the Goodwill.

On 30 September 2018, Goodwill by business area was made up as follows:

2018	Technologies			Media
	Telecommunications	Retail	Cybersecurity	
Goodwill	21,515,925	1,165,721	2,914,249	-

Goodwill impairment is tested annually. In 2017 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	Telecommunications	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 Technologies 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 30 September 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 30 September 2018 and 2017, are as follows:

		Percentage of ownership				Value in profit and loss statement	
		30 September 2018		30 September 2017		30 September 2018	30 September 2017
		Direct	Total	Direct	Total		
Head Office							
ZOPT, SGPS, S.A. ('ZOPT') (a)	Oporto	50,00%	50,00%	50,00%	50,00%	29.318.500	23.593.500
Unipress – Centro Gráfico, Lda. ('Unipress')	Vila Nova de Gaia	50,00%	50,00%	50,00%	50,00%	132.841	84.099
SIRS - Sociedade Independente de Radiodifusão Sonora, S.A. ('Rádio Nova')	Oporto	50,00%	50,00%	50,00%	50,00%	(2.641)	7.807
Intelligent Big Data, S.L. ('Big Data') (b)	Gipuzcoa	50,00%	50,00%	50,00%	50,00%	(19)	59
Armilar Venture Partners - Sociedade de Capital de Risco, S.A. (Armilar) (e)	Lisbon	-	-	35,00%	35,00%	-	-
Fundo de Capital de Risco Armilar Venture Partners II (Armilar II)	Lisbon	50,74%	50,74%	50,74%	50,74%	65.600.163	8.117.455
Fundo de Capital de Risco Armilar Venture Partners III (Armilar III) (c)	Lisbon	42,58%	42,58%	42,60%	42,60%	(1170.567)	(1834.237)
Fundo de Capital de Risco Armilar Venture Partners Inovação e Internacionalização (AVP I +I)	Lisbon	37,54%	37,54%	37,54%	37,54%	(65.345)	2.567.812
Secucloud Network GmbH ('Secucloud') (d)	Hamburg	27,45%	27,45%	-	-	(712.629)	-
Probe.ly	Lisbon	22,88%	22,88%	22,88%	22,88%	(76.676)	-
Total (note 20)						93.023.627	32.536.495

(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 was subscribed an additional participation of 0.41% in participation units, in July 2017 was acquired an additional participation of 0.20% and in November 2017 was acquired an additional participation of 0.04%

(d) Participation acquired in October 2017.

(e) In June 2018, Sonae IM sold a stake in the Venture Capital Company.

Armilar, Armilar II, Armilar III and AVP 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%, started holding a participation of 42.64% in the Armilar III fund during the period ended in September 2018. In the period ended at 30 September the capital of Armilar III increased by Euro 112,844 and SonaeIM held in that period 42.58%. In the Armilar II fund, 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 30 September 2018. During the period ended at 30 September 2018, Sonae IM sold the entire participation (35%) of the Armilar Venture Partners - Sociedade de Capital de Risco, S.A. (Armilar).

Secucloud

In October 2017, the subsidiary Sonae IM invested Euro 4,000,000 in the company Secucloud, representing this investment 27.45% of the company's capital. The main activity of this company is providing a *cloud* platform to protect all devices and operational systems without needing to install the application.

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 reputation.

During the periods ended on 30 September 2018 and 2017, the movement occurred in investments in associated companies and companies jointly controlled, were as follows:

	30 September 2018			30 September 2017		
	Value of the proportion of equity	Goodwill	Total investment	Value of the proportion of equity	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	-	-	-	1,878,094	17,704	1,895,798
Transfers	78,209	(78,209)	-	-	-	-
Equity method	-	-	-	-	-	-
Effect on gains and losses (note 20)	93,026,287	-	93,026,287	32,528,629	-	32,528,629
Effect on reserves	(16,076,996)	-	(16,076,996)	357,853	-	357,853
Dividends	(19,799,186)	-	(19,799,186)	(16,538,141)	-	(16,538,141)
Return of invested capital	(16,477,366)	-	(16,477,366)	-	-	-
Others	(41,343,720)	-	(41,343,720)	-	-	-
	678,498,276	92,566,110	771,064,386	676,438,970	87,866,904	764,305,874
Registered in Provisions for other liabilities and charges						
Balance at 1 January	(106,404)	-	(106,404)	(119,250)	-	(119,250)
Increases	-	-	-	(12,705)	-	(12,705)
Equity method	-	-	-	-	-	-
Effect on gains and losses (note 16 and 20)	(2,660)	-	(2,660)	7,866	-	7,866
	(109,064)	-	(109,064)	(124,089)	-	(124,089)
Total investment in associated companies and companies jointly controlled net of impairment losses	678,389,212	92,566,110	770,955,322	676,314,881	87,866,904	764,181,785

In the period ended on 30 September 2018, the variation in the value of the proportion of equity relative to the return of invested capital and others results from the distribution of capital of Fundo Armilar II following the last round of financing of Outsystems.

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 30 September 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:

	30 September 2018			30 September 2017		
	Value of the proportion of equity	Goodwill	Total investment	Value of the proportion of equity	Goodwill	Total investment
Investments in companies jointly controlled						
Zopt	594,152,888	87,527,500	681,680,388	596,711,058	87,527,500	684,238,558
Unipress	574,038	321,700	895,738	523,150	321,700	844,850
SIRS	(108,014)	-	(108,014)	(123,490)	17,704	(105,786)
Big Data	(1,050)	-	(1,050)	(599)	-	(599)
Bright Vector I	-	-	-	952,500	-	952,500
	594,617,862	87,849,200	682,467,062	598,062,619	87,866,904	685,929,523
Investments in associated companies						
Armilar	-	-	-	1	-	1
Armilar II	52,112,796	-	52,112,796	43,533,458	-	43,533,458
Armilar III	23,749,939	-	23,749,939	25,265,171	-	25,265,171
AVP I+I	9,365,899	-	9,365,899	9,453,632	-	9,453,632
Secucloud	(1,415,205)	4,419,742	3,004,537	-	-	-
Probe.lq	(42,079)	297,168	255,089	-	-	-
	83,771,350	4,716,910	88,488,260	78,252,262	-	78,252,262
Total	678,389,212	92,566,110	770,955,322	676,314,881	87,866,904	764,181,785

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

(Amounts expressed in thousand Euro)								2018
Entity	% holding	Asset	Liability	Equity	Revenue	Operational results	Net result	Comprehensive income
ZOPT*	50.00%	4,259,534	1,939,291	2,320,243	1,167,282	158,925	112,309	58,596
Unipress	50.00%	1,641	493	1,148	1,967	329	266	266
SIRS	50.00%	433	642	(209)	799	26	2	2
Big Data	50.00%	1	4	(4)	-	-	-	-
Armilar II	50.74%	121,496	18,782	102,714	150,380	129,481	129,519	129,519
Armilar III	42.58%	67,520	11,746	55,774	1,042	(2,853)	(2,683)	(2,683)
AVP I+I	37.54%	32,125	7,177	24,949	44	(190)	(174)	(174)
Secucloud	27.45%	4,408	3,481	926	1,817	(1,812)	(2,434)	(2,434)
Probe.ly	22.88%	289	88	201	6	(227)	(294)	(294)

*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 1,115 millions and on 30 September 2018 the NOS' market capitalization amount to Euro 2,658 millions.

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 30 September 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 30 September 2018 and 2017 can be resumed as follows:

Condensed consolidated balance sheets

(Amounts expressed in thousands of Euro)	September 2018	September 2017 (Reexpress)
Assets		
Tangible assets	1.096.309	1.084.166
Intangible assets	2.384.781	2.433.976
Deferred tax assets	107.851	133.596
Other non-current assets	128.073	214.186
Non-current assets	3.717.014	3.865.924
Trade debtors	455.716	453.937
Cash and cash equivalents	2.637	4.741
Other current assets	84.167	86.598
Current assets	542.520	545.276
Total assets	4.259.534	4.411.200
Liabilities		
Loans	944.518	997.351
Provisions	179.445	187.391
Other non-current liabilities	48.781	86.936
Non-current liabilities	1.172.744	1.271.678
Loans	190.636	205.841
Trade creditors	287.755	268.860
Other current liabilities	288.157	273.484
Current liabilities	766.548	748.185
Total liabilities	1.939.292	2.019.863
Shareholders' funds excluding non-controlling interests	1.205.474	1.236.591
Non-controlling interests	1.114.768	1.154.746
Total Shareholders' funds	2.320.242	2.391.337
Total Shareholders' funds and liabilities	4.259.534	4.411.200

Condensed consolidated statements of income by nature

(Amounts expressed in thousands of Euro)	September 2018	September 2017 (Reexpress)
Total revenue	1.167.282	1.159.690
Costs and losses		
Direct costs and External supplies and services	(353.223)	(485.734)
Depreciation, amortisation and impairment losses	(312.876)	(323.854)
Other operating costs	(342.258)	(249.839)
	(1.008.357)	(1.059.427)
Gains/ (losses) in associated companies	(7.503)	14.983
Financial results	(19.952)	(8.343)
Income taxation	(19.161)	(15.231)
Consolidated net income/(loss) for the period	112.309	91.672
Consolidated net income/(loss) for the period attributed to non-controlling interests	53.713	44.821
Attributed to shareholders of parent company	58.596	46.851

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 30 September 2018 amounts to approximately Euro 100 millions.



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 9 months 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 45%, 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 churn 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 into 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.

On 30 September 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 financial year ended at 31 December 2010, NOS SA was notified of the Report of Tax Inspection, when it is considered that the increase, when calculating the taxable profit for the year 2008, of the amount of 100 million euros, 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 20 million euros 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 year, will eliminate the calculation of taxable income, to meet the annual amortisation hired as part of the operation (20 million per year for 5 years). NOS SA challenged the decisions regarding the 2009 to 2013 fiscal year and will appeal for the judicial review in due time the decision regarding the 2008 to 2013 fiscal year. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavourably, in March 2014. The company has appealed.

2. Supplementary Capital

The fiscal authorities believe that NOS SA has broken the principle of full competition under the terms of (1) of Article 58 of the Corporate Tax Code (CIRC) – currently 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 20.5 million euros. NOS SA contested the decision with regard to all the above-mentioned years. As for the year 2004, the Court has decided favourably. This decision is concluded (favourably), originating a reversal of provisions, in 2016, in the amount of 1.3 million euros plus interest. As for the years 2006 and 2007, the Oporto Fiscal and Administrative Court has already decided unfavourably. The company has contested this decision.

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 no 35/2012, of 23 August. From 1995 until June 2014, MEO, SA (former PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the Portuguese government, i.e. without a tender procedure, which constitutes an illegality, by the way acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3 million euros. In accordance with Article 18 of the abovementioned Law 35/2012, of 23 August, 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 been requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. In accordance with 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 requests 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 66.8 million euros, a decision that was contested by NOS. In January 2015, ANACOM issued the settlement notes in the amount of 18.6 million euros related to NOS, SA, NOS Madeira and NOS Açores which were object of judicial challenge and for which a bail was presented by NOS SGPS (Note 38) to avoid Tax Execution Proceedings. The guarantees 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 47.1 million euros, a decision, as in previous years, contested by NOS. In February 2016, ANACOM issued the settlement notes in the amount of 13 million euros, related to NOS, SA, NOS Madeira and NOS Açores which were also contested 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 relative to the period from 2012 to 2013, in the amount of 26 million euros and 20 million euros, respectively, and as the others, it was contested by NOS. In December 2016, the notices of settlement were issued relating to NOS, SA, NOS Madeira and NOS Açores, corresponding to that period, totalling 13.6 million euros that were contested by NOS and for which guarantees have been already presented by NOS SGPS in order to avoid the promotion of the respective proceedings of tax execution. The guarantees were also accepted by ANACOM.

In 2016, ANACOM approved the results of the audit to the CLSU presented by MEO related with the period between January and June 2014, for a total amount of 7.7 million euros that was contested by NOS, in standard terms.

In 2017, NOS, SA, NOS Madeira and NOS Açores were notified of the decision of ANACOM concerning the entities that are obliged to contribute toward the compensation fund and the setting of the values of contributions corresponding to CLSU that have to be compensated and relating to the months of 2014 in which MEO still remained as provider of the Universal Service, which establishes for all these companies a contribution totaling close to 2.4 million euros. In December 2017, the settlement notes relating to NOS, SA, NOS Madeira and NOS Açores, concerning that period, were issued in the amount of approximately 2.4 million euros, which were challenged by NOS and for which guarantees have also been presented by NOS SGPS, in order to avoid the promotion of their tax enforcement procedures. The guarantees were also accepted by ANACOM.

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to Universal Service (not designated through a tender procedure) flagrantly violate 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 audit results of the net cost of universal service related to the pre-competitive period, and the liquidation of each



extraordinary contribution, 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 of Activity (for 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017) as Electronic Communications Services Networks Supplier, and furthermore the refund of the amounts that meanwhile were paid within the scope of the mentioned acts of settlement was requested. The settlements for the year 2017 were impugned in the first semester of 2018.

The settlement amounts are, respectively, as follows:

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

• 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, in the contests they promote, claim, namely: i) addition to defects of unconstitutionality and illegality, related to the inclusion in the cost accounting of ANACOM of the provisions made by the regulator, due to judicial proceedings against the latter (including these appeals 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.


Four sentences on the matter were given, i.e. in December 2012, in September 2017, in April 2018 and in May 2018, respectively, within the scope of the contestation of the annual rate of 2009, 2010 (NOS Comunicações) and 2012 (Ex-ZON and also Ex-Optimus). The first judgment ruled in favour of the respective contestation, only based on lack of prior hearing, but ordered ANACOM to pay interest. ANACOM submitted an appeal concerning that decision, but the Court of Appeal declined it by decision in July 2013. The three remain decisions judge also, in turn, ruled in favour of the respective contestations, but, this time for fundamental reasons, annulled the contested act by unlawfulness with the legal consequences, namely imposing the refund of the tax that was paid but still not refunded to NOS and ordering ANACOM to pay compensatory interest. These decisions were the subject of an appeal from ANACOM to the Tribunal Central Administrativo – Sul (Central Administrative Court – South), where it are pending.

The remaining proceedings are awaiting trial and/or decision.

During the first quarter of 2017, NOS was notified by ANACOM of the initiation of an infraction process related to communications of prices update at the end of 2016. On this date, it is impossible to determine what the scope of the infraction proceedings is to be.

5. Tax Authorities

During the course of the 2003 to 2018 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 Group's tax losses, 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 19 million euros, added interest, and charges. Note that the Group considered that the corrections were unfounded, and



contested the amounts mentioned. The Group provided the bank guarantees demanded by the tax authorities in connection with these proceedings, as stated in Note 38.

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

As belief of the Board of Directors of the 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 brought against NOS SA, in the Judicial Court of Lisbon, a claim for the compensation of 10.3 million of Euros, as compensation for alleged unauthorized portability of NOS SA in the period between March 2009 and July 2011. NOS SA presented its defence and reply, and the Court ordered an expert opinion, which was, meanwhile, deemed without effect. The discussion and trial hearing took place at the end of April and beginning of May 2016, and a judgment was rendered in September of the same year, which considered the action to be partially justified, based not on the occurrence of improper portability, which the Court has determined to restrict itself to those which do not correspond to the will of the proprietor, but of mere delay in sending the documentation related to the portabilities by the Recipient Carrier (NOS) to the Holding Provider (MEO). In that regard, it sentenced NOS to the payment of approximately 5.3 million Euros to MEO, a decision of which only NOS appealed to the Lisbon Court of Appeal. MEO, on the other hand, was satisfied and did not appeal against the part of the sentence that acquitted the NOS of the requests for compensation that it formulated - in the amount of approximately 5.0 million euros - regarding alleged improper portabilities. This Court, in the first quarter of 2018, upheld the decision of the Court of First Instance, except for interests, in which gave reason to the claims of NOS, in the sense that they should be counted from the citation to the action and not from the due date of the invoices. NOS filed an extraordinary appeal with the Supreme Court of Justice.
- MEO 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, realizing only part of these, in the case of NOS SA, in the amount of 26 million euros (from August 2011 to May 2014), in the case of NOS Açores, in the amount of 195 thousand euros and NOS Madeira, amounting to 817 thousand euros.
- At the beginning of July 2018, NOS, SA was notified of the filing by MEO of a lawsuit concerning portability compensations in which MEO claims from NOS the right, in this respect, to approximately 26.8 million euros intending to proceed with the special judicial notification sent to the NOS in July 2015, as mentioned above. NOS is contesting the action during October.
- In 2011, NOS SA brought an action in Lisbon Judicial Court against MEO, claiming payment of 22.4 million euros, 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 of technical nature. At the same time, experts who will be tasked with the economic and financial expertise have been appointed which has already started and the experts have made the expert report available to the court and the parties. The period of clarification of the questions raised by the parties concerning the content of the expert's report is ongoing for the experts responsible for this second expert.

It is the understanding of the Board of Directors, supported by lawyers who monitor the process, that there is, in substance, a good chance of NOS SA winning the action, because MEO has already been convicted for the same offense, by ANACOM. Nevertheless, it is impossible to determine the outcome of the action.

7. Action brought by DECO

In March 2018, the NOS was notified of a lawsuit brought 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. In April and May 2018, the operators, including NOS, lodged a defence and are awaiting further developments in the process. The Board of Directors is convinced that the



arguments used by the author are not justified, which is why it is believed that the outcome of the proceeding should not result in significant impacts for the Group's financial statements.

8. 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 pay damages immediately.

Until 31 December 2014, the revenue from penalties, in the face of the inherent uncertainties, was only recognised at the time of receipt, and on 30 September 2018, the amounts receivable by NOS SA, NOS Madeira and NOS Açores from these invoiced compensations amounted to 62.303 thousand euros. During the period ended on 30 September 2018, receipts in the amount of 756 thousand euros of the amounts outstanding as of 31 December 2014 were recognised as revenues.

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 the uncollectible calculated values of these amounts are recorded as impairment by deducting the revenue recognised at the time of invoicing.

9. Interconnection tariffs

At 30 September 2018, accounts receivable and accounts payable include Euro 23,577,768 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 non-definition of interconnection tariffs of 2001. In what concerns to that dispute, the result were totally favourable to NOS S.A., having already become final.

b) Other commitments Zopt Group

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

Also in December 2015, NOS signed a contract with Sporting Clube de Portugal - Futebol SAD and Sporting and Communication Platforms, S.A. which includes the following rights:

- 1) TV broadcasting rights and multimedia home games of Sporting SAD;
- 2) The right to explore the static and virtual advertising at Stadium José Alvalade;
- 3) The right of transmission and distribution of Sporting TV Channel;
- 4) The right to be its main sponsor.

The contract will last 10 years, concerning the rights indicated in 1) and 2) above, starting in July 2018, 12 years in the case of the rights stated 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, with the overall financial consideration amounting to 446 million euros, divided into progressive annual amounts.

Also in December 2015, NOS SA has signed contracts regarding the television rights of home senior team football games with the following sports clubs:

- 1) Associação Académica de Coimbra – Organismo Autónomo de Futebol, SDUQ, Lda
- 2) Os Belenenses Sociedade Desportiva, 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 will 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, NOS SA 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 will begin in the 2019/2020 sports 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, directly by the transferring party or indirectly through the transfer to channels or models of content, in order to assure to both companies, directly by the assigning party or indirectly through the transfer to third party content distribution channels or models, 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 16/17, 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	2018/19	following
Estimated cash flows with the contracts signed by NOS with the sports entities*	Euro 74.1 million	Euro 1,017 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 67.3 million	Euro 559 million

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

NOS and Vodafone Portugal celebrated on 29 September 2017 an agreement of infrastructure development and sharing with a nationwide scope. This partnership allows the two Operators providing their commercial offers under a shared network at the beginning of 2018.

The agreement covers the reciprocal sharing of dark fibre in approximately 2.6 million of homes in which each of the entities shares with the other one an equivalent investment value, in other words, they share similar goods. It is assumed that both companies retain full autonomy, independence, and confidentiality concerning the design of the commercial offers, the management of the customers' database and the choice of technological solutions they might decide to implement, that did not originate any impact on the consolidated financial statements (according to IAS 16, this exchange of similar non-monetary assets will be presented on a net basis).

The partnership was also widened to the sharing of the mobile infrastructure and the minimum share of 200 mobile towers was agreed.

9. Investments at fair value through other comprehensive income

On 30 September 2018 and 2017, this caption included investments at fair value through other comprehensive income and was made up as follows:

	%	2018	2017
Arctic wolf	4.68%	3,830,113	-
Reblaze	11.81%	2,352,438	-
Nextail	7.43%	2,300,000	-
Case on IT	12.01%	2,280,000	-
ciValue	12.00%	1,970,097	-
StyleSage	15.70%	1,680,538	448,835
Jscrambler	10.00%	1,250,000	-
Ometria	4.76%	854,165	854,165
Continuum Security	6.66%	299,802	-
RK.AI	12.00%	200,000	-
Lusa – Agência de Notícias e Portugal, S.A.	1.38%	197,344	197,344
Beamly	6.60%	150,040	-
Advert.io	7.23%	150,000	-
Food Orchestrator	7.98%	103,761	-
EGI Factory	7.78%	50,000	-
Binary Answer	2.68%	25,000	-
VISAPRESS - Gestão de Conteúdos dos Média, CRL	10.00%	5,000	5,000
Probe.ly	22.88%	-	375,000
Others		32,586	7,586
Impairment losses		(161,882)	(122,275)
		17,569,002	1,765,655

On 30 September 2018, these investments correspond to shareholdings 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.

According to 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, the subsidiary 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 and a pioneer in the Soc-as-a-service global market.

Reblaze

In July 2018, the subsidiary Sonae IM acquired a 11.81% stake in the capital of Reblaze for USD 2,750,000 (EUR 2,352,438). The company provides a Cloud platform for security and acceleration.

Nextail

In June 2018, the subsidiary Sonae IM acquired a participation of 7.43% in Nextail for EUR 2,300,000. The company has developed a cloud-based platform that combines artificial intelligence and prescriptive analysis to improve the stock management processes and storage operations of retailers.

Case on IT

In June 2018, the subsidiary Sonae IM acquired a participation of 12.01% in Case on IT for EUR 2,280,000. The product of the company called MedUX is a machine learning solution that allows the measurement, prevention and analysis of fixed network, mobile and television services.



ciValue

In August 2018, the subsidiary Sonae IM acquired 12% of the capital of ciValue for the amount of USD 2,240,000 (EUR 1,970,097). ciValue is a platform for retailers for bid creation, hyper-personalized targeting and collaboration with suppliers.

Style Sage

During the year of 2016, the subsidiary Sonae IM acquired preferred shares of Style Sage representing 5% of its share capital for USD 500,000 (EUR 448,835).

During the period ended 30 June 2018, the subsidiary Sonae IM invested USD 1,000,000 (EUR 812,414) and converted a loan of EUR 419,290 into capital, with a participation of 15.7% in the company.

The company is a strategic SaaS analysis platform that helps retailers and fashion, home and beauty brands around the world make critical decisions in pre, in, and post season.

Jscrambler

In February 2018, the subsidiary Sonae IM acquired a 10% participation in Jscrambler for EUR 1,250,000. The main activity of the company is to implement security solutions to change web and mobile applications which are based on JavaScript.

Ometria

In June 2017, the subsidiary Sonae IM acquire a participation of 4.54% on capital of the company Ometria for the amount of GBP 750,000 (Euro 854,165). The company is a marketing platform based on artificial intelligence and with the ambition to centralize all communications between retailers and their customers.

Continuum Security

In November 2017, the subsidiary Sonae IM acquired a participation of 6.66% in Continuum Security for Euro 299,802. The main activity of the company is an application security platform to detect vulnerabilities at the beginning of the application development process.

RK.AI

In July 2018 Fund Bright Vector I acquired a 12% interest in the capital of RK.AI for the amount of EUR 10 plus EUR 199,990 of supplementary capital. The company develops activities related to information technologies, processing and analysis of images and data, information domiciliation and information consulting.

Beamy

In August 2018, the subsidiary Bright acquired 6.60% in the capital of Beamy in the amount of EUR 150,040. Beamy is an application in the area of retail technologies.

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%. The main activity is the development of platforms for buying and selling digital advertising.

Food Orchestrator ('Eat Tasty')

In March 2017 the subsidiary 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 EUR 99,999, 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%.

EGI Factory

In June 2018 the subsidiary Bright acquired a participation of 7.78% in EGI Factory for EUR 50,000. The main activity consists of picking up the equity stake of e-commerce companies for a period of time according to an acceleration program.

Binary Answer

In March 2018, Fundo Bright Vector I invested in the capital of Binary Answer with the value of EUR 25,000 corresponding to a participation of 2.68% . The main activity of the company consists of data processing, domiciliation of information and related activities.

Probe.ly

In the period ended on 30 September, 2018, the investment in Probe.ly is recorded in the caption "Investments in associated and jointly controlled companies" (note 8). The company's main activity is to help companies build safer applications.

The assessment of whether or not impairments exist for the investments described above is made through comparisons with the share of the value of equity owned by the group and with sales and EBITDA multiples of companies in the same industry.

10. Deferred taxes

Deferred tax assets on 30 September 2018 and 2017, amounted to Euro 10,791,267 and Euro 8,539,791 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 30 September 2018 and 2017 is as follows:

	2018	2017
Tax losses	4,478,963	5,931,727
Tax provisions not accepted and other temporary differences	1,949,536	2,342,427
Tax benefits	4,362,768	265,637
Closing balance	10,791,267	8,539,791

The movements in deferred tax assets in the periods ended on 30 September 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	87,220	372,327
Record / (reverse) of deferred tax assets related to tax losses from previous periods	75,263	41,293
Record / (reverse) / use of tax benefits	(342,753)	(226,626)
Record / (reverse) of tax provisions not accepted and other temporary differences for the period	(456,250)	(483,533)
Record / (reverse) of temporary differences from the previous periods	(46,190)	(23,920)
	(682,710)	(320,459)
Impact on reserves:		
Exchange variations	115,605	(454,722)
Effect of application of IFRS 15	104,307	-
	219,912	(454,722)
Other without impact on results:		
New companies (note 3a)	3,930,008	-
	3,467,210	(775,181)
Closing balance	10,791,267	8,539,791

On 30 September 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 30 September 2018, the tax benefit caption includes essentially amounts related to the incentive associated with the Conventional Remuneration of Capital in the amount of EUR 267,750 and fiscal credits in the amount of EUR 4,045,489.

The rate used on 30 September 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 30 September 2018 was as follows:

													2018
Nature	Companies included in the tax group*	Digitmarket	S21sec Portugal	We Do Brasil	We Do USA	We Do Egypto	We Do Espanha	We Do Mexico	S21 Sec Gestion	S21 Sec Labs	Nextel	Total	Total Sonaecom Group
Tax losses:													
To be used until 2018	125.646	-	-	-	-	-	-	-	-	-	-	-	125.646
To be used until 2021	-	-	-	-	-	-	-	45.559	-	-	-	45.559	45.559
To be used until 2022	-	-	-	-	-	-	-	31.006	-	-	-	31.006	31.006
To be used until 2023	-	-	-	-	-	-	-	208.708	-	-	-	208.708	208.708
To be used until 2025	-	-	-	-	-	-	-	76.537	-	-	-	76.537	76.537
To be used until 2026	-	-	-	-	-	-	-	354.635	-	-	-	354.635	354.635
To be used until 2027	-	-	-	-	-	-	-	112.260	-	45.833	-	158.093	158.093
To be used until 2028	-	-	-	-	-	-	-	90.965	612.877	12.017	-	715.859	715.859
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	-	-	-	-	1132.816	-	-	-	-	-	-	1132.816	1132.816
Unlimited	-	-	-	-	-	-	185.787	-	-	-	-	185.787	185.787
Tax losses	125.646	-	-	-	2.537.231	-	185.787	919.670	866.229	111.902	-	4.620.819	4.746.465
Tax provisions not accepted and other temporary differences	1184.831	10.864	-	406.711	270.281	12.095	-	147.103	-	-	-	847.054	2.031.885
Tax benefits	133.875	-	183.402	-	126.216	-	-	-	-	-	3.930.008	4.239.626	4.373.501
Others	-	-	-	(104.936)	(191.897)	-	-	(63.751)	-	-	-	(360.584)	(360.584)
Total	1444.352	10.864	183.402	301.775	2.741.831	12.095	185.787	1.003.022	866.229	111.902	3.930.008	9.346.915	10.791.267

On 30 September 2018 and 2017, 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	11,425,140	8,849,534
Temporary differences (provisions not accepted for tax purposes and other temporary differences)	23,652,387	26,290,599
Others	16,465,255	12,389,860
	51,542,781	47,529,993

On 30 September 2018, the caption 'Temporary differences' includes deferred taxes related to impairment of financial investments that can not be recorded.

On 30 September 2018 and 2017 deferred tax assets related to tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2018	2017
2017	-	26,920
2018	189,071	132,726
2019	39,868	30,861
2020	132,658	123,481
2021	276,552	216,564
2022	1,156,996	289,800
2023	472,976	180,953
2024	78,923	78,923
2025	186,796	249,405
2026	803,382	786,839
2027	487,665	400,318
2028	139,006	49,973
2029	885,984	961,354
2030	50,704	50,704
2037	738,072	744,092
Unlimited	5,786,486	4,526,621
	11,425,140	8,849,534

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 30 September 2018 and 2017 were as follows:

	2018	2017
Opening balance	(10,243,448)	(8,263,418)
Temporary differences between accounting and tax result	(5,179,620)	(1,991,481)
Sub-total effect on results (note 21)	(5,179,620)	(1,991,481)
Closing balance	(15,423,068)	(10,254,899)

The reconciliation between the earnings before taxes and the taxes recorded for the periods ended on 30 September 2018 and 2017 is as follows:

	2018	2017
Earnings before tax	87,545,615	24,997,610
Income tax rate (21%)	(18,384,579)	(5,249,498)
Autonomous taxation and surcharge	(2,912,571)	(320,488)
Tax provision	160,035	479,861
Accounting adjustments not accepted	159,512	(365,638)
Temporary differences and tax losses of the period without record of deferred tax assets	(1,266,592)	(1,315,296)
Record/utilization of tax losses and tax benefits without record of deferred tax assets in previous periods	(141,087)	18,340
Deferred tax assets of temporary differences of previous periods	(46,190)	(23,920)
Effect of the existence of different tax rates from those in force in Portugal	184,532	413,263
Effect of the untaxed equity method	5,991,127	5,807,412
Consolidation adjustments	(798,675)	702,708
Deferred tax assets from tax losses of previous periods	75,263	41,293
Record/(reverse) of deferred tax assets related to tax benefits	62,162	(226,626)
Income taxation recorded in the year (note 21)	(16,917,063)	(38,589)

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 30 September 2018.

11. Cash and cash equivalents

On 30 September 2018 and 2017, this caption was made up as follows:

	2018	2017
Cash	23,703	18,111
Bank deposits repayable on demand	244,937,043	89,962,283
Treasury applications	237,070	100,362,179
Cash and cash equivalents	245,197,816	190,342,573
Bank overdrafts (note 14)	(310)	(310)
	245,197,506	190,342,263

12. Share capital

On 30 September 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 30 September 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 30 September 2018 and 2017, the caption loans had the following breakdown:

a) Medium and long-term loans

Company	Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
					2018	2017
Nextel	Bank loan	-	Mar-20	Parcel	52,091	-
	Bank loan	-	Mar-20	Parcel	43,312	-
	Bank loan	-	Abr-20	Parcel	93,750	-
	Bank loan	-	Abr-21	Parcel	130,252	-
	Bank loan	-	May-23	Parcel	187,500	-
	Bank loan	-	Jun-20	Parcel	75,703	-
	Reimbursable grants	-	Feb-28	Parcel	1,266,549	-
					1,849,157	-
S21 Sec Gestion	Reimbursable grants	-	Jun-25	Parcel	952,473	1,617,289
					952,473	1,617,289
S21 Sec Labs	Reimbursable grants	-	Jun-24	Parcel	738,342	1,169,000
					738,342	1,169,000
Saphety	Minority Shareholder loans	-	-	-	152,122	412,322
	Interests incurred but not yet due	-	-	-	448	4,929
					152,570	417,251
					3,692,542	3,203,540

The average interest rate on these loans at 30 September 2018 was 1.90%.

b) Short-term loans

Company	Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
					2018	2017
Nextel	Bank loan	-	Nov-18	Parcel	22,701	-
	Bank loan	-	Ago-19	Parcel	50,000	-
	Bank loan	-	Sep-19	Parcel	79,313	-
	Bank loan	-	Sep-19	Parcel	80,530	-
	Bank loan	-	Sep-19	Parcel	99,623	-
	Bank loan	-	Sep-19	Parcel	102,396	-
	Bank loan	-	Jul-19	Parcel	125,000	-
	Bank loan	-	Sep-19	Parcel	134,118	-
	Bank loan	-	Jun-19	Parcel	150,247	-
	Bank loan	-	May-19	Parcel	252,503	-
	Bank loan	-	Sep-19	Parcel	346,826	-
	Reimbursable grants	-	Jun-19	-	1,266,886	-
					2,710,143	-
S21 Sec Gestion	Reimbursable grants	-	Sep-19	-	724,554	717,408
	Bank overdrafts (note 11)	-	-	-	310	310
	Interests incurred but not yet due	-	-	-	9,150	16,339
					734,014	734,057
S21 Sec Labs	Reimbursable grants	-	Jun-19	-	463,831	454,223
	Interests incurred but not yet due	-	-	-	17,706	22,792
					481,537	477,015
					3,925,694	1,211,072

The average interest rate on these loans at 30 September 2018 was 1.55%.

Reimbursable grants

On 30 September 2018, the Group had reimbursable grants obtained from entities dependent on the Government of Navarra, CDTI and the 'Ministerio de Ciencia y Tecnología'. These subsidies are recorded at amortized cost according to the effective interest rate method and present the following repayment plan:

	2018
2018	1,444,011
2019	1,768,239
2020	869,959
2021	462,260
2022 and follows	868,166
	5,412,635

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

Given the nature of debts, there are no financial covenants.

Bank credit lines

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

Nextel has also a short term bank line, in the form of current or overdraft account commitment, in the amount of 500 thousand euros.

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 30 September 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	
Nextel	Authorised overdrafts	500,000	-	500,000	x	
Nextel	Bank loan	-	22,701	-	x	
Nextel	Bank loan	-	134,118	-	x	
Nextel	Bank loan	-	150,247	-	x	
Nextel	Bank loan	-	252,503	-	x	
Nextel	Bank loan	-	346,826	-	x	
Nextel	Bank loan	-	122,625	-		x
Nextel	Bank loan	-	154,487	-		x
Nextel	Bank loan	-	175,326	-		x
Nextel	Bank loan	-	210,782	-		x
Nextel	Bank loan	-	218,750	-		x
Nextel	Bank loan	-	237,500	-		x
		1,500,000	2,025,865	1,500,000		
2017						
Sonaecom	Authorised overdrafts	1,000,000	-	1,000,000	x	
		1,000,000	-	1,000,000		

On 30 September 2018 and 2017, there is no interest rate hedging instruments therefore the total gross debit is exposed to changes in market interest rates.

Others

On 30 September 2018, debts to credit institutions (nominal values) related to medium and long-term loans had the following repayment plan:

	Between 12 and 24 months	Between 24 and 36 months	Between 36 and 48 months	Between 48 and 60 months	Between 60 and 72 months
2018					
Other loans Nextel					
Reimbursements	135,423	294,480	77,705	50,000	25,000
Interests	2,409	3,933	1,434	709	118
	137,832	298,413	79,139	50,709	25,118

15. Other non-current financial liabilities

On 30 September 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 EUR 44,065 and EUR 248,369, respectively.

On 30 September 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	-	-	144,922	126,411
2018	86,643	84,294	355,629	341,043
2019	161,874	158,308	161,088	157,537
2020	11,609	11,178	11,609	11,178
2021	3,002	2,968	3,002	2,969
	263,128	256,748	676,250	639,138
Interests	(6,380)	-	(37,113)	-
	256,748	256,748	639,137	639,138
Short-term liability (note 17)	-	(212,683)	-	(390,769)
	256,748	44,065	639,137	248,369

16. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the periods ended on 30 September 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	310,640	(21,345)	36,619	4,482,011
Accumulated impairment losses on other current debtors	131,419	2,602	-	(79,053)	54,968
Accumulated impairment losses on inventories	40,000	-	-	-	40,000
Provisions for other liabilities and charges	3,603,145	544,078	(542,083)	(330,432)	3,274,708
	7,930,661	857,320	(563,428)	(372,866)	7,851,687
2017					
Accumulated impairment losses on trade debtors	2,713,099	344,590	(59,606)	(198,824)	2,799,259
Accumulated impairment losses on other current debtors	130,356	1,063	-	-	131,419
Accumulated impairment losses on inventories	35,000	-	-	-	35,000
Provisions for other liabilities and charges	4,919,669	487,832	(1,114,137)	(648,700)	3,644,664
	7,798,124	833,485	(1,173,743)	(847,524)	6,610,342

Reinforcements and reductions values of the accumulated impairment losses on receivable accounts and provisions for liabilities and charges, on 30 September 2018 and 2017, are detailed as follows:

	2018		2017	
	Increases	Decreases	Increases	Decreases
Accumulated impairment losses on accounts receivables				
Registered in the line 'Provisions and accumulated impairment losses' (increases) and in 'Other operating costs' (decreases)	313,242	(21,345)	345,653	(59,606)
Total increases/(decreases) of accumulated impairment losses on accounts receivables	313,242	(21,345)	345,653	(59,606)
Provisions for other liabilities and charges	Increases	Decreases	Increases	Decreases
Recorded in the profit and loss statement, under the caption 'Income taxation' (note 21)	221,457	(381,492)	338,767	(818,628)
Recorded in balance sheet, under the caption 'Income tax' and 'Other current debtors'	-	-	-	(31,744)
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 1c)	1,113	-	1,143	-
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)	2,660	-	-	(7,866)
Recorded in the profit and loss statement in 'Staff expenses' related to the provisions for redundancy payments	172,093	(118,218)	-	(167,899)
Other increases and decreases - recorded in 'Provisions and impairment losses' (increases) and in 'Other operating costs' (decreases)	146,755	(42,373)	147,922	(88,000)
Total increases/(decreases) of provisions for other liabilities and charges	544,078	(542,083)	487,832	(114,137)
Total recorded in the income statement in 'Provisions and impairment losses' (increases) and in 'Other operating revenue' (decreases)	459,997	(63,718)	493,575	(147,606)

On 30 September 2018 and 2017, the breakdown of the provisions for other liabilities and charges is as follows:

	2018	2017
Several contingencies	2,451,609	2,744,157
Legal processes in progress	26,797	70,187
Dismantling	54,579	53,087
Other responsibilities	741,723	777,233
	3,274,708	3,644,664

On 30 September 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 responsibilities, 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 responsibilities' are included provisions for restructuring an amount of Euro 167,403 associated with severance payment (Euro 55,428 in 2017).

17. Other financial liabilities

On 30 September 2018, this heading 'Other financial liabilities' includes the amount of Euro 212,683 (Euro 390,769 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 30 September 2018 and 2017 had the following composition:

	2018	2017
Subcontracts	12,546,542	9,892,454
Specialised works	4,825,827	4,159,907
Rents	3,927,476	3,969,466
Travelling costs	3,059,113	3,084,330
Advertising and promotion	2,845,565	3,028,995
Communications	864,558	896,629
Fees	768,899	883,947
Fuels	368,156	339,361
Maintenance and repairs	349,545	224,190
Energy	272,552	289,635
Commissions	149,152	247,887
Others	915,039	932,366
	30,892,424	27,949,167

The commitments assumed by the Group on 30 September 2018 and 2017 related to operational leases are as follows:

	2018	2017
Minimum payments of operational lease:		
2017	-	1,182,279
2018	1,344,005	3,459,098
2019	2,704,981	1,900,707
2020	2,029,463	1,124,351
2021	1,340,069	637,347
2022 e seguintes	1,201,365	231,950
Renewable by periods of one year	1,084,827	958,002
	9,704,709	9,493,734

During the period ended on 30 September 2018, an amount of Euro 3,715,672 (Euro 3,666,604 on 30 September 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 30 September 2018 and 2017 were made up as follows ((costs) / gains):

	2018	2017
Financial expenses:		
Interest expenses:	(86,942)	(162,284)
Bank loans	(8,203)	(1,182)
Leasing	(15,018)	(27,088)
Other interests	(63,721)	(134,014)
Foreign exchange losses	(2,631,772)	(2,942,754)
Other financial expenses	(133,942)	(210,921)
	<u>(2,852,656)</u>	<u>(3,315,959)</u>
Financial income:		
Interest income	301,236	445,659
Foreign exchange gains	2,865,988	2,369,768
Others financial gains	2,929	13,415
	<u>3,170,153</u>	<u>2,828,842</u>

20. Gains and losses on Investments

Gains and losses on investments for the periods ended on 30 September 2018 and 2017 are as follows ((expenses) / revenues):

	2018	2017
Financial results of associates and jointly controlled companies:		
Gains and losses related with the application of the equity method (note 8)	93,023,627	32,536,495
	<u>93,023,627</u>	<u>32,536,495</u>
Gains and losses on financial assets at fair value through profit or loss	-	-
Gains and losses on financial assets at fair value through profit or loss	(6,301)	-
	<u>(6,301)</u>	<u>-</u>

21. Income taxation

Income taxes recognised during the periods ended on 30 September 2018 and 2017 were made up as follows ((costs) / gains):

	2018	2017
Current tax	(11,277,359)	(197,991)
Tax provision net of reduction (note 16)	160,035	479,861
Deferred tax assets (note 10)	(682,710)	(320,459)
Deferred tax liabilities (note 10)	(5,179,620)	-
	<u>(16,979,654)</u>	<u>(38,589)</u>

22. Related parties

During the periods ended on 30 September 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, during the periods ended on 30 September 2018 and 2017 as follows:

	Balances at 30 September 2018					
	Accounts receivable	Accounts payable	Other assets	Other as liabilities	Treasury applications	Loans Obtained
Parent company	1,047,065	11,041,724	104,400	79,274	-	-
Companies jointly controlled	346,524	412,408	11	22,557	3,700	-
Associated companies	-	1,018	1,418,466	-	-	-
Other related parties	6,186,228	843,909	172,341	3,969,084	-	152,122
	7,579,817	12,299,059	1,695,218	4,070,915	3,700	152,122

	Balances at 30 September 2017					
	Accounts receivable	Accounts payable	Other assets	Other as liabilities	Treasury applications	Loans Obtained
Parent company	21,407,806	174,708	-	110,243	-	-
Companies jointly controlled	392,812	600,590	1,224	66,945	2,700	-
Associated companies	-	-	2,918,027	-	-	-
Other related parties	6,075,653	480,411	406,208	3,557,370	-	412,322
	27,876,271	1,255,709	3,325,459	3,734,558	2,700	412,322

	Transactions at 30 September 2018				
	Sales and services rendered	Supplies and services received	Interest and similar income	Interest and similar expense	Supplementary income
Parent company	-	-	254,591	-	-
Companies jointly controlled	61,399	329,123	132	-	98,000
Other related parties	27,855,999	1,790,453	16,828	4,073	13,629
	27,917,398	2,119,576	271,551	4,073	111,629

	Transactions at 30 September 2017				
	Sales and services rendered	Supplies and services received	Interest and similar income	Interest and similar expense	Supplementary income
Parent company	24,404	87,500	400,088	-	-
Companies jointly controlled	13,513	303,676	183	-	116,384
Other related parties	27,634,017	1,999,685	-	11,031	139,682
	27,671,934	2,390,861	400,271	11,031	256,066

During the period ended 30 September 2018, the company distributed as dividends the amount of Euro 2,997,850 to Sonae (EUR 6,238,768 on 30 September 2017) and EUR 7,180,335 to Sontel BV (EUR 14,942. 860 on 30 September 2017).

During the period ended 30 September 2018, the company recognized the amount of EUR 19,755,883 related to dividends of Zopt (EUR 9,012,004 in 2017).

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 30 September 2018 and 2017, no impairment 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 30 September 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.; Asiacell Communications; Barcelona Serveis Municipals; Comunidade Intermunicipal do Médio Tejo; CTT Correios de Portugal, S.A.; Digi Tecomunications; Emirates Telecom. Corp; Etihad Etisalat Company; Etisalat; Etisalat UAE; Gobierno Vasco; 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; Tech M; Tunisie Telecom; U Mobile and Zain Jordan	Completion of work to be done	507,173	671,836
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	778,380
Sonaecom and Público	Direção de Contribuições e Impostos and Autoridade Tributária e Aduaneira (Portuguese tax authorities)	IRC, IS, IVA – Tax assessment	2,311,861	1,558,985
Several	Others		781,361	555,305
			4,256,452	3,564,506

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 28,111,899 and Sonaecom SGPS consisted of Público for the amount of Euro 564,899.64.

On 30 September 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 30 September 2018 and 2017 were identified the following business segments:

- Media;
- Technologies; 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 30 September 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 30 September 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		Tecnologías		Holding Activities		Subtotal		Eliminations and others		Total	
	September 2018	September 2017	September 2018	September 2017	September 2018	September 2017	September 2018	September 2017	September 2018	September 2017	September 2018	September 2017
Revenues												
Sales and services rendered	11,252,070	11,082,016	111,853,790	94,710,719	371,978	383,828	123,477,838	106,176,563	(811,790)	(1,073,566)	122,666,048	105,102,997
Reversal of provisions	-	-	63,717	59,606	-	-	63,717	59,606	-	-	63,717	59,606
Other operating revenues	535,397	570,968	952,229	1,086,276	14,682	71,763	1,502,308	1,729,007	(5,345)	21,238	1,496,963	1,750,245
Total revenues	11,787,467	11,652,984	112,869,736	95,856,601	386,660	455,591	125,043,863	107,965,176	(817,135)	(1,052,328)	124,226,728	106,912,848
Depreciation and amortisation	(666,261)	(167,936)	(6,903,073)	(6,930,807)	(3,162)	(9,080)	(7,572,496)	(7,107,823)	278,599	(172,108)	(7,293,897)	(7,279,931)
Provisions and impairment losses	(40,000)	(83)	(323,277)	(438,604)	(96,720)	(54,888)	(459,997)	(493,575)	-	-	(459,997)	(493,575)
Net operating income / (loss) for the segment	(2,876,603)	(1,857,914)	(2,441,515)	(4,394,870)	(983,825)	(1,028,601)	(6,301,943)	(7,281,385)	512,735	229,617	(5,789,208)	(7,051,768)
Interest income	28,701	1,265	39,447	16,379	724,048	1,210,548	792,196	1,228,192	(490,960)	(782,533)	301,236	445,659
Interest expenses	(5,458)	(106,810)	(598,677)	(826,341)	(849)	(4,078)	(604,984)	(937,229)	518,042	774,945	(86,942)	(162,284)
Gains and losses on financial assets at fair value through profit or loss	-	-	(6,301)	-	-	-	(6,301)	-	-	-	(6,301)	-
Gains and losses in associated companies	130,201	145,833	64,003,296	8,851,089	26,637,148	23,593,500	90,770,645	32,590,422	2,252,982	(53,926)	93,023,627	32,536,495
Other financial results	(3,359)	(14,063)	66,290	(694,642)	(80,127)	(1,288,887)	(17,196)	(1,997,592)	120,399	1,227,100	103,203	(770,432)
Income taxation	(41,797)	337,414	(17,288,963)	(287,149)	389,433	(50,246)	(16,941,327)	19	24,264	(38,608)	(16,917,063)	(38,589)
Consolidated net income/(loss) for the period	(2,768,315)	(1,494,275)	43,773,577	2,664,466	26,685,828	22,432,236	67,691,090	23,602,427	2,937,462	1,356,596	70,628,552	24,959,021
Attributable to:												
Shareholders of parent company	(2,768,315)	(1,494,275)	43,751,447	2,590,229	26,685,828	22,432,236	67,668,960	23,528,190	2,937,468	1,356,556	70,606,429	24,884,744
Non-controlling interests	-	-	22,130	74,237	-	-	22,130	74,237	(6)	40	22,123	74,277
Assets												
Tangible and intangible assets and goodwill	1,444,588	877,626	62,713,479	62,944,385	8,985	11,327	64,167,052	63,833,338	(12,045,735)	(12,013,658)	52,121,317	51,819,680
Inventories	194,692	141,036	94,850	43,941	-	-	289,542	184,377	-	-	289,542	184,377
Investments in associated companies and companies jointly controlled	842,793	863,537	88,916,629	79,204,762	684,103,420	684,238,558	773,862,842	764,306,857	(2,798,456)	(983)	771,064,386	764,305,874
Other investments	47,947	87,554	17,521,054	1,678,101	46,260,310	45,701,587	63,829,311	47,467,242	(46,260,309)	(45,701,587)	17,569,002	1,765,655
Other non-current assets	18,095	198,775	13,102,316	11,381,966	77,976,708	103,381,381	91,097,119	114,962,122	(77,632,048)	(103,049,873)	13,465,071	11,912,249
Other current assets of the segment	5,182,357	7,271,175	66,726,340	57,190,833	254,331,270	221,930,760	326,239,967	286,392,768	(15,344,797)	(17,947,022)	310,895,170	268,445,746
Liabilities												
Liabilities of the segment	9,211,299	13,698,031	112,946,053	110,650,791	2,450,079	1,235,730	124,607,431	125,584,552	(35,074,144)	(59,807,144)	89,533,287	65,777,408
CAPEX	402,291	806,018	19,815,594	8,744,481	418	5,342	20,218,303	9,555,841	46,988	140,664	20,265,291	9,696,505

During the periods ended on 30 September 2018 and 2017, the inter-segments sales and services were as follows:

	Media	Technologies	Holding Activities
2018			
Media	-	179,473	-
Technologies	-	-	302,730
Holding Activities	-	1,551	-
External trade debtors	11,252,070	111,672,766	69,248
	11,252,070	111,853,790	371,978
2017			
Media	-	473,480	-
Technologies	618	-	318,750
Holding Activities	98	6,805	-
External trade debtors	11,081,300	94,230,434	65,078
	11,082,016	94,710,719	383,828

During the periods ended on 30 September 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% of revenue.

For the Information Systems segment, also the Portuguese market is dominant, accounting for 53.7% of revenue (46.1% in 2017) followed by the Spanish market, representing 12.28% of revenue (11.58% in 2017).

The consolidated financial statements of NOS on 30 September 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)	September 2018	September 2017 (Reexpress)
Assets		
Tangible assets	1,053,840	1,039,171
Intangible assets	1,225,431	1,256,133
Deferred tax assets	98,204	122,096
Other non-current assets	27,458	31,204
Non-current assets	2,404,933	2,448,604
Trade debtors	447,171	442,400
Cash and cash equivalents	2,484	1,988
Other current assets	88,657	98,130
Current assets	538,312	542,518
Total assets	2,943,245	2,991,122
Liabilities		
Loans	944,518	954,649
Provisions	137,743	136,479
Other non-current liabilities	30,367	65,160
Non-current liabilities	1,112,628	1,156,288
Loans	190,636	205,805
Trade creditors	253,106	222,152
Other current liabilities	318,616	319,907
Current liabilities	762,358	747,864
Total liabilities	1,874,986	1,904,152
Shareholders' funds excluding non-controlling interests	1,061,040	1,078,865
Non-controlling interests	7,219	8,105
Total Shareholders' funds	1,068,259	1,086,970
Total Shareholders' funds and liabilities	2,943,245	2,991,122

Condensed consolidated statements of income by nature

(Amounts expressed in thousands of Euro)	September 2018	September 2017 (Reexpress)
Total revenue	1,167,283	1,159,691
Costs and losses		
Direct costs and External supplies and services	(487,127)	(485,760)
Depreciation, amortisation and impairment losses	(297,111)	(308,089)
Other operating costs	(214,330)	(236,842)
	(998,568)	(1,030,691)
Gains/ (losses) in associated companies	(4,451)	14,983
Financial results	(19,410)	(18,298)
Income taxation	(22,451)	(20,230)
Consolidated net income/(loss) for the period	122,403	105,455
Consolidated net income/(loss) for the period attributed to non-controlling interests	(598)	325
Attributed to shareholders of parent company	123,001	105,130

25. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 70,606,429 in 2018 and Euro 24,884,744 in 2017) by the average number of shares outstanding during the period ended 30 September 2018 and 2017, net of own shares.

26. Staff expenses

For the periods ended on 30 September 2018 and 2017, the caption 'Staff expenses' was composed as follows:

	2018	2017
Remuneration	39,408,102	35,947,083
Remuneration Charges	7,582,860	6,980,281
Medium Term Incentive Plan	362,521	1,479,779
Works for the Company	(3,470,928)	(4,277,021)
Others	1,965,299	2,391,383
	45,847,854	42,521,505

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 March 2017 only to Sonaecom's Directors and in April 2017 to the remaining employees.

The 2014 plan was delivered in April 2018 to all employees.

Accordingly, the plans outstanding on 30 September 2018 are as follows:

	Vesting period			30 September 2018	
	Share price 28 September 2018	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2015 Plan	0.893	10-Mar-16	10-Mar-19	171	1,741,798
2016 Plan	0.893	10-Mar-17	10-Mar-20	5	384,904
2017 Plan	0.893	10-Mar-18	10-Mar-21	2	204,925

During the period ended on 30 September 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:		
Award	2	204,925
Vested	(162)	(1,382,713)
Cancelled / corrected / transfers ⁽¹⁾	(10)	5,171
Outstanding at 30 September 2018:		
Unvested	178	2,331,627
Total	178	2,331,627

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

(a) Of the overdue shares 357,054 were delivered in cash

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 30 September 2018, were as follows:

	Value
Costs recognised in previous years	2,692,812
Costs recognised in the period	362,521
Costs of plans vested in the year	(1,533,445)
Total cost of the plans	1,521,888
Recorded in 'Other current liabilities'	1,321,857
Recorded in 'Other non-current liabilities'	200,031

(a) These costs include the cost of delivery to the Directors of Sonaecom and foreign companies in cash amounting to Euro 396,332

These financial consolidated presentations have been approved by the Executive Board and authorized to be issued on 12 November 2018, being subject to approval by the 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.

3.3. Sonaecom separate financial statements

Statement of financial position

For the periods ended on 30 September 2018 and 2017 and for the year ended on 31 December 2017

(Amounts expressed in Euro)	Notes	September 2018 (not audited)	September 2017 (not audited)	December 2017
Assets				
Non-current assets				
Tangible assets	1a, 1f, 1t and 2	6,308	10,047	8,891
Intangible assets	1b, 1t and 3	2,678	1,280	3,187
Investments in Group companies	1c and 5	56,350,310	52,291,587	58,271,587
Companies jointly controlled	1d and 6	597,666,944	597,666,944	597,666,944
Other non-current assets	1c, 1n, 4, 7 and 20	182,769,306	211,698,052	236,890,820
Deferred tax assets	1m and 8	117,402	93,329	114,706
Total non-current assets		836,912,948	861,761,239	892,956,135
Current assets				
Income tax receivable	1 m and 4	812,009	736,801	737,633
Other current debtors	1e, 1g, 4, 9 and 20	1,067,084	17,824,914	709,433
Other current assets	1e, 1n, 4, and 20	333,599	500,569	441,565
Cash and cash equivalents	1e, 1h, 4, 10 and 20	252,064,848	202,814,745	190,901,170
Total current assets		254,277,540	221,877,029	192,789,801
Total assets		1,091,190,488	1,083,638,268	1,085,745,936
Shareholder' funds and liabilities				
Shareholders' funds				
Share capital	1l	230,391,627	230,391,627	230,391,627
Own shares	1r and 12	(8,441,804)	(8,441,804)	(8,441,804)
Reserves	1q	850,152,758	845,695,705	845,695,705
Net income / (loss) for the period		16,691,557	14,810,741	15,770,507
Total Shareholders' funds		1,088,794,138	1,082,456,269	1,083,416,035
Liabilities				
Non-current liabilities				
Provisions for other liabilities and charges	1l and 14	366,386	269,665	269,665
Other non-current liabilities	1n, 1u, 4 and 23	139,027	165,872	224,758
Total non-current liabilities		505,413	435,537	494,423
Current liabilities				
Other creditors	1g, 4, 15 and 20	1,200,536	153,458	1,122,256
Other current liabilities	1n, 1u, 4 and 23	690,401	593,004	713,222
Total current liabilities		1,890,937	746,462	1,835,478
Total liabilities		2,396,350	1,181,999	2,329,901
Total Shareholders' funds and liabilities		1,091,190,488	1,083,638,268	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 30 September 2018 and 2017 and for the year ended on 31 December 2017

(Amounts expressed in Euro)	Notes	September 2018 (not audited)	July to September 2018 (not audited)	September 2017 (not audited)	July to September 2017 (not audited)	December 2017
Services rendered	1o and 20	371,978	87,881	383,828	130,654	514,483
Other operating revenues	1o and 20	51,153	39,566	71,763	5,464	92,873
		423,131	127,447	455,591	136,118	607,356
External supplies and services	1f, 16 and 20	(490,553)	(145,407)	(485,950)	(154,855)	(541,225)
Staff expenses	1u and 23	(781,893)	(279,398)	(915,350)	(358,928)	(1,285,953)
Depreciation and amortisation	1a, 1b, 2 and 3	(3,162)	(692)	(9,080)	(2,255)	(10,456)
Provisions and impairment losses	1l, 1t and 14	(96,720)	24,103	(54,888)	-	(54,888)
Other operating costs		(34,627)	(11,636)	(18,924)	(11,801)	(46,164)
		(1,406,955)	(413,030)	(1,484,192)	(527,839)	(1,938,686)
Gains and losses on Group companies and companies jointly controlled	1d, 1o, 5, 7 and 17	16,524,079	859,383	14,744,089	5,980,999	15,667,446
Other financial expenses	1c, 1i, 1j, 1s, 1t, 13, 18 and 20	(19,015)	21,556	(65,049)	(8,221)	(82,495)
Other financial income	1s, 18 and 20	780,884	306,614	1,210,548	414,816	1,585,101
Earnings before taxes		16,302,124	901,970	14,860,987	5,995,873	15,838,722
Income taxation	1m, 8 and 19	389,433	387,546	(50,246)	(14,538)	(68,215)
Net income / (loss) for the period		16,691,557	1,289,516	14,810,741	5,981,335	15,770,507
Earnings per share	22					
Excluding discontinued operations:						
Basic		0.05	0.00	0.05	0.02	0.05
Diluted		0.05	0.00	0.05	0.02	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 30 September 2018 and 2017 and for the year ended on 31 December 2017

(Amounts expressed in Euro)	Notes	September 2018 (not audited)	July to September 2018 (not audited)	September 2017 (not audited)	July to September 2017 (not audited)	December 2017
Net income / (loss) for the period		16,691,557	1,289,516	14,810,741	5,981,335	15,770,507
Comprehensive income for the period		16,691,557	1,289,516	14,810,741	5,981,335	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 30 September 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	-	-	-	788,525	-	14,981,982	15,770,507	(15,770,507)	-
Dividend Distribution	-	-	-	-	-	(11,313,454)	(11,313,454)	-	(11,313,454)
Comprehensive income for the period ended at 30 September 2018	-	-	-	-	-	-	-	16,691,557	16,691,557
Balance at 30 September 2018	230,391,627	(8,441,804)	775,290,377	17,701,887	8,441,804	48,718,690	850,152,758	16,691,557	1,088,794,138
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	-	-	-	1,750,185	-	33,253,515	35,003,700	(35,003,700)	-
Dividend Distribution	-	-	-	-	-	(23,544,214)	(23,544,214)	-	(23,544,214)
Comprehensive income for the period ended at 30 September 2017	-	-	-	-	-	-	-	14,810,741	14,810,741
Balance at 30 September 2017	230,391,627	(8,441,804)	775,290,377	16,913,362	8,441,804	45,050,162	845,695,705	14,810,741	1,082,456,269

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 30 September 2018 and 2017

(Amounts expressed in Euro)	Notes	September 2018 (not audited)	September 2017 (not audited)
Operating activities			
Receipts from trade debtors		600,978	324,015
Payments to trade creditors		(523,956)	(476,592)
Payments to employees		(852,907)	(865,051)
Cash flows from operating activities		(775,885)	(1,017,628)
Payments / receipts relating to income taxes		18,799	25,445
Other payments / receipts relating to operating activities		(29,993)	(549,676)
Cash flows from operating activities (1)		(787,079)	(1,541,859)
Investing activities			
Receipts from:			
Supplementary Capital	7	47,812,800	300,000
Interest and similar income		956,154	1,374,797
Loans granted	7	18,700,000	165,000
Dividends	17	19,755,883	16,512,004
Payments for:			
Supplementary Capital		11,716,464	952,500
Tangible assets		(2,616)	(4,091)
Intangible assets		(70)	(696)
Loans granted	7	(1,985,000)	(295,000)
Cash flows from investing activities (2)		73,520,687	17,099,514
Financing activities			
Receipts from:			
Interest and similar expenses		(256,476)	(132,420)
Dividends Paid	20	(11,313,454)	(23,544,215)
Cash flows from financing activities (3)		(11,569,930)	(23,676,635)
Net cash flows (4)=(1)+(2)+(3)		61,163,678	(8,118,980)
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	252,064,848	202,814,745

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 30 September 2018 and 2017.

	Notes	September 2018 (not audited)	September 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	18,700,000	-
Loan repayment from Público - Comunicação Social, S.A.	7	-	165,000
Reimbursement of supplementary capital from Sonae Investment Management - Software and Technology, SGPS, S.A.	7	47,812,800	-
Reimbursement of supplementary capital from PCJ - Público, Comunicação e Jornalismo, S.A.	7	-	300,000
		66,512,800	465,000
b) Payments from other business activities			
Loan granted to Sonae Investment Management - Software and Technology, SGPS, S.A.	7	1,985,000	295,000
Supplementary capital to Sonae Investment Management - Software and Technology, SGPS, S.A.	7	11,716,464	952,500
		13,701,464	1,247,500
c) Dividends received			
ZOPT, SGPS, S.A.	17	19,755,883	16,512,004
		19,755,883	16,512,004

	Notes	September 2018 (not audited)	September 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

3.4. Notes to the separate financial statements of Sonaecom

SONAECON, 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 offerer 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 30 September 2018:

Standard / Interpretation	Effective date (annual periods beginning on or after)
Amendments to IFRS 4 - Applying IFRS 9 Financial	1-Jan-18
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.	
Amendments to IFRS 2 - Share-based payment	1-Jan-18
The objective of clarifications to IFRS 2 Share-based Payment was to clarify the classification and measurement of share-based payment transactions.	
Annual Improvements to IFRS Standards 2014-2016 Cycle	1-Jan-18
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.	
IFRIC Interpretation 22 - Foreign currency transactions and advance consideration	1-Jan-18
IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	
Amendments to IAS 40 - Transfers of investment property	1-Jan-18
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.	

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:

- Application only for contracts not completed on 01/01/2018
- 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 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 with mandatory application in future economic periods, have 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 IFRS 16 - 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 on 30 September 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
Amendments to references to the conceptual framework in IFRS standards Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.	1-Jan-20

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 30 September 2018, because its application is not mandatory.

The accounting policies and measurement criteria adopted by the company on 30 September 2018 are comparable with those used in the preparation of 30 September 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 cash flows, and these contractual cash flows are only capital repayment and interest payments on outstanding capital.

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, cancelled 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.

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 to which they relate.

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 30 September 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, in 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, since 1 January 2015, Sonaecom is under the special regime for the taxation of groups of companies, from which Sonae is the dominant company. 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 the year ended in 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%. The subsidiary Inovretail became part of the special tax regime for groups of companies on 1 January 2018. The subsidiary S21sec Portugal ceased to belong to the Special Group Taxation Regime due to the capital inflow of Nexthold, S.L.

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 1.1).

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 30 September 2018, Sonaecom, have free reserves distributable amounting approximately Euro 63 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 30 September 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	
	30 September	Average	30 September	Average
Pounds Sterling	1.1270	1.1314	1.1341	1.1462
Swiss franc	0.8837	0.8613	0.8728	0.9140
Swedish krona	0.0970	0.9772	0.1036	0.1060
American Dollar	0.8639	0.8377	0.8470	0.8999

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'.

On 30 September 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 30 September 2018, the plans granted during the year 2016, 2017 and 2018 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 30 September 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 30 September 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. The fair value of cash flow hedge derivatives, which are considered effective as defined in IAS 39, are recognized in the caption loans and changes in equity".

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 30 September 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 company'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 company 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 amount 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 a negative average gearing (accounting) of 19.4%. The average gearing in market values in 2018 was negative in 28.4%.

2. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the periods ended on 30 September 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 on 31 December 2017	347,208	43,858	22,060	171	247,785	101	661,183
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance on 30 September 2018	347,208	43,858	22,060	171	247,785	101	661,183
Accumulated depreciation and impairment losses							
Balance on 31 December 2017	341,952	43,858	22,060	171	244,150	101	652,292
Depreciation for the period	1,633	-	-	-	950	-	2,583
Balance on 30 September 2018	343,585	43,858	22,060	171	245,100	101	654,875
Net value	3,623	-	-	-	2,685	-	6,308

							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	-	-	-	-	4,091	-	4,091
Balance on 30 September 2017	347,208	43,858	22,060	171	247,787	104	661,188
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 period	2,877	-	3,216	-	1,367	-	7,460
Balance on 30 September 2017	341,112	43,858	22,060	171	243,836	104	651,141
Net value	6,096	-	-	-	3,951	-	10,047

3. Intangible assets

The movement in intangible assets and in the corresponding accumulated amortisation and impairment losses in the periods ended on 30 September 2018 and 2017 was as follows:

				2018
	Industrial property	Software	Intangible assets in progress	Total
Gross assets				
Balance on 31 December 2017	9,857	195,879	-	205,736
Additions	70	-	-	70
Transfers	-	-	-	-
Balance on 30 September 2018	9,927	195,879	-	205,806
Accumulated amortisation and impairment				
Balance on 31 December 2017	9,811	192,738	-	202,549
Amortisation for the period	58	521	-	579
Balance on 30 September 2018	9,869	193,259	-	203,128
Net value	58	2,620	-	2,678

				2017
	Industrial property	Software	Intangible assets in progress	Total
Gross assets				
Balance on 31 December 2016	9,789	193,127	-	202,916
Additions	70	-	626	696
Transfers	-	-	-	-
Balance on 30 September 2017	9,859	193,127	626	203,612
Accumulated amortisation and impairment				
Balance on 31 December 2016	9,783	190,929	-	200,712
Amortisation for the period	23	1,597	-	1,620
Balance on 30 September 2017	9,806	192,526	-	202,332
Net value	53	601	626	1,280

4. Breakdown of financial instruments

On 30 September 2018 and 2017, the breakdown of financial instruments according to IFRS 9 was as follows:

					2018
	Assets measured at amortised cost	Other financial assets	Total financial assets	Others not covered by IFRS 9	Total
Non-current assets					
Other non-current assets (note 7)	182,769,306	-	182,769,306	-	182,769,306
	182,769,306	-	182,769,306	-	182,769,306
Current assets					
Income tax receivable	-	-	-	812,009	812,009
Other trade debtors (note 9)	993,054	-	993,054	74,030	1,067,084
Other current assets	-	248,677	248,677	84,922	333,599
Cash and cash equivalents (note 10)	252,064,848	-	252,064,848	-	252,064,848
	253,057,902	248,677	253,306,579	970,961	254,277,540

					2017
	Assets measured at amortised cost	Other financial assets	Total financial assets	Others not covered by IFRS 9	Total
Non-current assets					
Other non-current assets (note 7)	211,698,052	-	211,698,052	-	211,698,052
	211,698,052	-	211,698,052	-	211,698,052
Current assets					
Income tax receivable	-	-	-	736,801	736,801
Other trade debtors (note 9)	17,680,091	-	17,680,091	144,823	17,824,914
Other current assets	-	468,142	468,142	32,427	500,569
Cash and cash equivalents (note 10)	202,814,745	-	202,814,745	-	202,814,745
	220,494,836	468,142	220,962,978	914,051	221,877,029

					2018
	Liabilities recorded at amortized cost	Total financial liabilities	Others not covered by IFRS 9	Total	
Non-current liabilities					
Other non-current liabilities	-	-	139,027	139,027	
	-	-	139,027	139,027	
Current liabilities					
Other creditors (note 15)	1,169,332	1,169,332	31,204	1,200,536	
Other current liabilities	498,253	498,253	192,148	690,401	
	1,667,585	1,667,585	223,352	1,890,937	

					2017
	Liabilities recorded at amortized cost	Total financial liabilities	Others not covered by IFRS 9	Total	
Non-current liabilities					
Other non-current liabilities	-	-	165,872	165,872	
	-	-	165,872	165,872	
Current liabilities					
Other creditors (note 15)	114,152	114,152	39,306	153,458	
Other current liabilities	437,973	437,973	155,031	593,004	
	552,125	552,125	194,337	746,462	

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 30 September 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)	(36,936,277)	(34,995,000)
Total investments in Group companies	56,350,310	52,291,587

The movements that occurred in investments in this caption during the periods ended on 30 September 2018 and 2017 were as follows:

Company	Balance at 31 December 2017	Additions	Disposals	Balance on 30 September 2018
Sonae IM	52,241,587	-	-	52,241,587
Público	23,305,000	-	-	23,305,000
PCJ	15,690,000	-	-	15,690,000
Sonaecom SP	2,050,000	-	-	2,050,000
	93,286,587	-	-	93,286,587
Impairment losses (note 14)	(35,015,000)	2,000,000	(78,723)	(36,936,277)
Total investments in Group companies	58,271,587	2,000,000	(78,723)	56,350,310

Company	Balance at 31 December 2016	Additions	Disposals	Balance on 30 September 2017
Sonae IM	52,241,587	-	-	52,241,587
Público	21,305,000	-	-	21,305,000
PCJ	13,690,000	-	-	13,690,000
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 on 30 September 2018, the amount of 2.00.000 euros of increases corresponds to the impairment of financial investments in Público and PCJ and the amount of 78,723 euros corresponds to the impairment reversal in PCJ (note 14).

On 30 September 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 thousand Euro)		2018			2017		
Company	Head office	% holding	Shareholders' funds	Net profit / (loss)	% holding	Shareholders' funds	Net profit / (loss)
ZOPT (a) (note 6)*	Matosinhos	50%	2,320,243	112,309	50%	2,364,546	91,968
Sonae IM	Maia	100%	115,274	32,991	100%	89,405	(1,174)
PCJ	Maia	100%	1,931	151	100%	(260)	14
Sonaecom SP	Maia	100%	2,373	97	100%	391	181
Público	Maia	100%	(851)	(2,919)	100%	(1,438)	(1,508)

* At 30 September 2018, the market capitalization of NOS amounted to 2,658 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.

On 30 September 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:

Assumptions	Technologies				Media
	Telecommunications	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	10%	3.0%	3.0%	1%-2%	0.01%

The average growth rate considered for the 5-year turnover was 9.2% for the Technologies 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 30 September 2018, beyond registered in the income statement.

6. Investments in companies jointly controlled

On 30 September 2018 and 2017, this caption included the following investments in companies jointly controlled and was as follows:

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 30 September 2018 and 2017 were as follows:

Company	Balance on 31 December 2017	Additions	Disposals	Transfers	Balance on 30 September 2018
ZOPT	597,666,944	-	-	-	597,666,944

Company	Balance on 31 December 2016	Additions	Disposals	Transfers	Balance on 30 September 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"). On the period ended on 30 September 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 30 September 2018 and 2017, this caption was made up as follows:

	2018	2017
Financial assets		
Medium and long-term loans granted to group companies and jointly controlled:		
Sonae IM	15,310,000	32,710,000
PCJ	70,000	-
Público	-	2,170,000
	15,380,000	34,880,000
Supplementary capital:		
Zopt	115,000,000	115,000,000
Sonae IM	52,440,283	65,002,291
Público	7,240,000	3,740,000
PCJ	2,850,000	2,850,000
	177,530,283	186,592,291
	192,910,283	221,472,291
Accumulated impairment losses (note 14)	(10,357,521)	(9,990,351)
Others	216,544	216,112
	182,769,306	211,698,052

During the periods ended on 30 September 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	1,985,000	(18,700,000)	15,310,000
PCJ	70,000	-	-	70,000
	32,095,000	1,985,000	(18,700,000)	15,380,000

				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 30 September 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	88,536,619	11,716,464	(47,812,800)	52,440,283
Público	7,240,000	-	-	7,240,000
PCJ	2,850,000	-	-	2,850,000
	213,626,619	11,716,464	(47,812,800)	177,530,283

				2017
Company	Opening balance	Increases	Decreases	Closing balance
ZOPT	115,000,000	-	-	115,000,000
Sonae IM	64,049,791	952,500	-	65,002,291
Público	3,740,000	-	-	3,740,000
PCJ	3,150,000	-	(300,000)	2,850,000
	185,939,791	952,500	(300,000)	186,592,291

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 30 September 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.

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 30 September 2018 and 2017 were as follows:

	2018	2017
Opening balance	114,706	94,475
Movement in provisions not accepted for tax purposes and other temporary differences	2,696	(1,146)
Closing balance	117,402	93,329

On 30 September 2018 and 2017, an assessment was made of the deferred taxes to be recognized, resulting from essentially deferred tax assets, that having been recorded only to the extent it was probable, with reasonable certainty that future taxable profits would be usable and against which tax losses or tax deductible 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 30 September 2018 and 2017, the values of deferred taxes assets not recorded were Euro 1,989,007 generated in 2014 and available for use up to 2026. In addition, there are impairment losses in amount of Euro 47,293,797 (Euro 44,985,351 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 30 September 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%.

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 30 September 2018 and 2017 is as follows:

	2018	2017
Earnings before tax	16,302,124	14,860,987
Tax (21%)	(3,423,446)	(3,120,807)
Autonomous taxation surcharge	(6,618)	(16,605)
Tax losses of the period not record	(35,883)	-
Temporary differences from the period without record deferred tax assets	(678,499)	855
Adjustments of results not tax deductible	4,533,879	3,087,457
Record of deferred tax assets	-	(1,146)
Income taxation recorded in the period (note 19)	389,433	(50,246)

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 30 September 2018.

9. Other current debtors

On 30 September 2018 and 2017, this caption was made up as follows:

	2018	2017
State and other public entities	74,030	144,824
Trade debtors	993,054	17,680,090
	1,067,084	17,824,914

On 30 September 2017, the caption "Other debtors" includes the amount of Euro 17.246.482 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 30 September 2018 and 2017, the caption 'Trade 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 30 September 2018 and 2017, the caption 'State and other public entities' corresponds to value added tax in the amount of Euro 74,030 and Euro 144,824, respectively.

10. Cash and cash equivalents

On 30 September 2018 and 2017, the breakdown of cash and cash equivalents was as follows:

	2018	2017
Cash	893	47
Bank deposits repayable on demand	240,213,955	86,044,268
Treasury applications	11,850,000	116,770,000
	252,064,848	202,814,315

On 30 September 2018 and 2017, the caption 'Treasury applications' had the following breakdown:

	2018	2017
Bank applications	-	100,000,000
Sonae IM	10,685,000	13,430,000
Público	1,165,000	3,250,000
PCJ	-	90,000
	11,850,000	116,770,000

In the period ended on 30 September 2018 and 2017, Sonaecom entered into financial transaction contracts with Sonae, Sonae IM and Público.

The treasury applications immediately available, mentioned above, are remunerated during the period ended on 30 September 2018, with an interest average rate of 0.24% (0.39% in 2017).

11. Share capital

On 30 September 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 12)	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 30 September 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 30 September 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 30 September 2018 and 2017, the available credit lines are as follows:

					Maturity
	Limit	Amount outstanding	Amount available	Until 12 months	More than 12 months
Credit 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 30 September 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 30 September 2018 and 2017 were as follows:

	Opening balance	Increases	Decreases	Closing balance
2018				
Accumulated impairment losses on investments in Group companies (notes 5 and 17)	35,015,000	2,000,000	(78,723)	36,936,277
Accumulated impairment losses on other non-current assets (notes 7 and 17)	9,046,994	1,310,527	-	10,357,521
Provisions for other liabilities and charges	269,665	96,720	-	366,386
	44,331,659	3,407,247	(78,723)	47,660,184
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	1,767,915	-	9,990,351
Provisions for other liabilities and charges	214,777	54,888	-	269,665
	43,432,213	1,822,803	-	45,255,016

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).

On 30 September 2018 and 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 and PCJ and an impairment reversal in PCJ.

15. Other creditors

On 30 September 2018 and 2017, this caption was made up as follows:

	2018	2017
Other creditors	1,169,332	114,152
State and other public entities	31,204	39,306
	1,200,536	153,458

On 30 September 2018 and 2017, the caption "State and other public entities" were made up as follows:

	2018	2017
Social security contributions	16,372	20,067
Personal income tax	14,832	19,239
	31,204	39,306

16. External supplies and services

On 30 September 2018 and 2017, this caption was made up as follows:

	2018	2017
Specialised work	289,526	322,968
Travel and accommodation	71,103	40,679
Insurance	38,476	37,350
Communications	24,675	23,405
Rents	21,877	30,598
Other external supplies and services	44,896	30,950
	490,553	485,950

17. Gains and losses on investments

On 30 September 2018 and 2017, these captions 'Gains and losses on investments in group companies and jointly controlled' 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 jointly controlled		
Losses related to Group companies (notes 5 and 14)	(3,310,527)	(1,767,915)
Gains related to Group companies (note 5 and 14)	78,723	-
Dividends obtained (note 21)	19,755,883	16,512,004
	16,524,079	14,744,089

On 30 September 2018 and 2017, losses on the Group companies include the reinforcement of impairment losses on investments in Público and PCJ in the amount of Euro 3,310,527 (Euro 1,767,915 in 2017).

18. Financial results

Net financial results for the periods ended on 30 June 2018 and 2017 are made up as follows ((costs)/gains):

	2018	2017
Other financial expenses		
Interest expenses:		
Other loans	(849)	(4,078)
	(849)	(4,078)
Foreign currency exchange losses	(1,154)	(149)
Other financial expenses	(17,012)	(60,822)
	(18,166)	(60,971)
	(19,015)	(65,049)
Other financial income		
Interest income (note 20)	724,048	1,210,548
Foreign currency exchange gains	463	-
Other financial income	56,373	-
	780,884	1,210,548

19. Income Taxation

Income taxes recognized during the periods ended on 30 September 2018 and 2017 were made up as follows ((costs) / gains):

	2018	2017
Current tax (note 8)	386,737	(49,100)
Deferred tax assets (note 8)	2,696	(1,146)
Closing balance (note 8)	389,433	(50,246)

20. Related parties

During the periods ended on 30 September 2018 and 2017, the most significant balances and transactions with related parties were as follows:

						Balances on 30 September 2018
	Accounts receivable (note 9)	Accounts payable (note 15)	Treasury applications (note 10)	Other assets	Other liabilities	Loans granted (note 7)
Parent Company	111,157	5,914	-	104,400	79,274	-
Companies jointly controlled	13,869	-	-	-	-	-
Others related parties	847,423	146,898	-	102,183	880	-
Subsidiaries	231,090	900,141	11,850,000	52,666	-	15,380,000
	1,203,539	1,052,953	11,850,000	259,249	80,154	15,380,000

						Balances on 30 September 2017
	Accounts receivable (note 9)	Accounts payable (note 15)	Treasury applications (note 10)	Outros assets	Other liabilities	Loans granted (note 7)
Parent Company	17,246,482	-	-	216,032	117,250	-
Companies jointly controlled	13,869	-	-	-	-	-
Others related parties	491	34,937	-	281,684	-	-
Subsidiaries	389,050	23,334	16,770,000	160,089	-	34,880,000
	17,649,892	58,271	16,770,000	657,805	117,250	34,880,000

				Transactions on 30 September 2018
	Sales and services rendered	Supplies and services received (note 16)	Interest and similar income (note 18)	Supplementary income
Parent Company	-	-	253,870	-
Companies jointly controlled	-	6,775	-	-
Others related parties	-	92,877	-	11,550
Subsidiaries	371,978	-	463,043	1,714
	371,978	99,652	716,914	13,264

				Transactions on 30 September 2017
	Sales and services rendered	Supplies and services received (note 16)	Interest and similar income (note 18)	Supplementary income
Parent Company	-	87,500	400,088	-
Companies jointly controlled	-	-	-	-
Others related parties	-	90,043	-	17,140
Subsidiaries	383,828	159,405	782,532	1,713
	383,828	336,948	1,182,620	18,853

During the period ended on 30 September 2018, the company distributed dividends, in the amount of Euro 2,997,850 to Sonae SGPS (Euro 6,238,768 on 30 September 2017) and Euro 7,180,335 to Sontel BV (Euro 14,942,860 on 30 September 2017).

During the period ended on 30 September 2018 and 2017, the company recognized in the amount of Euro 19,755,883 related to dividends from Zopt (Euro 16,512,004 on 30 September 2017).

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 30 September 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	1,558,985
		2,311,861	1,558,985

In addition to these guarantees were set up sureties for the current fiscal processes. Sonae SGPS consisted of Sonaecom surety to the amount of Euro 28,111,898.65 and Sonaecom of Público surety for the amount of Euro 564,899.64.

On 30 September 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.

On 30 September 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 (Euro 16,691,557 in 2018 and Euro 14,810,741 in 2017) by the average number of shares outstanding during the periods ended on 30 September 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.

The 2014 plan was delivered in April 2018 to all employees.

Therefore, the outstanding plans on 30 September 2018 are as follows:

		Vesting period		30 September 2018	
	Share price 28 September 2018	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2015 Plan	0.8925	10-Mar-16	10-Mar-19	4	258,524
2016 Plan	0.8925	10-Mar-17	10-Mar-20	2	245,526
2017 Plan	0.8925	10-Mar-18	10-Mar-21	2	204,925

During the period ended on 30 September 2018, the movements that occurred in the plans can be summarized as follows:

	Sonae SGPS shares	
	Aggregate number of participations	Number of shares
Outstanding on 31 December 2017:		
Still deferred	10	671,138
Total	10	671,138
Movements in the period:		
Awarded	2	204,925
Overdue (a)	(4)	(187,853)
Cancelled / lapsed / corrected*	-	20,765
Outstanding on 30 September 2018:		
Still deferred	8	708,975
Total	8	708,975

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 30 June 2018 are as follows:

	Value
Costs recognised in previous years	421,439
Costs recognised in the period	116,754
Costs of plans vested in the period (a)	(207,018)
Total cost of the plans	331,175
Recorded in 'Other current liabilities	192,148
Recorded in 'Other non-current liabilities	139,027

(a) These costs include costs of delivery to the Administrators in cash in the amount of Euro 193,525.

These financial statements were approved by the Board of Directors on 12 November 2018.

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.

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This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that are not historical facts.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, the telecommunications industry and economic conditions; and the effects of competition. Forward-looking statements may be identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "future" or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors, analysts and, generally, the recipients of this document are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. You are cautioned not to put undue reliance on any forward-looking information or statements. We do not undertake any obligation to update any forward-looking information or statements.

Report available on Sonaecom's corporate website

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